



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

Public Utilities Commission Building
525 Golden Gate Ave., 4th Floor
San Joaquin Conference Room
San Francisco, CA 94102

June 12, 2017 - 9:00 AM

Regular Meeting

Mission: The purpose of the Revenue Bond Oversight Committee (RBOC) is to monitor the expenditure of revenue bond proceeds related to the repair, replacement, upgrade and expansion of the SFPUC's water, power and sewer infrastructure. The RBOC's goal is to ensure that specific SFPUC revenue bond proceeds are spent appropriately and according to authorization and applicable laws. The RBOC provides oversight to ensure transparency and accountability in connection with expenditure of the proceeds. The public is welcome to attend RBOC meetings and provide input.

1. Call to Order and Roll Call

Seat 1 Holly Kaufman, Co-Chair (*Holdover status*)
Seat 2 Kevin Cheng (*Holdover status*)
Seat 3 Robert Leshner, Co-Chair
Seat 4 Tim Cronin
Seat 5 Travis George, Vice Chair
Seat 6 Christina Tang
Seat 7 Jennifer Millman

2. Agenda Changes

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

4. **San Francisco Public Utilities Commission (SFPUC) Staff Report:** Sewer System Improvement Program (SSIP) Updates - Collection System Plan and Lessons Learned (*Discussion*)

5. **San Francisco Public Utilities Commission (SFPUC) Staff Report:** Debt Management Policies and Procedures, Including Green Bonds (*Discussion*)

6. **City Services Auditor Staff Report:** Consultant Pool Presentation (*Discussion*) (*Attachment*)

7. **San Francisco Public Utilities Commission (SFPUC) Staff Report:** Environmental Justice Update, Including Policy and Checklist (*Discussion*) (*Attachment*)
8. **Committee Discussion:** Review RBOC Account and Budget; Preview of Debt Certification by Bond Series (*Discussion*)
9. **Committee Discussion:** RBOC Site Visit (*Discussion*)
10. **Approval of Minutes:** May 8, 2017, Meeting Minutes (*Discussion and Action*) (*Attachment*)
11. **Announcements, Comments, Questions, and Future Agenda Items**

July 24, 2017

1. WSIP update - staff report
2. Green infrastructure – delivery methods
3. Mountain Tunnel Update

August 7, 2017

1. Half day field trip/site visit – location TBD, possible locations: Mountain Tunnel, Calaveras Dam, Southeast Plant

September 18, 2017

1. SSIP Update
2. Follow up to May discussion on avoiding major costs overruns and consultant pool info
3. Review RBOC account/budget
4. Green infrastructure – delivery methods – follow up

October 16, 2017

1. WSIP update
2. Seminar on capital planning
3. Calaveras Dam – deep dive
4. RBOC Succession Planning
5. Annual Report Draft

November 6, 2017

1. SSIP update

December 11, 2017

1. Clean Power/Power Enterprise presentation

12. **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 documents, please contact RBOC 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

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

Meeting Procedures

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.

Procedures do not permit: 1) persons in the audience to vocally express support or opposition to statements by Commissioners by other persons testifying; 2) ringing and use of cell phones, pagers, and similar sound-producing electronic devices; 3) bringing in or displaying signs in the meeting room; and 4) standing in the meeting room.

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.

LANGUAGE INTERPRETERS: Requests must be received at least 48 hours in advance of the meeting to help ensure availability. Contact Peggy Nevin at (415) 554-5184. AVISO EN ESPAÑOL: La solicitud para un traductor debe recibirse antes de mediodía de el viernes anterior a la reunion. Llame a Derek Evans (415) 554-5184. PAUNAWA: Ang mga kahilingan ay kailangang matanggap sa loob ng 48 oras bago mag miting upang matiyak na matutugunan ang mga hiling. Mangyaring tumawag kay sa (415) 554-5184.

Disability Access

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翻譯 必須在會議前最少四十八小時提出要求
請電 (415) 554-7719

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.

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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, Section 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; website www.sfgov.org/ethics.

QUARTERLY AUDIT AND PERFORMANCE REVIEW REPORT



**San Francisco
Water Power Sewer**
Services of the San Francisco Public Utilities Commissioner

Assurance and Internal Controls
Business Services
FY 2016-17, Quarter 3
Ending March 31, 2017

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Audit and Performance Highlights:

Power

1. *GoSolarSF Program Rebates and Incentives Audit, 1/18/2017*
CSA evaluated residential and commercial SFPUC GoSolarSF rebates/incentives program. Review included eligibility criteria, application process, and verification of eligibility.
 - Recommendations were made to improve the program's application and renewal process, requirements, guidelines, and overall monitoring.
 - CSA suggested further clarifying the three ways applicants can receive the Environmental Justice Incentive.

Business Services, Finance

1. *FY 2015-16 City and County of San Francisco Basic Financial Statements & Single Audit Report, 1/20/2017*
MGO LLP evaluated the City and County of San Francisco's financial statements for accuracy and no misstatements. Major federal programs were evaluated for compliance with OMB circular A-133 requirements.
 - The SFPUC was not the primary auditee of this audit since no expenditures in FY 2015-16 were recorded using Federal funds.
2. *Wholesale Revenue Requirement: Statement of Changes in Balancing Account, FY 2015-16, 2/27/2017*
KPMG LLP and Yano Accountancy Corp audited the Statement of Changes in the Balancing Account required by the Water Supply Agreement (WSA), between the SFPUC and its wholesale customers.
 - Statement presents fairly, in all material respects, changes in the balancing account in accordance with Article VII, Section 7.02 of the WSA.
 - A significant deficiency noted inadequate operation of a control that ensures all programmatic project related expenses are reflected in the Statement.

Open Audits and Recommendations, Prior Fiscal Years

Since Q3, FY 2016-17, 90.5% of prior years' open audit recommendations were closed. Of the open audits, 33.3% (2 out of 6) were issued prior to FY 2015-16. See Appendix II for details.

Summary of Quarterly Activity:

As of the report date, the SFPUC has a total of 42 audits in various stages of completion for FY 2016-17: 19 are completed, 11 are in progress and 12 are upcoming.

