



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

AGENDA

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

September 17, 2018 - 9:00 AM

Regular Meeting

Mission: The Revenue Bond Oversight Committee (RBOC) monitors 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 provides independent oversight to ensure transparency and accountability. The RBOC's goal is to ensure that SFPUC revenue bond proceeds are spent for their intended purposes in accordance with legislative authorization and other applicable laws.

1. Call to Order and Roll Call

Members:

Seat 1 Vacant
Seat 2 Kevin Cheng
Seat 3 Robert Leshner, Co-Chair
Seat 4 Tim Cronin
Seat 5 Travis George, Co-Chair
Seat 6 Christina Tang, Vice Chair
Seat 7 Jennifer Millman

2. Agenda Changes (*Discussion and possible action*)

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. SFPUC Staff Report: Water System Improvement Program (WSIP) Financing Expenses. (*Discussion and possible action*) (*attachment*)

5. SFPUC Staff Report: Financial impact of disasters on capital plan. (*Discussion and possible action*)

6. RBOC: Review of RBOC audit topics, previous RBOC Request for Quote, process/procedures for hiring an auditor, and review of the possibility of obtaining a third party contract administrator. (*Discussion and possible action*) (*attachment*)

- 7. **RBOC: Charter Sunset Date Extension and Planning.** *(Discussion and possible action)*
(attachment)
- 8. **Approval of Minutes:** August 13, 2018, Meeting Minutes. *(Discussion and possible action)*
(attachment)
- 9. **Announcements, Comments, Questions, and Future Agenda Items.**
(Discussion and possible action)

October 15, 2018

- 1. To be determined.

November 26, 2018

- 1. SFPUC Staff Report: Mountain Tunnel update.

December 17, 2018

- 1. To be determined.

Pending Issues:

- 1. SFPUC Staff Report: Stormwater Management System Ordinance and Green Infrastructure
- 2. San Francisco Public Utilities Commission (SFPUC) Staff Report: Clean Power SF financing options
- 3. SFPUC Staff Report: Nature Resources Accounting Update
- 4. RBOC: Acquiring consultant to examine expected performance of complete projects.
- 5. SFPUC Staff Report: Environmental Justice and Clean Power Update

- 10. **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

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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.

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請電 (415) 554-7719

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PACKET MATERIALS

DATE September 17, 2018 Item No. 4

REVENUE BOND OVERSIGHT COMMITTEE

- SFPUC August 2, 2018, WSIP Financing Cost Project CUW300

Completed by: Victor Young Date: August 8, 2018



Date: August 2, 2018

To: Commissioner Ike Kwon, President
 Commissioner Vince Courtney, Vice President
 Commissioner Ann Moller Caen
 Commissioner Francesca Vietor
 Commissioner Anson Moran

Through: Harlan L. Kelly Jr., General Manager *HK*

From: Charles Perl, Acting CFO and AGM—Business Services *CP*

Subject: Water System Improvement Program (WSIP) Financing Cost Project
 CUW300

On April 10, 2018, the Commission approved the March 2018 Proposed Revised WSIP. As part of this approval, the Commission requested staff prepare a response to the following: *“provide to the Commission and BAWSCA a written report documenting the assumptions associated with the WSIP “Finance” cost category, the actual financing costs for WSIP, and the resulting impact of the ‘Finance’ cost category moving forward.”* This document includes the following information in response to the request above:

1. Initial assumptions
2. Actual costs to date
3. Projected costs through WSIP completion
4. Allocation of costs to retail and wholesale customers
5. Budget changes

1. Initial assumptions

As described in the attached 2005 memo to the Commission, the WSIP financing costs (project CUW300) were initially estimated to be \$552.4 million or 15% of total project costs. That amount was assumed to fund the following based on capital market conditions and the SFPUC WSIP capital financing strategy at the time:

- Capitalized Interest Fund - to pay debt service for the first two to three years after each bond issuance during construction of WSIP projects; these funds are held by the trustee to make semi-annual debt service payments until spent.

London Breed
 Mayor

Ike Kwon
 President

Vince Courtney
 Vice President

Ann Moller Caen
 Commissioner

Francesca Vietor
 Commissioner

Anson Moran
 Commissioner

Harlan L. Kelly, Jr.
 General Manager



- Debt Service Reserve Fund (Bond Reserve Fund) - sized to equal to fifty percent (50%) of the Maximum Annual Debt Service of the outstanding bonds of the Series to which it relates; these funds are held by the trustee until the bonds are paid off as assurance to bond holders that SFPUC will meet its debt service obligations.
- Costs of Issuance - to pay costs of issuing the bonds including underwriter's discount, payments to Revenue Bond Oversight Committee, legal fees, financial advisor fees, rating agencies fees.
- Bond Insurance Premium - to pay for bond insurance policy issued by a Municipal Bond Insurer insuring payment of the principal of and interest on any series of the Bonds.
- Surety (Bond Reserve Fund) Policy Premium - to pay for surety policy issued by a Municipal Bond Insurer of each series of Bonds that satisfies the bond reserve requirement without the SFPUC having to cash fund a debt service reserve.