Figure 1: Portfolio by Audit Status, Q3

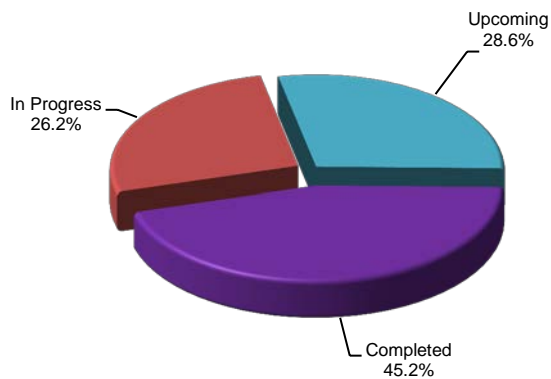
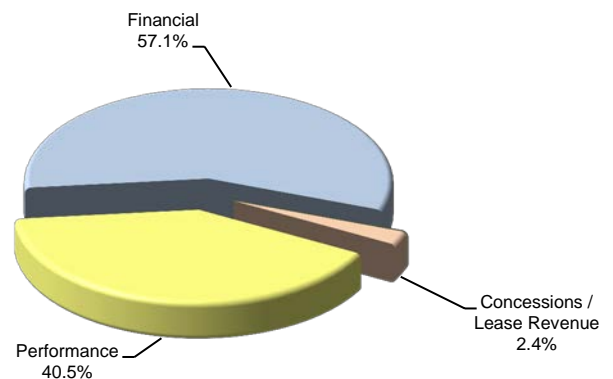


Figure 2: Portfolio by Audit Type, Q3



Projects Beginning Next Quarter:

- FY 2016-17 Interim Audited Financial Statements
- FY 2016-17 Annual Physical Inventory Count
- CleanPowerSF Green-e Energy Audit (Internal SFPUC)

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Quarterly Audit & Performance Review Report Dashboard FY 2016-17, Quarter 3, Ending March 31




By status, as of March 31, 2017

Completed:	19
In Progress:	11
Upcoming:	12
Total:	42

#	Quarter Status	Audit Type	Enterprise / Bureau	Audit Name	Oversight Body	Outcome	Pg.
1	Completed	Financial	Water	Annual Physical Inventory Count, FY 2015-16	SFPUC, Finance		1
2	Completed	Financial	Wastewater				
3	Completed	Financial	Hetch Hetchy Water & Power				
4	Completed	Financial	Water	Audited Financial Statements, FY 2015-16	Controller		1
5	Completed	Financial	Wastewater				
6	Completed	Financial	Hetch Hetchy Water & Power				
7	Completed	Financial	Business Services, Finance	SFPUC Comprehensive Annual Financial Report, FY 2015-16	SFPUC		1
8	Completed	Financial	Business Services, Finance	Popular Annual Financial Report, FY 2015-16	SFPUC		1
9	Completed	Financial	Business Services, Finance	Sales and Use Tax Audit	CA Board of Equalization		1
10	[Updated] Completed	Financial	Business Services, Finance	OMB A-133 Single Audit – Federal Grants	Controller		2
11	[Updated] Completed	Financial	Business Services, Finance	Wholesale Revenue Requirement: Statement of Changes in Balancing Account, FY 2015-16	BAWSCA		2
12	Completed	Financial	All SFPUC	Cash Receipts and Revenue Internal Controls Audit	CSA, Controller		2
13	Completed	Performance	Hetch Hetchy Water & Power	NERC CIP Compliance Monitoring Self-Certification	WECC / NERC		2
14	Completed	Performance	Power	NRG Energy Center Franchise Fee Audit	CSA, Controller		2
15	Completed	Performance	Power	Pacific Gas and Electric Franchise Fee Audit	CSA, Controller		2
16	Completed	Performance	Power	2015-16 CA Independent System Operator (CAISO), Scheduling Coordinators Self-Audit	CAISO		3
17	[Updated] Completed	Performance	Power	Rebates and Incentives Audit: GoSolarSF Program	CSA, Controller		3
18	Completed	Performance	External Affairs, Community Benefits	Community Benefits, Phase II: Commitments in Contracts	CSA, Controller		3
19	Completed	Performance	All SFPUC	Health and Safety Program Performance Assessment, Phase II	CSA, Controller		3

Positive
 Some Concern
 Significant Concern

#	Quarter Status	Audit Type	Enterprise / Bureau	Audit Name	Oversight Body	Outcome	Pg.
20	In Progress	Financial	Power	Distributed Antennae System (DAS) Revenues, Process Review	SFPUC AIC		3
21	In Progress	Financial	Infrastructure	Citywide Contract Compliance Audit Program, Open Market Purchasing (OMP) Authority	CSA, Controller		3
22	In Progress	Financial	All SFPUC	Citywide Payroll Audit Program	CSA, Controller		4
23	In Progress	Financial	All SFPUC	Political Activity Fund Compliance Assessment: Townsend Management, Inc.	CSA, Controller		4
24	In Progress	Performance	Wastewater	SFPUC Divisional Performance Audit	CSA, Controller		4
25	In Progress	Performance	Hetch Hetchy Water & Power	2017 WECC Compliance Monitoring Audit	WECC		4
26	In Progress	Performance	Infrastructure	Citywide Construction Management Safety Audit	CSA, Controller		4
27	[Updated] In Progress	Performance	Infrastructure	Sewer System Improvement Program (SSIP), Planning and Pre-Construction Activities Audit	CSA, Controller		5
28	[Updated] In Progress	Performance	Business Services, Fleet Management	Citywide Fleet Management Performance Audit	CSA, Controller		5
29	In Progress	Performance	External Affairs, Community Benefits	Community Benefits, Phase IB: Southeast Community Investments Evaluation Framework	CSA, Controller		5
30	In Progress	Performance	All SFPUC	Health and Safety Program Performance Assessment, Phase III	CSA, Controller		5
31	Upcoming	Financial	Water	Annual Physical Inventory Count, FY 2016-17	SFPUC, Finance		5
32	Upcoming	Financial	Wastewater				
33	Upcoming	Financial	Hetch Hetchy Water & Power				
34	Upcoming	Financial	Water	Interim Audited Financial Statements, FY 2016-17	Controller		5
35	Upcoming	Financial	Wastewater				
36	Upcoming	Financial	Hetch Hetchy Water & Power				
37	[Updated] Upcoming	Financial	Power	Green-e Verification Audit	SFPUC AIC		5
38	Upcoming	Financial	All SFPUC	Political Activity Fund Compliance Assessment, FY 2016-17	CSA, Controller		6
39	Upcoming	Concessions / Lease Revenue	Real Estate Services	Royalties Lease, Administration Audit	CSA, Controller		6
40	[Updated] Upcoming	Performance	Power	2016-17 CA Independent System Operator (CAISO), Scheduling Coordinators Self-Audit	CAISO		6
41	[Updated] Upcoming	Performance	External Affairs, Community Benefits	Community Benefits, Phase III: Agency-wide Community Benefits Evaluation Framework	CSA, Controller		6
42	[Updated] Upcoming	Performance	All SFPUC	Technology Procurement Audit	CSA, Controller		6

 Positive
 Some Concern
 Significant Concern

1.*	Audit Name:	Annual Physical Inventory Count, FY 2015-16
	Quarter Status:	Completed
	Enterprise/Bureau:	Water, Wastewater, Hetch Hetchy Water & Power
	Oversight Body:	SFPUC, Finance
	Purpose:	Third-party consultant: MGO, LLP. Annual count of inventory to ascertain completeness and accuracy. Mandatory full physical count inventory at least every three years, with random sampling in other years. A full count of inventory was performed for the Water Enterprise.
	Highlights:	Reports issued: July 29, 2016
		<p><u>Recommendations:</u></p> <ul style="list-style-type: none"> • Reassess staffing and training for proper counting and processing of warehouse materials (CDD/WST). • Perform a detailed evaluation of usability and productivity of individual slow moving inventory items (AWSS). • Update Maximo to reflect items confirmed for disposal (SEP). • Perform calibration at each fuel site for accurate and reliable reporting of fuel tank levels (HHWP). <p>Each Enterprise has made progress towards implementing all recommendations made in reports.</p>

4.**	Audit Name:	Audited Financial Statements, FY 2015-16
	Quarter Status:	Completed
	Enterprise/Bureau:	Water, Wastewater, Hetch Hetchy Water & Power
	Oversight Body:	Controller
	Purpose:	Third-party consultant: KPMG LLP. Assure financial statements are accurate and do not contain material misstatements.
	Highlights:	Reports issued: October 14, 2016
		No material misstatements or internal control deficiencies were noted for all three audited financial statements for the eighth consecutive year.

7.	Audit Name:	SFPUC Comprehensive Annual Financial Report, FY 2015-16
	Quarter Status:	Completed
	Enterprise/Bureau:	Business Services, Finance
	Oversight Body:	SFPUC
	Purpose:	Third-party consultant: KPMG LLP. Assure the comprehensive financial statements are accurate and do not contain material misstatements.
	Highlights:	Report issued: November 18, 2016
		No material misstatements or internal controls deficiencies were noted for all three audited financial statements.

8.	Audit Name:	Popular Annual Financial Report, FY 2015-16
	Quarter Status:	Completed
	Enterprise/Bureau:	Business Services, Finance
	Oversight Body:	SFPUC
	Purpose:	To highlight examples of how the SFPUC continues to build upon its strengths of rebuilding water and wastewater infrastructure, advancing green power and environmental initiatives, and leading the way in delivering clean, efficient services now and into the future.
	Highlights:	Report issued: November 18, 2016

9.	Audit Name:	Sales and Use Tax Audit
	Quarter Status:	Completed
	Enterprise/Bureau:	Business Services, Finance
	Oversight Body:	California State Board of Equalization
	Purpose:	Review of the application of Sales & Use Tax for out-of-state transactions for the period from 2011 through 2014.
	Updates:	Report issued: December 13, 2016
		The report recommended no adjustments be made to the contested technological purchases.

* Includes audits 2 and 3

** Includes audits 5 and 6

Audit Type:

10.	Audit Name:	OMB A-133 Single Audit – Federal Grants
	Quarter Status:	[Updated] Completed
	Enterprise/Bureau:	Business Services, Finance
	Oversight Body:	Controller
	Purpose:	Third-party consultant: MGO, LLP. Assure and assess whether the department is compliant with requirements associated with federal grant awards/programs; includes review of internal controls related to maintaining compliance. SFPUC participates in programs: Renewable Energy Research and Development (RERD), 2009 American Recovery and Reinvestment Act (ARRA), and Disaster Grant (Rim Fire).
	Updates:	Report issued: January 20, 2017 The SFPUC was not the primary auditee of the 2016 audit because no expenditures were recorded in FY 2015-16 using Federal funds.
11.	Audit Name:	Wholesale Revenue Requirement: Statement of Changes in Balancing Account, FY 2015-16
	Quarter Status:	[Updated] Completed
	Enterprise/Bureau:	Business Services, Finance
	Oversight Body:	Bay Area Water Supply and Conservation Agency (BAWSCA)
	Purpose:	Third-party consultant: KPMG LLP and Yano Accountancy. Assure the Statement of Changes in the Balancing Account is prepared in compliance with the Water Supply Agreement.
	Highlights:	Report issued: February 27, 2017 A significant deficiency noted inadequate operation of a control that ensures all programmatic project related expenses are reflected in the Statement. The SFPUC developed and will continue to maintain a comprehensive framework, categorizing all programmatic expenses by project. Additionally, the SFPUC is developing an automated process to capture and classify programmatic expenses in financial reports used to create the Wholesale Revenue Requirement document.
12.	Audit Name:	Cash Receipts and Revenue Internal Controls Audit
	Quarter Status:	Completed
	Enterprise/Bureau:	All SFPUC
	Oversight Body:	CSA, Controller
	Purpose:	To determine whether the SFPUC have adequate policies and procedures for handling cash, and if the SFPUC's cash collection points have adequate and effective controls to 1) collect the correct amount of cash, 2) safeguard cash, and 3) ensure that all cash due to the City is properly and timely deposited into authorized city accounts.
	Highlights:	Memo issued: November 17, 2016 <i>Recommendations confidential.</i> SFPUC Management is addressing the recommendations made in the memo.
13.	Audit Name:	NERC CIP Compliance Monitoring Self-Certification
	Quarter Status:	Completed
	Enterprise/Bureau:	Hetch Hetchy Water & Power
	Oversight Body:	Western Electricity Coordinating Council / North American Electric Reliability Corporation (NERC)
	Purpose:	Self-certification filing. HHWP must assess and report whether it is compliant with NERC Reliability Standard CIP-002-5.1, a cyber security standard requiring entities to follow a defined process to identify and classify cyber systems as high, medium, or low impact.
	Highlights:	Self-certification submitted: July 15, 2016 Hetch Hetchy Water and Power self-certified as compliant with CIP-002.5.1 standard as of July 1, 2016.
14.	Audit Name:	NRG Energy Center Franchise Fee Audit
	Quarter Status:	Completed
	Enterprise/Bureau:	Power
	Oversight Body:	CSA, Controller
	Purpose:	Third-party consultant: Sjoberg Evashenk Consulting, Inc. Determine if NRG Energy Center San Francisco LLC (NRG) correctly paid franchise fees according to the terms of the agreement with the City.
	Highlights:	Report issued: November 23, 2016 NRG correctly reported \$16.4 million in gross receipts subject to franchise fees and paid \$327,372 to the City. In addition, SFPUC and the Controller's Budget and Analysis Division complied with requirements to administer and monitor the franchise fee agreement.