2. Actual costs to date

Since the initial 2005 financing cost estimate, the SFPUC has issued twelve WSIP bond series over the past 13 years to meet program spending needs. WSIP financing costs to date is \$567.3M as summarized in the Table 1 below and on Attachment 2. These amounts have been funded by bond proceeds primarily through the trustee. As a percentage of the overall project costs, the financing costs to date are currently 13% as compared to the original estimate of 15%. The following table compares the 2005 financing costs estimate, the actual costs to date, and projections through WSIP completion:

Table 1: WSIP Financing Costs

(\$ Millions)	Initial Budget 2005	Actual Mar. 2018	Projected Dec. 2021
Capitalized Interest Fund	\$400.4	\$431.3	\$461.3
Interim Construction Funding Program and other costs ¹	-	46.0	55.0
Debt Service Reserve Fund	86.4	153.8	153.8
Debt Service Reserve Fund Releases	-	(99.7)	(99.7)
Surety Policy Premium	1.4	-	-
Bond Insurance Premium	21.2	2.0	2.0
Costs of Issuance, UW Discount	42.9	33.9	36.9
Total	\$552.4	\$567.3	\$609.3
Total WSIP Project Budget	\$3,760.0	\$4,415.8	\$4,415.8
Financing Costs (% of Project Budget)	15%	13%	14%

¹Total includes some RBOC and auditing expense

Capital market changes mainly resulting from the 2008 financial crisis, required modifications to the SFPUC's WSIP capital financing strategy. These changes included implementing an Interim Construction Funding Program rather than pre-funding project spending, changes in SFPUC Debt Service Reserve Fund requirements, reduced credit quality of surety policy and bond insurance firms and improved SFPUC credit not requiring bond insurance.

Capitalized Interest and Interim Construction Funding Program

Capitalized interest costs of \$431.3M are the largest component of WSIP financing costs to date. After 2005, the SFPUC established an Interim Construction Funding Program to use low-cost commercial paper to also fund WSIP projects during construction. Rather than pre-funding project spending with revenue bonds, the SFPUC capital financing strategy changed to rely on commercial paper funding in advance of revenue bond sales. Another change from the 2005 estimate involved the requirement to issue taxable (rather than tax-exempt) financing for an approximate 15% of WSIP that reflected regional water system use by non-governmental agencies. Taxable financing has a higher cost than tax-exempt financing. With \$46.0M Interim Construction Funding program costs to date, total WSIP financing costs associated with the project construction period total approximately \$477.3M, or about 10% of total expected WSIP program costs as shown in Table 1.

Debt Service Reserve Fund; Surety Bonds and Bond Insurance

The second largest component of WSIP financing cost to date is \$153.8M to fund Debt Service Reserves. Initially, it was anticipated that the purchase of Surety Bonds would be a market acceptable alternative to cash funding a reserve. However, after the 2008 financial crisis, the ratings of Municipal Bond Insurers providing surety bonds (and bond insurance) were downgraded and the SFPUC was no longer able to purchase surety policies to satisfy the bond reserve fund requirements. As a result, the SFPUC was then obligated to cash fund bond reserve funds from the 2009 Series through the 2012 Series Water Bonds. In 2015 the SFPUC's high-grade debt rating allowed the issuance of bonds without reserve fund requirements. Existing cash funded reserve funds remain with the trustee until the outstanding bonds are paid off or the reserve obligation is replaced with a bank letter of credit, at which time the reserves can be released by the trustee. Approximately \$99.7M of reserves have been released to date and used for project spending.

3. Projected costs through WSIP Completion

Total WSIP financing costs at program completion are projected to be \$609.3M or 14% of total project costs. Additional financing costs for the remaining WSIP capital

needs are projected to total \$42M (see Table 1 and Attachment 2), including \$39M capitalized interest and interim funding as well as \$3M cost of issuance. One final WSIP bond issuance of \$585M is assumed to fund remaining project costs, and may include up to 2 years of capitalized interest depending on the timing of issuance. The remaining \$54.1M of cash reserve funds and all associated earnings will be applied to the final debt service payments of their respective bond series as they mature.

4. Allocation of costs to Retail and Wholesale customers

WSIP financing costs are funded by bond proceeds at the time of bond issuance. WSIP Debt service expense for each bond series includes its portion of financing costs and is allocated to retail and wholesale customers as a proportion of project spending from that bond series and then is annually adjusted based on proportional water sales for that year. These debt service costs are estimated in advance as a part of rate setting and are trued up with wholesale customers as a part of the annual wholesale revenue requirement (WRR).

5. Budget Changes

WSIP Financing Costs were estimated to be \$552.4M in 2005 at the outset of WSIP. However actual appropriations have occurred over time since 2003 as summarized in Table 2, as follows:

Table 2: WSIP Financing Costs Appropriation CUW300
(\$ Millions)

Date	Ordinance No.	Amount
May 23, 2003	104-03	4.8
Feb 9, 2007	22-07	0.3
April 14, 2008	53-08	14.9
Dec 19, 2008	311-08	252.6
April 30, 2010	92-10	199.1
Subtotal		\$ 471.7
June 24, 2016	108-16	(83.8)
June 20, 2018	140-18	(16.0)
Total		\$ 372.0

Appropriations through 2010 reflected a plan of finance that included Surety Bonds in place of cash funded reserve funds to finance WSIP. As bond issuances occurred, most

of the actual financing costs to date have been paid by the trustee from bond proceeds and not from funds held by the SFPUC via the city's financial system. Only payments made by the SFPUC from the City's financial system on the Interim Construction Funding Program use budget authority, therefore it is anticipated much of the remaining unused financing cost budget authority will be closed out at the completion of WSIP.