Audit Type:

15.	Audit Name:	Pacific Gas and Electric Franchise Fee Audit
	Quarter Status:	Completed
	Enterprise/Bureau:	Power
	Oversight Body:	CSA, Controller
	Purpose:	Third-party consultant: Sjoberg Evashenk Consulting, Inc. Assess Pacific Gas and Electric franchise fee payments are properly calculated and remitted according to the terms of the electricity and gas franchise agreement with the City.
	Highlights:	Report issued: November 16, 2016 The Pacific Gas and Electric Company (PG&E) correctly reported \$1.8 billion in gross receipts subject to franchise fees, and correctly calculated and paid the City the proper franchise and surcharge fees (\$12.1 million) according to the terms and deadlines specified in the franchise agreements. In addition, the Controller's Budget and Analysis Division and the SFPUC complied with requirements to administer and monitor the franchise agreement.
16.	Audit Name:	2015-16 CA Independent System Operator (CAISO), Scheduling Coordinators Self-Audit
	Quarter Status:	Completed
	Enterprise/Bureau:	Power
	Oversight Body:	CA Independent System Operator (CAISO)
	Purpose:	Third-party consultant: Abbot, Stringham & Lynch. Evaluate SFPUC's compliance with settlement meter data processing in accordance with the CAISO Scheduling Coordinator Self-Audit requirements.
	Highlights:	Report issued: October 21, 2016 Two findings were noted, related to the period November 1, 2015 to July 12, 2016: 1) Meter data submissions, electric service point data, as metered by smart meters 2) Recalculated meter data submissions were resubmitted to CAISO after the required timeline.
17.	Audit Name:	Rebates and Incentives Audit: GoSolarSF Program
	Quarter Status:	[Updated] Completed
	Enterprise/Bureau:	Power
	Oversight Body:	CSA, Controller
	Purpose:	Evaluated residential and commercial rebates/incentives programs. Review included eligibility criteria, application process, and verification of eligibility.
	Highlights:	Report issued: January 18, 2017 Recommendations were made to improve the program's application and renewal process, requirements, guidelines, and overall monitoring. CSA suggested further clarifying the three ways applicants can receive the Environmental Justice Incentive. The SFPUC is working on clarifying program literature to address differences in the incentives – that applicants do not have to live in an environmental justice zip code to qualify for low-income incentives (and conversely, that living in an environmental justice zip code does not automatically qualify an applicant for a low income incentive).
18.	Audit Name:	Community Benefits, Phase II: Commitments in Contracts
	Quarter Status:	Completed
	Enterprise/Bureau:	External Affairs, Community Benefits
	Oversight Body:	CSA, Controller
	Purpose:	Assess program to determine if contracts awarded within the Southeast Community Area satisfies commitment to local nonprofits, volunteer hours, and in-kind reinvestments. Contracts should be firm, quantifiable, and measurable. Develop routine performance reporting for internal and external stakeholders.
	Highlights:	Phase completed: October 28, 2016 CSA City Performance provided strategic advising to SFPUC Community Benefits to develop a monitoring and evaluation framework for program commitments provided by firms that contract with SFPUC. Three deliverables were completed: 1) program commitments logic model, 2) monitoring and evaluation tool, and 3) summary of firm accomplishments report.
19.	Audit Name:	Health and Safety Program Performance Assessment, Phase II
	Quarter Status:	Completed
	Enterprise/Bureau:	All SFPUC
	Oversight Body:	CSA, Controller
	Purpose:	Implementation of recommendations and best practices as reported in 2015 Health and Safety Program Assessment.
	Highlights:	Phase II includes workshops delivered to Executive Management and Steering Committee. Workshops focused on safety performance measurement, organizational metrics, and Steering Committee roles / responsibilities to ensure goals / objectives are achieved.

Audit Type:

20.	Audit Name:	Distributed Antennae System (DAS) Revenues, Process Review
	Quarter Status:	In progress
	Enterprise/Bureau:	Power
	Oversight Body:	SFPUC Assurance & Internal Controls (AIC) Bureau
	Purpose:	Review program and lease administration processes of the Distributed Antennae System (DAS) program and the program's internal control points for revenue / cash processing and reconciliation for accuracy and completeness.
	Updates:	Fieldwork started: October 2016 Anticipated Completion Date: Q4, FY 2016-17
21.	Audit Name:	Citywide Contract Compliance Audit Program, Open Market Purchases (OMP) Purchasing Authority
	Quarter Status:	In progress
	Enterprise/Bureau:	Infrastructure
	Oversight Body:	CSA, Controller
	Purpose:	Review 39 blanket purchase orders for compliance on vendor invoicing, contracting, and terms and conditions between July 1, 2014 and June 30, 2016. Audit will also determine whether vendor invoices were timely paid, properly used OMP purchasing authority, and properly disbursed payments in accordance to the City's accounting and procurement policies and procedures.
	Updates:	Fieldwork started: April 2016 Anticipated Completion Date: Q4, FY 2016-17
22.	Audit Name:	Citywide Payroll Audit Program
	Quarter Status:	In progress
	Enterprise/Bureau:	All SFPUC
	Oversight Body:	CSA, Controller
	Purpose:	Determine whether city employees were paid appropriately and in compliance with eligibility provisions of labor agreements and applicable labor laws.
	Updates:	Fieldwork started: May 2015 Anticipated Completion Date: Q4, FY 2016-17
23.	Audit Name:	Political Activity Fund Compliance Assessment: Townsend Management, Inc.
	Quarter Status:	In progress
	Enterprise/Bureau:	All SFPUC
	Oversight Body:	CSA, Controller
	Purpose:	Third-party consultant: Sjoberg Evashenk Consulting. Verify compliance with the Administrative Code, Section 12G to not use City funds for political activity by Townsend Management, Inc. for FY 2014-15.
	Updates:	Fieldwork started: June 2016 Anticipated Completion Date: Q4, FY 2016-17
24.	Audit Name:	SFPUC Divisional Performance Audit
	Quarter Status:	In progress
	Enterprise/Bureau:	Wastewater
	Oversight Body:	CSA, Controller
	Purpose:	Assess the effectiveness and efficiency of processes for organizational structure and staffing; enterprise-specific functional areas and goals; general administration and operations; and quality assurance and accountability. Determine strategies for the department to mitigate risk, ensure compliance, and improve operations associated with organizational processes.
	Updates:	Fieldwork started: September 2014 Anticipated Completion Date: Q4, FY 2016-17
25.	Audit Name:	2017 WECC Compliance Monitoring Audit
	Quarter Status:	In progress
	Enterprise/Bureau:	Hetch Hetchy Water & Power
	Oversight Body:	Western Electricity Coordinating Council (WECC)
	Purpose:	Assess Hetch Hetchy Water & Power's compliance with WECC policies and procedures.
	Updates:	Fieldwork started: December 2016 Anticipated Completion Date: Q1, FY 2017-18

Audit Type:

26.	Audit Name:	Citywide Construction Management Safety Audit
	Quarter Status:	In progress
	Enterprise/Bureau:	Infrastructure
	Oversight Body:	CSA, Controller
	Purpose:	Citywide assessment of construction management safety policies and procedures to determine adequacy of performance to best practices and compliance.
	Updates:	Fieldwork started: November 2014 Anticipated Completion Date: Q4, FY 2016-17

27.	Audit Name:	Sewer System Improvement Program (SSIP), Planning and Pre-Construction Audit
	Quarter Status:	[Updated] In progress
	Enterprise/Bureau:	Infrastructure
	Oversight Body:	CSA, Controller
	Purpose:	Determine whether SSIP planning and pre-construction activities have adequate practices in place to control cost, ensure work activities proceed according to plan, the early procurements follow guidelines, and that adequate governance and compliance processes are in place to ensure expenditures follow policies and procedures.
	Updates:	Fieldwork started: March 2017 Anticipated Completion Date: Q2, FY 2017-18

28.	Audit Name:	Citywide Fleet Management Performance Audit
	Quarter Status:	[Updated] In progress
	Enterprise/Bureau:	Business Services, Fleet Management
	Oversight Body:	CSA, Controller
	Purpose:	Citywide assessment of the adequacy and effectiveness of fleet management oversight and operations.
	Updates:	Anticipated Completion Date: Q2, FY 2017-18

29.	Audit Name:	Community Benefits, Phase IB: Southeast Community Investments Evaluation Framework
	Quarter Status:	In progress
	Enterprise/Bureau:	External Affairs, Community Benefits
	Oversight Body:	CSA, Controller
	Purpose:	Develop and pilot a framework to evaluate/measure economic and other impacts on Southeast neighborhoods and agency-wide; identify and track community indicators to provide data necessary to improve the program. Evaluation plan will focus on community investments in art, culture and stakeholder engagement. Phase IA resulted in a plan for community investments in environmental justice, place-based revitalization, workforce development and education.
	Updates:	Anticipated Completion Date: Q1, FY 2017-18

30.	Audit Name:	Health and Safety Program Performance Assessment, Phase III
	Quarter Status:	In progress
	Enterprise/Bureau:	All SFPUC
	Oversight Body:	CSA, Controller
	Purpose:	Continued efforts to implement recommendations reported on in the 2015 Health and Safety Program Assessment. Areas of focus include training on the purpose and elements of a safety management system, coaching on performance goals and expectations, developing self-audits, and assessing the SFPUC safety committee role and structure.
	Updates:	Anticipated Completion Date: Q1, FY 2017-18

31.*	Audit Name:	Annual Physical Inventory Count, FY 2016-17
	Quarter Status:	Upcoming
	Enterprise/Bureau:	Water, Wastewater, Hetch Hetchy Water & Power
	Oversight Body:	SFPUC, Finance
	Purpose:	Third-party consultant: MGO, LLP. Annual count of inventory to ascertain completeness and accuracy. Mandatory full physical count inventory at least every three years, with random sampling other years. Full inventory count performed for Hetch Hetchy Water & Power.
	Updates:	Anticipated Start Date: Q4, FY 2016-17

34.**	Audit Name:	Interim Audited Financial Statements, FY 2016-17
	Quarter Status:	Upcoming
	Enterprise/Bureau:	Water, Wastewater, Hetch Hetchy Water & Power
	Oversight Body:	Controller
	Purpose:	Third-party consultant: KPMG LLP. Assure financial statements are accurate and do not contain material misstatements.
	Updates:	Anticipated Start Date: Q4, FY 2016-17

* Includes audits 32 and 33

** Includes audits 35 and 36

Audit Type:

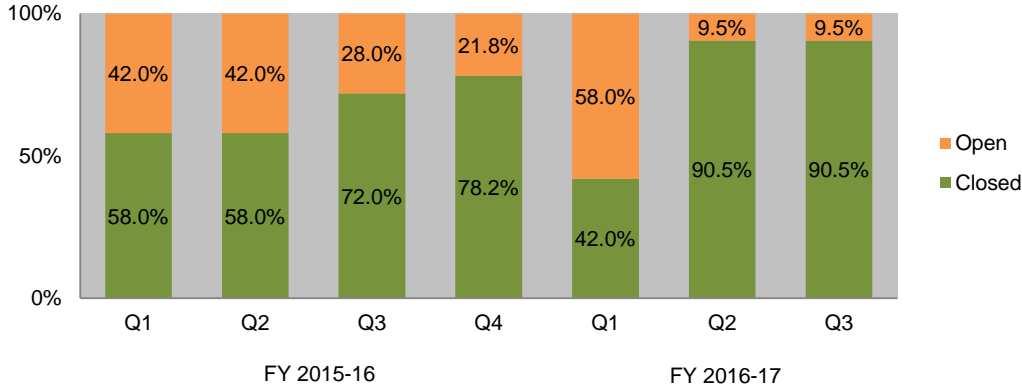
Financial Concession/Lease Revenue Performance Revenue Bond Oversight Committee (RBOC)