As noted in the above table, two budget de-appropriations have occurred to date resulting in the transfer of appropriation and bond proceeds from the WSIP financing budget (CUW300) to WSIP project spending. These transfers resulted from changing debt service fund requirements and the preference to use already issued WSIP bond proceeds on near-term WSIP project spending, rather than issuing additional bonds. The budget transfers included:

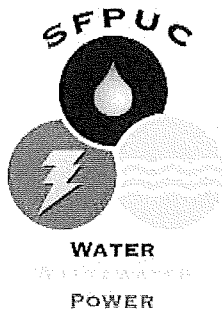
- \$83.8M - 2016 reduction reflecting a plan of finance to release debt service reserve funds; funds transferred from trustee to SFPUC for project spending
- \$16.0M – 2018 reduction to allocate released 2006A series debt service reserve funds; funds transferred from trustee to SFPUC for project spending

The March 2018 WSIP Baseline reported the \$372.0M appropriation to date as the forecast WSIP financing cost amount. However, as discussed in this memo, this budget does not capture all financing costs associated with the issuance of WSIP revenue bonds as some of these costs are paid by the trustee. Upon WSIP completion and project close-out, the SFPUC will complete a final reconciliation of all associated financing costs.

Attachments:

1. Attachment 1: 2005 WSIP Financing Cost Memo
2. Attachment 2: WSIP Financing Costs, Actual and Projected

cc: Kathy How
Steve Ritchie
Eric Sandler
Dan Wade
Mojgan Yousefkhan
Nicole Sandkulla


SAN FRANCISCO PUBLIC UTILITIES COMMISSION

1155 Market St., 11th Floor, San Francisco, CA 94103 • Tel. (415) 554-3155 • Fax (415) 554-3161 • TTY (415) 554.3488



November 23, 2005

To: Richard Sklar, President
 Ann Moller Caen, Vice President
 Dennis Normandy, Commissioner
 Adam Warbach, Commissioner
 Ryan Brooks, Commissioner

Thru: Susan Leal, General Manager

From: Scott MacDonald, Acting Assistant General Manager

Re: Financing of the Water System Improvement Program

GAVIN NEWSOM
 MAYOR

RICHARD SKLAR
 PRESIDENT

ANN MOLLER CAEN
 VICE PRESIDENT

E. DENNIS NORMANDY
 ADAM WERBACH
 RYAN L. BROOKS

SUSAN LEAL
 GENERAL MANAGER

Attached for your information is a document outlining the financing of the Water System Improvement Program. Financial projections and assumptions are used to determine the total use of bond proceeds, and, therefore, the total par amount of bonds to be issued. The financial projections and the underlying assumptions used to estimate current WSIP financing remain consistent with projections previously presented to the Commission and reviewed by the City Controller and the PUC's consultant, R.W. Beck.

March 2005

In March 2005, the total WSIP project budget was estimated to cost \$3,591,488,000. Financing costs were estimated to be \$753,136,000 or 21% of the total WSIP.

April 2005

At the April 26, 2005 Commission meeting, the General Manager discussed financing of the WSIP and outlined refinements that would lower the total bond issuance and the associated financing "costs." The refinements discussed at the April meeting include:

- Issuing a mix of fixed rate bonds (75%) and variable rate bonds (25%) instead of 100% fixed rate bonds. As a result, the assumed interest rate is reduced to 5% from 5.5%.
- Substituting 40% of cash reserve with a surety policy.

Based upon this discussion, financing assumptions were refined.

Financing of the WSIP
November 23, 2005

October 2005

In October 2005, Parsons/CH2MHill presented their assessment with a new total estimated WSIP project budget of \$3,758,592,000. Based upon the discussion at the April 2005 Commission, financing assumptions were refined and reduced financing costs to \$633,699,000 or 17% of the total WSIP.

November 2005

Current total project costs of the WSIP to be bond financed are estimated to be \$3,739,968,000. This total is equal to spending to date attributable to Proposition A authority plus projected spending. This total does not include \$20,064,530 spending on the WSIP that was funded with other sources.

Again, further refinements to the financing assumptions are reflected in the attached document. The significant refinement is to the calculation of debt service reserve. In previous financing estimates, the debt service calculation was equal to 100% maximum annual debt service. While consistent with conventions of typical utility revenue bonds, this calculation was not consistent with the bond indenture requirement of 50% maximum annual debt service. This change reduces the bond reserve fund significantly.

Based upon these further refinements, financing costs are now estimated to be \$552,419,000 or 15% of the total WSIP.

Refinements due to changes in projections and the market will be continually monitored throughout the period that bonds are issued to finance the WSIP.

Summary of Significant Changes to Financing

	March	October	November
Bond Mix and Interest Rate	100% fixed at 5.5%	75% fixed at 5.5% 25% variable at 3.75% Blended rate of 5%	75% fixed at 5.5% 25% variable at 3.75% Blended rate of 5%
Debt Service Requirement	Fully funded bond reserve fund Calculated at 100% of annual maximum annual debt service.	60% bond reserve fund 40% surety policy Calculated at 100% of annual maximum annual debt service.	60% bond reserve fund 40% surety policy Consistent with indenture, calculated at 50% of annual maximum annual debt service
Total WSIP Project Budget (\$000)	\$3,591,488	\$3,758,592	\$3,759,968
Financing Costs (\$000)	\$753,136 (~21%)	\$633,699 (~17%)	\$552,419 (~15%)

November 22, 2005

Financing of the Water System Improvement Program

Full implementation of the WSIP is projected to require approximately \$4.3 billion to be raised from the issuance of tax-exempt debt. The impact on rates and debt service are summarized below. Underlying assumptions and pro forma financial projections follow.

The primary drivers of the financial projections are WSIP project costs and schedules. Secondary drivers include:

- Commission adopted financial policies;
- Assumption that the terms of the existing Master Water Sales Contract remain in place throughout the projection period; and
- Assumption that SFPUC finances the entire WSIP.

Actual results may be materially different from projected results.

The \$4.3 billion in projected bond issuance includes project construction and delivery costs and other financing-related amounts, as summarized in the table below.

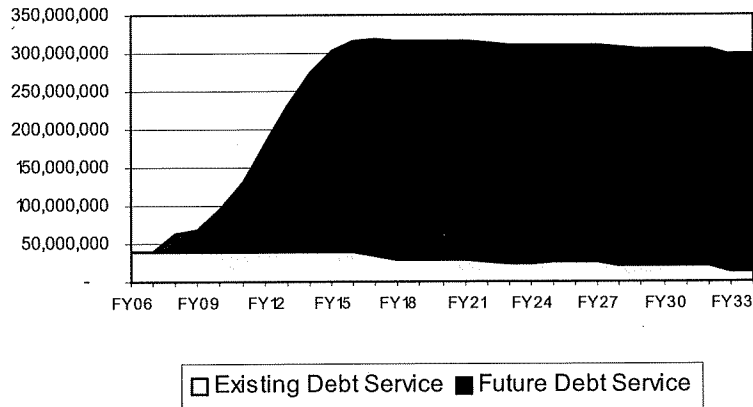
Application of Aggregate Bond Proceeds (\$000s)	
Project Construction Fund ¹	\$3,739,968
Financing-Related Amounts:	
Capitalized Interest Fund	\$400,378
Bond Reserve Fund	86,435
Surety Policy Premium	1,441
Bond Insurance Premium	21,241
Costs of Issuance	42,924
Subtotal	552,419
Total Par Amount of Bonds	\$4,292,387

The financial planning model assumes that bonds will be issued annually, in a pattern roughly mirroring the project spending projections. In practice, the precise timing and size of the issuance of additional bonds will depend on the actual pace of project spending and general municipal bond market conditions.

¹ Equal to spending to date attributable to Proposition A authority plus projected spending. Does not include \$20,064,530 spending on WSIP that was funded with other sources.

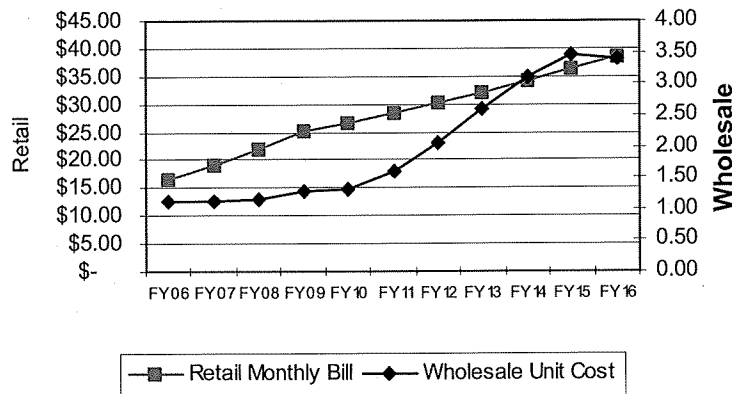
The chart below illustrates the Water Enterprise's outstanding debt service as of June 30, 2005, and compares it to projected future debt service.

Water Enterprise Debt Service



The following chart illustrates the rate impacts of the WSIP on SFPUC's wholesale and retail customers. Retail rate adjustments are made concurrent with the issuance of bonds related to the WSIP. The rate applicable to wholesale customers is based on a proportionate share of O&M and depreciation expenses combined with a return on the portion of net plant investment used to provide wholesale water service.

Indicative Water Rates



WSIP Financing Assumptions

This section identifies assumptions and methods used in the financial planning model to provide a reference for understanding the output. Note that financial planning is dynamic and assumptions will be reevaluated frequently to reflect the actual pace of spending and results of operations as well as significant changes in the municipal bond market.

Model Description – The financial planning model serves a dual purpose: (i) size bond issues necessary to meet desired capital investments, and (ii) estimate future retail and wholesale rates necessary to support the Water Enterprise.

O&M, debt service and revenue funded capital projects are forecasted to determine the annual revenue requirement. Contractual revenues from wholesale customers are derived from O&M projections and from assets that are added to rate base as projects are completed, pursuant to a project capitalization schedule. The retail revenue requirement is the difference between annual revenue requirement and contractual revenue requirement.

The WSIP project costs and schedule, as well as financing assumptions will affect the size and timing of required revenue bond issuances and hence the profile of additional debt service. In turn, the profile of additional debt service combined with the profile of asset capitalization, certain financing assumptions and water sales volume projections will affect the size and timing of rate increases.

Financial Policies - In May 2002, the Commission adopted several key financial policies, which in large measure drive the rates required to support the Water Enterprise's operations and a fully funded WSIP. The two policies with the greatest direct impact on the projections are described below.