37.	Audit Name:	Green-e Verification Audit
	Quarter Status:	[Updated] Upcoming
	Enterprise/Bureau:	Power
	Oversight Body:	SFPUC Assurance & Internal Controls (AIC) Bureau
	Purpose:	Ensure that the renewable electricity or renewable energy certificates (RECs) purchased and sold by the certified provider were not sold to more than one customer and that only one party claimed use of renewable energy.
	Updates:	Anticipated Start Date: Q4, FY 2016-17
38.	Audit Name:	Political Activity Fund Compliance Assessment, FY 2016-17
	Quarter Status:	Upcoming
	Enterprise/Bureau:	All SFPUC
	Oversight Body:	CSA, Controller
	Purpose:	Verify compliance with the Administrative Code, Section 12G, prohibiting use of City funds for vendor political activity citywide.
	Updates:	Anticipated Start Date: Q4, FY 2016-17
39.	Audit Name:	Royalties Lease, Administration Audit
	Quarter Status:	Upcoming
	Enterprise/Bureau:	Real Estate Services
	Oversight Body:	CSA, Controller
	Purpose:	Ensure department is adequately managing its royalties leases. City Admin Code requires all real property leases of \$500K and more to be audited at regular intervals by the Controller.
	Updates:	Anticipated Start Date: Q3, FY 2016-17
40.	Audit Name:	2016-17 CA Independent System Operator (CAISO), Scheduling Coordinators Self-Audit
	Quarter Status:	[Updated] Upcoming
	Enterprise/Bureau:	Power
	Oversight Body:	CA Independent System Operator (CAISO)
	Purpose:	Evaluate SFPUC's compliance with settlement meter data processing in accordance with the CAISO Scheduling Coordinator Self-Audit requirements.
	Updates:	Anticipated Start Date: Q1, FY 2017-18
41.	Audit Name:	Community Benefits, Phase III: Agencywide Community Benefits Evaluation Framework
	Quarter Status:	[Updated] Upcoming
	Enterprise/Bureau:	External Affairs, Community Benefits
	Oversight Body:	CSA, Controller
	Purpose:	Provide strategic planning and evaluation services from the Controller's City Performance Unit to implement an Agencywide Community Benefits Program Evaluation Framework measured by the following deliverables: (1) Collecting Agencywide Community Indicators related to the objectives of the 2011 Community Benefits Policy; (2) Implementing Agencywide Community Benefits Evaluation Framework with internal and external partners; (3) Utilizing Salesforce for tracking and reporting.
	Updates:	Anticipated Start Date: Q1, FY 2017-18
42.	Audit Name:	Technology Procurement Audit
	Quarter Status:	[Updated] Upcoming
	Enterprise/Bureau:	All SFPUC
	Oversight Body:	CSA, Controller
	Purpose:	Evaluate SFPUC's compliance with the Administrative Code, Section 21.03, related to technology procurement policies.
	Updates:	Anticipated Start Date: Q1, FY 2017-18

Audit Type:

Financial
 Concession/Lease Revenue
 Performance
 Revenue Bond Oversight Committee (RBOC)

Reccomendations Status by Quarter



SFPUC, Open Audits

90.5% (86 of 95) of recommendations related to 6 open CSA audits issued before FY 2016-17 are closed.

- Assurance and Internal Controls is working with Enterprises and Bureaus to close the remaining open 9 recommendations.
- Complexity of some recommendations requires more time to implement them (e.g. finalize the renewed Class One Power Sales agreement between the SFPUC and the Turlock and Modesto Irrigation Districts).
- Prioritization of F\$P project has delayed completion of implementing the new on-boarding and separation tool for better management and monitoring of telephone assets and costs.
- Both recommendations related to Fixed Rent Agreements with Revenues Exceeding \$100,000 Audit are expected to complete before fiscal year end (notices for security deposit increases have been sent to affected tenants and all fiber optic agreements that require an amendment to specify the proper due date of monthly fees are awaiting review by the City Attorney).

#	Status	Issue Date	Enterprise / Bureau	Audit Title	Notes
1	Open	8/10/2010	Real Estate Services	Audit of Administration of Fixed Rent Agreements with Revenues Exceeding \$100,000	2 open recommendations.
2	Open	4/12/2011	Water	Water Enterprise Should Continue To Improve Its Inventory Management	1 open recommendation.
3	Closed	10/29/2012	Power	Power Enterprise Lacks Adequate Controls to Safeguard Its Inventory	Closed by CSA in Q1 FY 2016-17.
4	Open	2/17/2015	Power	Audit of Department Class One Power Sales to Modesto and Turlock Irrigation Districts in California	5 open recommendations.
5	Open	2/26/2015	Business Services, ITS	The Department Needs to Improve Its Management and Monitoring of Telephone Assets and Costs	1 open recommendation.
6	Closed	3/18/2016	Infrastructure	The Department Inadequately Monitored Change Orders for the Sunol Valley Water Treatment Plant Improvement Project	Closed by CSA in Q1 FY 2016-17.



Executive Management

Harlan L. Kelly, Jr.

General Manager

Michael Carlin

Deputy General Manager and Chief Operating Officer

Juliet Ellis

Assistant General Manager, External Affairs

Barbara Hale

Assistant General Manager, Power Enterprise

Kathy How

Assistant General Manager, Infrastructure

Tommy Moala

Assistant General Manager, Wastewater Enterprise

Steve Ritchie

Assistant General Manager, Water Enterprise

Eric Sandler

Assistant General Manager, Business Services and Chief Financial Officer

Assurance and Internal Controls Bureau

Nancy L. Hom, Director

Audit and Compliance

Christina M. Andersson, Manager

Lenore Koutney, Senior Analyst

Matthew R. Low, Analyst

Risk Management

Tricia Yang, Financial System Project Manager

Benson Hua, Acting Risk Manager

Report prepared by Audit and Compliance Division

Requests for additional information regarding this report can be sent to:

525 Golden Gate Avenue, 13th Floor

San Francisco, CA 94102



San Francisco
Water Power Sewer

Services of the San Francisco Public Utilities Commission

Audit and Compliance - Quarterly Annual Performance Report Summary

Overview and Objectives of Audit & Compliance

- Champions best practices for internal controls, compliance, transparency.
- Currently housed within SFPUC Business Services.
- Ensures value-added audits and assures steady progress in closing out recommendations.