- **Debt Service Coverage Target** – In the existing bond indenture, the Water Enterprise covenants to establish rates such that net revenues (operating revenue less operating costs) plus unappropriated fund balance is equal to at least 125% of annual debt service. In certain years of the projections, achieving this target may impose an unreasonable burden in which case adherence to this policy may be relaxed.
- **O&M Reserve Target** - The City Charter requires utilities to maintain prudent reserves. This is also required by the Water Enterprise bond indenture and constitutes sound financial practice. The Commission's approved policy is to establish an O&M reserve target of 25%, or three months worth, of annual O&M expenses. Similar to targeted coverage, in years in which achieving the reserve target imposes an unreasonable burden, this policy target may be relaxed.

Financial Assumptions – The following briefly describes the numerous variables imbedded in the model and the associated assumptions.

- **Cost of Funds** – All bonds issued during the forecast period are assumed to have a blended interest rate of 5.00%. This rate is based on historical long-term fixed rates (Buyer Revenue Bond Index or BBRI) and variable rates (Bond Market Association or BMA), and the historical spread between the BBRI and triple-A rated insured bonds. It is assumed that approximately

*Financing the WSIP
November 22, 2005*

75% of the bonds are issued as long-term fixed rate bonds with an interest rate of 5.50% and that 25% of the bonds are issued as long-term variable rate bonds with an interest rate of 3.75% - resulting in a blended rate of 5.00%.

- Investment rates – Several relatively conservative assumptions were made regarding the rate of return on various investment opportunities relating to operations and debt issuance.
 - Earnings on the Water Enterprise's fund balances are assumed at a rate of 2%, which is intended to be a conservative representation of the earnings generated by the Treasurer's investment pool.
 - The project construction fund is gross funded – that is, the money is spent at the time it's raised and therefore earns no interest.
 - The capitalized interest fund, which is sized to meet debt service payments for the first two years that each bond issue is outstanding, is invested at 4.00%, which is 100 basis points below the borrowing cost of 5.00%.
 - Pursuant to the indenture, the debt service reserve requirement is equal to $\frac{1}{2}$ maximum annual debt service and may be met with bond proceeds or a surety, or a combination. We have assumed that roughly 60% of the reserve requirement is met with cash from bond proceeds and 40% is met with a surety. The reinvestment of the cash-funded portion is assumed to be arbitrage neutral – that is, 5.00% is assumed to be both the borrowing and investment rate.
- Other Water Enterprise operating assumptions include:
 - Retail water sales are forecasted to be flat during the projection period and wholesale water sales are forecasted to increase at a rate of .83% per year, consistent with recent demand studies.
 - Growth in labor costs is forecasted at 6% for FY06 and FY07, consistent with actual City labor agreements) and 3.00% thereafter.
 - Other non-labor O&M costs are expected to grow by 3% per year.
- Other bond-related assumptions include:
 - 30-year term on all bonds, with principal amortization beginning in year 3.
 - Principal payments are due annually and interest is due semi-annually.
 - Annual debt service is structured to be level.
 - While the Water Enterprise has underlying ratings of A1/A+, the bonds are assumed to be insured and rated triple-A. The cost of bond insurance is estimated to be .25% of total principal and interest, payable upfront (at the time of each bond sale).
 - The cost of a surety policy to meet reserve requirements is estimated to be 2.5% of the requirement.
 - Other costs of issuance, including fees for legal advice, financial advisors, rating agencies, trustee and payments to the RBOC are estimated at 1% of the total par amount issued.

**SAN FRANCISCO WATER ENTERPRISE
PROJECTED REVENUE AND EXPENSES
FY 2006 Approved Budget and November 2005 WSIP Costs Estimates**