Current Audit Status for the SFPUC

- 11 (26%) - In Progress
- 12 (29%) - Upcoming
- 19 (45%) - Completed

Current Audit Type for the SFPUC

- 24 (57%) - Financial
- 17 (41%) - Performance
- 1 (2%) - Concessions/Lease Revenue

Recently Published Audits (Publicly Available)

- Wastewater Performance Management Audit Published on 6/8/2017
- Wholesale Revenue Requirement: Statement of Changes in Balancing Account on 2/27/2017
- GoSolar Rebates and Incentives Audit on 1/18/2017

In Progress Audits¹

- Citywide Fleet Management Performance
- SSIP Planning and Pre-Construction Activities

RBOC and Audits

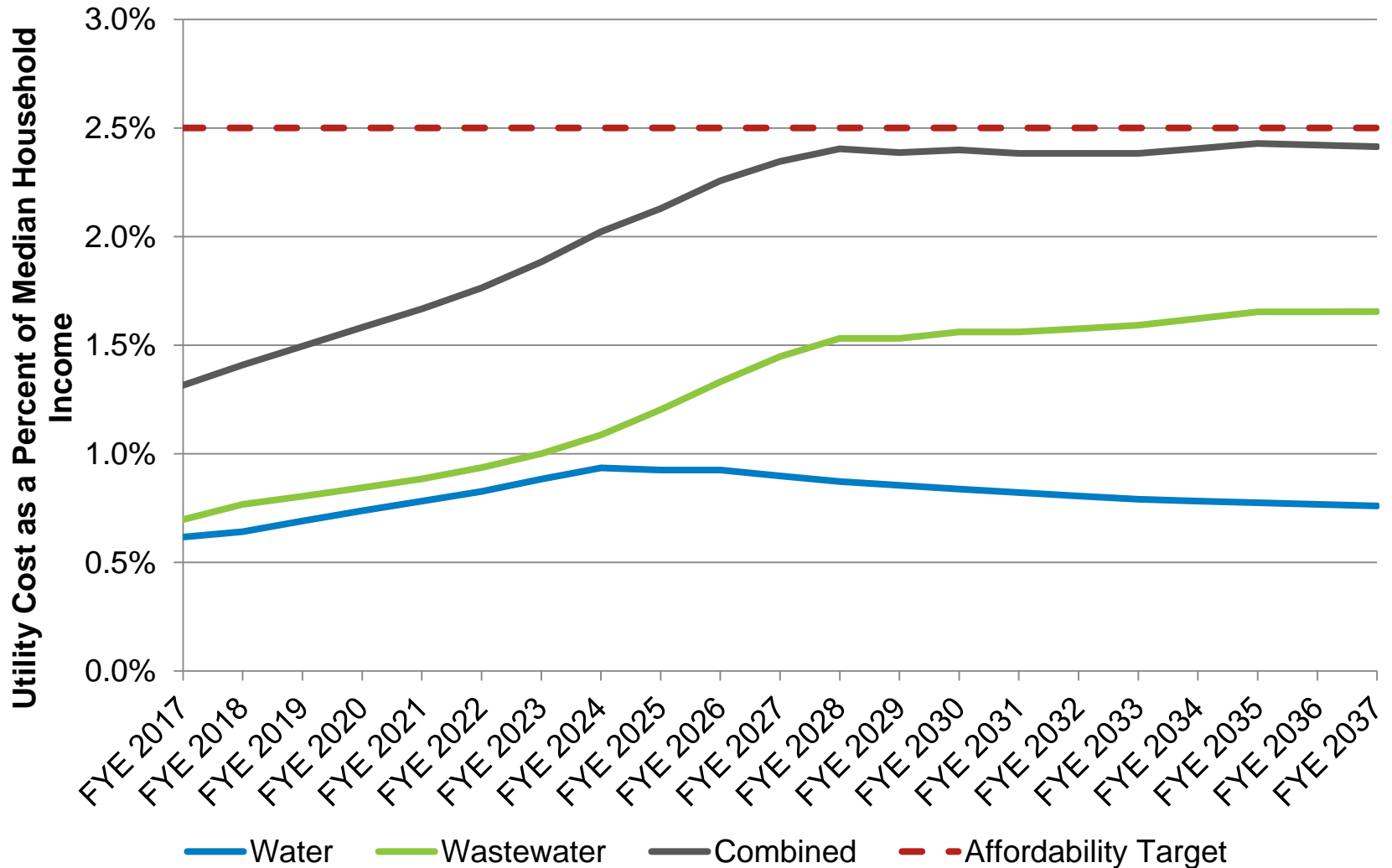
- City Services Auditor has managed four audits paid for by RBOC. Listed here:
 - Mission and Mount Vernon Sewer Improvement (2011)
 - Bay Division Pipeline Reliability (2011)
 - Lake Merced Pump Station (2012)
 - Harry Tracy & Pulgas Cost Categorization (2012)

¹ List not comprehensive; a comprehensive list will be part of the July 24, 2017 presentation.



Utility Affordability

Cost as a Percent of Median Household Income



Assumes 3% annual increase from 2015 median household income of \$81,294 and 5.2 CCF monthly water usage



Low-Income Program

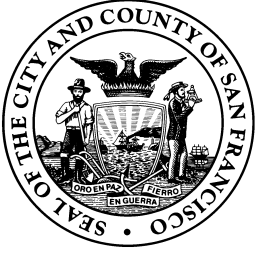
- **Community Assistance Program (CAP)**
 - Offered to qualifying residential single-family customers
 - Provides a 15% discount on water and 35% on wastewater charges
 - More details of the program:
<http://sfwater.org/index.aspx?page=131>
- **Scope of 2018 Water and Sewer Rates Study**
 - Includes development of affordability model to better understand how rates impact customers



Public Engagement - Rates Setting

Rates Fairness Board (RFB)

- Public hearing
- Link to RFB website:
- <http://sfwater.org/index.aspx?page=120>



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

Public Utilities Commission Building
525 Golden Gate Ave., 2nd Floor
Yosemite Conference Room
San Francisco, CA 94102

May 8, 2017 - 9:00 AM

Regular Meeting

Mission: The purpose of the Revenue Bond Oversight Committee (RBOC) is to monitor the expenditure of revenue bond proceeds related to the repair, replacement, upgrade and expansion of the SFPUC's water, power and sewer infrastructure. The RBOC's goal is to ensure that specific SFPUC revenue bond proceeds are spent appropriately and according to authorization and applicable laws. The RBOC provides oversight to ensure transparency and accountability in connection with expenditure of the proceeds. The public is welcome to attend RBOC meetings and provide input.

1. Call to Order and Roll Call

Seat 1 Holly Kaufman, Co-Chair (*Holdover status*)
Seat 2 Kevin Cheng (*Holdover status*)
Seat 3 Robert Leshner, Co-Chair
Seat 4 Tim Cronin
Seat 5 Travis George, Vice Chair
Seat 6 Christina Tang
Seat 7 Jennifer Millman

Co-Chairs Leshner and Kaufman called the meeting to order at 9:02 a.m. On the call of the roll, Co-Chairs Leshner and Kaufman and Members Cheng, Millman, and Tang were noted present. Vice Chair George and Member Cronin were noted not present. There was a quorum.

Member Cronin was noted present at 9:04 a.m.

2. Agenda Changes

Co-Chair Leshner noted SFPUC staff request to continue Items 7 and 8 to the June 12, 2017, RBOC meeting, and that Item 11 was inadvertently included on the agenda in error.

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

Public Comment. Speakers: There were none.

4. **San Francisco Public Utilities Commission (SFPUC) Staff Report: Water System Improvement Program (WSIP) Updates**

Dan Wade, Director of Water Capital Projects and Programs (SFPUC); provided an update of the WSIP, including project status; recent accomplishments; storage projects; treatment projects; transmission projects; a revised summary of schedule extensions on the New Irvington Tunnel, Seismic Upgrade of BDPL Nos. 3 & 4, and a security system upgrade; Calaveras Dam Replacement Project update, including the start of Embankment Dam, storms impact on construction, Calaveras Reservoir outlet releases; fish passage facilities at Alameda Creek Diversion Dam; regional groundwater storage and recovery; bioregional habitat restoration; overview of active construction contracts; and an overview of change orders and trends.

Public Comment. Speakers: There were none.

5. **San Francisco Public Utilities Commission (SFPUC) Staff Report: Ratemaking 101**

Richard Morales, Debt Manager (SFPUC); provided a brief overview and introduced the SFPUC Rates Administrator. Rates Administrator Amy Javelosa-Rio, Erin Franks, and Simone Hudson (SFPUC); presented on the SFPUC ratemaking process, including the following: rate-setting background, charter requirements, rates policy, best practices, 2018 water and sewer rate study, Rate Fairness Board, Proposition 218, rate study policy areas, rate structure goals, key rate study tasks, impact of rates on bond ratings, water enterprise 10-year financial plan, and rate study timeline.

Mark Blake, Deputy City Attorney; Mike Brown (SFPUC); joined in the discussion and provided information relating to the hearing matter.

Public Comment. Speakers: There were none.

6. **Committee Discussion: Avoiding major cost overruns and options for consulting assistance in “deep dives”**

Member Cronin requested that SSIP and WSIP presentations include lessons learned on cost overruns and how those lessons learned are being applied, as well as project delivery methods as related to methodologies used on other project, and how the delivery method affected cost overruns.

Mark Blake, Deputy City Attorney; Mike Brown (SFPUC); joined in the discussion and provided information relating to the hearing matter.

Public Comment. Speakers: There were none.

7. **City Services Auditor Staff Report: Consultants’ Pool Presentation**

Public Comment. Speakers: There were none.

Item No. 7 was continued to the June 12, 2017, RBOC meeting.

8. **San Francisco Public Utilities Commission (SFPUC) Staff Report: Debt Management Policies and Procedures, including Green bonds**

Public Comment. Speakers: There were none.

Item No. 8 was continued to the June 12, 2017, RBOC meeting.

9. **Committee Discussion: Review of RBOC Account Budget**

Mike Brown (SFPUC); provided the Committee with updated account information in the amount of \$1.4 million. Mark Blake, Deputy City Attorney; joined in the discussion and provided information relating to the hearing matter.

Public Comment. Speakers: There were none.

10. **Approval of Minutes: April 10, 2017, Meeting Minutes**

Public Comment. Speakers: There were none.

Co-Chair Leshner, seconded by Member Tang, moved to APPROVE the April 10, 2017, Meeting Minutes. The motion carried by the following vote:

Ayes: 6 – Cheng, Cronin, Kaufman, Leshner, Millman, and Tang

Absent: 1 – George

11. **Election of Officers**

Public Comment. Speakers: There were none.

Item No. 11 was erroneously included on the May 8, 2017, RBOC agenda. The item was acted upon at the April 10, 2017, RBOC meeting. No further action was taken on the item at the May 8, 2017, RBOC meeting.

12. **Announcements, Comments, Questions, and Tentative Future Agenda Items**

Mike Brown and Richard Morales (SFPUC); provided follow-up information on options for the upcoming site visit. The Committee modified the regular meeting schedule by changing the July 17th meeting to July 24th, and further added clarification to existing pending items and added a discussion item for the RBOC site visit to the June 12, 2017, agenda. Co-Chair Kaufman requested staff reports focus on issues that pertain to the RBOC mission and maintain a presentation of 15 minutes with an additional 15 minutes for questions and answers. The tentative schedule for upcoming regular meetings is included below.

Public Comment. Speakers: There were none.

June 12, 2017

1. SSIP update – Collection System Plan and lessons learned (cost overruns)
2. Debt Management Policies and Procedures – including Green bonds
3. Presentation on consultants' pool – City Services Auditor
4. Environmental Justice Update, including EJ policy and checklist
5. Review RBOC account/budget; preview of debt certification by bond series
6. RBOC field trip / site visit

July 24, 2017

1. WSIP update - staff report
2. Green infrastructure – delivery methods
3. Mountain Tunnel Update

August 7, 2017

1. Half day field trip/site visit – location TBD, possible locations: Mountain Tunnel, Calaveras Dam, Southeast Plant

September 18, 2017

1. SSIP Update
2. Follow up to May discussion on avoiding major costs overruns and consultant pool info
3. Review RBOC account/budget
4. Green infrastructure – delivery methods – follow up

October 16, 2017

1. WSIP update
2. Seminar on capital planning
3. Calaveras Dam – deep dive
4. RBOC Succession Planning
5. Annual Report Draft

November 6, 2017

1. SSIP update

December 11, 2017

1. Clean Power/Power Enterprise presentation

13. **Adjournment**

There being no further business, the meeting adjourned at 11:16 a.m.

N.B. The Minutes of this meeting set forth all actions taken by the Revenue Bond Oversight Committee on the matters stated but not necessarily in the chronological sequence in which the matters were taken up.