FY 2006 (Budget)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
64,180,304	44,238,556	42,251,466	55,173,157	57,646,120	61,311,888	71,778,378	81,171,245	86,741,610	88,948,948	92,262,900
74,270,000	74,270,000	74,270,000	74,270,000	74,270,000	74,270,000	74,270,000	74,270,000	74,270,000	74,270,000	74,270,000
11,140,500	23,952,075	38,685,386	55,628,694	63,747,363	72,373,448	81,538,663	91,276,705	101,623,374	112,616,710	124,297,129
99,313,308	99,023,332	104,676,959	115,193,188	119,854,215	146,341,355	186,662,785	240,108,433	287,643,324	323,163,209	318,181,265
(7,596,786)	21,006	21,006	21,006	21,006	21,006	21,006	-	-	-	-
1,697,600	1,707,839	1,917,028	2,205,388	2,329,434	2,643,185	3,085,003	3,545,945	3,909,494	4,194,424	4,164,408
-	-	-	-	-	-	-	-	-	-	-
12,600,000	12,600,000	12,600,000	12,600,000	12,600,000	12,600,000	12,600,000	12,600,000	12,600,000	12,600,000	12,600,000
-	-	-	-	-	-	-	-	-	-	-
191,424,622	211,574,252	232,170,378	259,918,276	272,822,017	308,248,994	358,156,452	421,801,082	480,046,192	526,844,343	533,512,801
60,004,588	63,604,863	65,513,009	67,478,399	69,502,751	71,587,834	73,735,469	75,947,533	78,225,959	80,572,738	82,989,920
2,236,605	2,370,801	2,441,925	2,515,183	2,590,639	2,668,358	2,748,408	2,830,861	2,915,787	3,003,260	3,093,358
10,887,655	11,214,285	11,550,713	11,897,235	12,254,152	12,621,776	13,000,429	13,390,442	13,792,156	14,205,920	14,632,098
9,511,728	9,797,080	10,090,992	10,393,722	10,705,534	11,026,700	11,357,501	11,698,226	12,049,172	12,410,648	12,782,967
2,911,698	2,999,049	3,089,020	3,181,691	3,277,142	3,375,456	3,476,720	3,581,021	3,688,452	3,799,105	3,913,079
5,958,151	6,136,896	6,321,002	6,510,632	6,705,951	6,907,130	7,114,344	7,327,774	7,547,607	7,774,036	8,007,257
29,754,448	31,539,715	32,485,906	33,460,484	34,464,298	35,498,227	36,563,174	37,660,069	38,789,871	39,953,567	41,152,174
7,333,479	7,773,488	8,006,692	8,246,893	8,494,300	8,749,129	9,011,603	9,281,951	9,560,409	9,847,222	10,142,638
19,037,000	19,608,110	20,196,353	20,802,244	21,426,311	22,069,101	22,731,174	23,413,109	24,115,502	24,838,967	25,584,136
147,635,352	155,044,286	159,695,615	164,486,483	169,421,078	174,503,710	179,738,821	185,130,986	190,684,916	196,405,463	202,297,627
43,789,270	56,529,966	72,474,764	95,431,793	103,400,940	133,745,283	178,417,630	236,670,096	289,361,276	330,438,880	331,215,174
38,444,973	38,517,056	38,553,073	38,548,594	38,588,531	38,633,325	38,643,942	38,682,275	38,745,800	38,810,133	32,952,917
-	24,472,432	30,222,117	57,484,622	93,974,768	143,921,576	192,994,017	235,959,837	263,034,143	277,313,190	284,403,744
-	(23,979,636)	(29,613,542)	(24,135,590)	(54,257,038)	(80,934,192)	(84,675,114)	(66,329,150)	(38,512,840)	(14,239,727)	(3,153,239)
-	(492,795)	(608,575)	(988,796)	(1,723,589)	(2,652,041)	(3,463,712)	(4,015,143)	(4,255,173)	(4,307,778)	(4,319,974)
38,444,973	38,517,056	38,553,073	70,908,829	76,582,672	98,968,668	143,499,132	204,297,819	259,011,930	297,575,818	309,883,447
5,344,297	18,012,910	33,921,691	24,522,964	26,818,267	34,776,615	34,918,498	32,372,277	30,349,347	32,863,061	21,331,728
25,286,045	20,000,000	21,000,000	22,050,000	23,152,500	24,310,125	25,525,631	26,801,913	28,142,008	29,549,109	31,026,564
44,238,556	42,251,466	55,173,157	57,646,120	61,311,888	71,778,378	81,171,245	86,741,610	88,948,948	92,262,900	82,568,063

Attachment 1

2.808	2.616	2.976	2.124	2.103	1.971	1.744	1.556	1.452	1.409	1.367
1.139	1.468	1.880	1.346	1.350	1.351	1.243	1.158	1.117	1.110	1.069
0.435	0.285	0.265	0.335	0.340	0.351	0.399	0.438	0.455	0.453	0.456
59,913,358	52,622,202	66,534,888	61,968,913	65,318,720	71,346,336	70,822,093	62,469,068	52,337,974	47,418,054	36,123,766
27,271,466	5,477,485	2,327,562	14,051,536	15,290,851	17,685,960	26,843,673	34,888,499	39,070,381	39,847,582	41,688,493

15.00%	15.00%	15.00%	15.00%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%
15.00%	32.25%	52.09%	74.90%	85.83%	97.45%	109.79%	122.90%	136.83%	151.63%	167.36%
\$ 16.59	\$ 19.08	\$ 21.95	\$ 25.24	\$ 26.82	\$ 28.49	\$ 30.27	\$ 32.16	\$ 34.17	\$ 36.31	\$ 38.58
15.00%	15.00%	15.00%	15.00%	13.19%	12.01%	11.17%	10.54%	10.05%	9.67%	9.35%
85,730,000	86,441,559	87,159,024	87,882,444	88,611,868	89,347,347	90,088,930	90,836,668	91,590,612	92,350,814	93,117,326
3.01%	-1.12%	5.04%	9.47%	3.31%	21.72%	27.14%	28.09%	19.09%	11.57%	-2.37%
3.01%	1.85%	6.98%	17.11%	20.98%	47.26%	87.22%	139.80%	185.57%	218.60%	211.06%
\$ 1.12	\$ 1.11	\$ 1.16	\$ 1.27	\$ 1.32	\$ 1.60	\$ 2.04	\$ 2.61	\$ 3.10	\$ 3.46	\$ 3.38
3.01%	0.92%	2.27%	4.03%	3.88%	6.66%	9.37%	11.55%	12.37%	12.29%	10.87%

es 2010 E	Series 2010 F ⁴	Series 2010 G	Series 2011 A ⁴	Series 2012 A ⁴	Series 2016 C	Series 2017 A	Total	Future WSIP Finance Costs ¹	Total Projected
3,056,425	27,035,475	47,632,972	80,969,387	65,324,641	0	14,435,850	431,280,115	30,000,000	461,280,115
							46,045,564	9,000,000	55,045,564
1,843,371	8,186,979	15,901,179	24,257,136	27,973,735	0	0	153,804,274	0	153,804,274
0	(6,881,448)	0	(24,261,385)	(25,036,995)	0	0	(99,708,531)	0	(99,708,531)
1,266,656	723,840	2,769,584	1,884,388	8,546,694	1,623,790	283,156	26,899,677	2,000,000	28,899,677
377,683	496,175	446,640	896,883	856,311	713,581	416,627	6,987,434	1,000,000	7,987,434
0	0	0	0	0	0	0	1,973,564	0	1,973,564
5,544,135	29,561,020	66,750,375	83,746,409	77,664,385	2,337,371	15,135,632	567,282,096	42,000,000	609,282,096
63.97%	66.05%	66.05%	61.78%	45.80%	66.05%	66.05%			
							Financing Costs as % of total WSIP Project Budget	13%	14%

PACKET MATERIALS

DATE September 17, 2018 Item No. 6

REVENUE BOND OVERSIGHT COMMITTEE


































- Controller Construction Contract Audit and Project Consulting Services – Prequalified Firms










Completed by: Victor Young Date: August 8, 2018

Construction Contract Audit and Project Consulting Services

List of prequalified Firms

(Please let me know if you'd like any of these attachments):

Firms (Listed Alphabetically)	Service Area 1: Construction Management, Contract and Process Consulting	Service Area 2: Construction Contract and Construction Process Performance and Compliance Audits and Attestation	Service Area 3: Claims Analysis and Resolution	Response Info	CMD Forms	Terms Condi
Arcadis U.S. Inc.	X	X	X			
Cumming Construction Management, Inc.	X	X	X			
Dabri, Inc.	X	X	X			
Ernst & Young LLP	X	X				
HKA Global, Inc.	X	X	X			
KPMG LLP	X	X	X			
Marsh USA Inc. [Marsh Risk Consulting]		X	X			
McMillen Jacobs Associates (MJA)			X			
Moss Adams LLP		X				
Navigant Consulting, Inc.			X			
PMA Consultants, LLC	X	X	X			
Resolution Management Consultants, Inc.			X			
R.W. Block Consulting, Inc.	X	X				
Secretariat International		X	X			
SF Delaney Consulting		X				

Sjoberg Evashenk Consulting, Inc.	X	X				
Talson Solutions, LLC		X				
Yano Accountancy Corporation		X				

PACKET MATERIALS

DATE September 17, 2018 Item No. 7

REVENUE BOND OVERSIGHT COMMITTEE

- SFPUC Resolution Support RBOC Extension
- Draft Ordinance extending the RBOC

Completed by: Victor Young

Date: August 8, 2018

PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO 18-

WHEREAS, the voters of the City approved Proposition P on November 2002 (“Proposition P”) to establish the Public Utilities Revenue Bond Oversight Committee, an independent citizens advisory committee (“RBOC”) under Chapter V of the San Francisco Administrative Code (Section 5A.30 et seq.); and

WHEREAS, the purpose of the RBOC is to conduct audits to ensure the legal and efficient expenditure of revenue bond proceeds on the repair, replacement, upgrading and expansion of the water collection, power generation, water distribution and wastewater treatment facilities operated by the San Francisco Public Utilities Commission (“Commission”) of the City and County of San Francisco (“City”); and

WHEREAS, the RBOC meets monthly and provides valuable oversight of the Commission regarding the expenditure of revenue bond proceeds, and provides annual reports to the public and the Board of Supervisors, among others, regarding its findings; and

WHEREAS, under Proposition P the RBOC was originally scheduled to sunset on January 1, 2013, unless extended by ordinance adopted by the Board of Supervisors; and

WHEREAS, the Board of Supervisors has from time to time adopted ordinances to extend the sunset date of the RBOC and pursuant to Section 5A.36 of the Administrative Code the RBOC is currently scheduled to sunset on January 1, 2019; and

WHEREAS, under Proposition H (approved by the voters in November 2001) and Propositions A and E (approved by the voters in November 2002) the Commission was authorized to upgrade its water collection, power generation, water distribution and wastewater treatment facilities; and

WHEREAS, the Commission has an ongoing intensive capital financing program for its respective enterprises, including with specificity its Sewer System Improvement Program (“SSIP”), which make up approximately \$4 billion of the Commission’s 10-Year Capital Plan for Fiscal Years 2018-19 to 2027-28, and which capital improvement projects are intended to bring the City’s wastewater and stormwater collection system into a state of good repair, and meet goals and levels of service originally endorsed by the Commission in 2012, 2016 and 2018; and

WHEREAS, in anticipation of the desirability of continuing the oversight work of the RBOC, on September __, 2018 the RBOC voted to recommend to the Board of Supervisors an extension of its sunset date for six years to January 1, 2025 from January 1, 2019; now, therefore, be it

RESOLVED, The RBOC provides valuable independent oversight to ratepayers regarding the expenditure of revenue bonds, and therefore this Commission supports the extension of the sunset date of the RBOC for six years to January 1, 2025 from January 1, 2019, as the Board of Supervisors shall approve.

I hereby certify that the foregoing resolution was adopted by the Public Utilities

Commission at its meeting of _____

Secretary, Public Utilities Commission

FILE NO.

ORDINANCE NO.

[Administrative Code - Extension of the Public Utilities Revenue Bond Oversight Committee]

1 **Ordinance amending the Administrative Code to extend the sunset date of the Public**
2 **Utilities Revenue Bond Oversight Committee, suspend provisions of Board Rule 2.21,**
3 **for an additional [six] years to January 1, 2025.**
4

5 NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
6 **Additions to Codes** are in *single-underline italics Times New Roman font*.
7 **Deletions to Codes** are in ~~*strikethrough italics Times New Roman font*~~.
8 **Board amendment additions** are in double-underlined Arial font.
9 **Board amendment deletions** are in ~~strikethrough Arial font~~.
10 **Asterisks (* * * *)** indicate the omission of unchanged Code
11 subsections or parts of tables.

12 Be it ordained by the People of the City and County of San Francisco:

13 Section 1. Findings. The Board of Supervisors hereby finds and declares as follows:

14 (a) Proposition P, a 2002 initiative ordinance (now codified at San Francisco
15 Administrative Code, Sections 5A.30 et. seq.) created the Public Utilities Revenue Bond
16 Oversight Committee (RBOC) to provide independent oversight of the San Francisco Public
17 Utilities Commission's (SFPUC) expenditure of revenue bond proceeds on the repair,
18 replacement, and expansion of the City's water, power, and wastewater facilities.

19 (b) The RBOC monitors and reports publicly about the SFPUC's expenditure of
20 revenue bond proceeds on the repair, replacement, upgrading and expansion of the City's
21 water collection, power generation, water distribution, and wastewater treatment facilities.

22 (c) The RBOC is required to provide oversight to ensure that: (1) revenue bond
23 proceeds are expended only in accordance with the authorizing bond resolution and
24 applicable law; (2) revenue bond proceeds are expended solely for uses, purposes and
25

1 projects authorized in the bond resolution; and (3) revenue bond proceeds are appropriately
2 expended for authorized capital improvements so that an uninterrupted supply of water and
3 power continues to flow to the City and the SFPUC's customers.

4 (d) The RBOC has conducted monthly public hearings about SFPUC activities and
5 provides annual reports of its findings to this Board and to members of the public.

6 (e) In accordance with Administrative Code Section 5A.36(a), the provisions of
7 Proposition P would have expired on January 1, 2013, unless extended by ordinance.

8 (f) This Board adopted Ordinance No. 236-12 on December 4, 2012, signed by the
9 Mayor on December 7, 2012, to extend the sunset date of the RBOC to January 1, 2016.

10 (g) This Board This Board adopted Ordinance No. 189-15 on October 27, 2015,
11 signed by the Mayor on November 4, 2015, to extend the sunset date of the RBOC to January
12 1, 2019.

13 (h) The SFPUC will continue to incur bonded indebtedness to finance capital
14 improvements for the repair, replacement, and expansion of its water enterprise and will from
15 time to time issue its revenue bonds to finance the cost of such improvements.

16 (i) The SFPUC also expects to initiate a multi-billion dollar capital improvement
17 program for the wastewater enterprise, and bonding for this program is expected to continue
18 through 2025.

19 (j) In order to ensure that revenue bonds of the SFPUC are used for their intended
20 purposes, and to ensure that the SFPUC continues to employ the best management
21 practices, it is necessary and desirable that the RBOC continue to provide oversight of the
22 SFPUC expenditure of revenue bond proceeds.

23 Section 2. The San Francisco Administrative Code is hereby amended by revising
24 Section 5A.36 to read as follows:

1 (a) Unless the Board by ordinance reauthorizes the provisions of this Ordinance for
2 a specified period of years, the provisions of this Ordinance shall expire on January 1, 2025.

3 * * * *

4
5 Section 3. Effective Date. This ordinance shall become effective 30 days after
6 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the
7 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board
8 of Supervisors overrides the Mayor's veto of the ordinance.

9
10 Section 4. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors
11 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,
12 numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal
13 Code that are explicitly shown in this ordinance as additions, deletions, Board amendment
14 additions, and Board amendment deletions in accordance with the "Note" that appears under
15 the official title of the ordinance.

16
17 Notwithstanding Rule 2.21 of the Board of Supervisors Rules of Order, which provides that
18 advisory bodies created by the Board should sunset within three years, This Article XXV shall
19 expire on January 1, 2025 unless the Board of Supervisors adopts an ordinance continuing its
20 existence. In the event this Article expires, the City Attorney shall cause it to be removed from
21 the Administrative Code.

22
23 APPROVED AS TO FORM:
24 DENNIS J. HERRERA, City Attorney

25 By: _____

1 SAMPLE
2 Deputy City Attorney

3
4 BOS RULES OF ORDER 2.21

5
6 **2.21. Regular Meetings of Subordinate Bodies.** Whenever the Board creates or reauthorizes,
7 by ordinance or resolution, a board, committee, task force, or other multi-member body, the Board
8 shall include language requiring the subordinate body to meet at least once every four months.
9 The enabling legislation shall also include a description of the qualifications for each member, the
10 date on which appointments commence, the length of terms of appointments, and a sunset clause
11 not to exceed three years, and shall identify the City Department that will provide administrative
12 services to the subordinate body. The Clerk of the Board shall advise the Board if there is a
13 current body that addresses the same or a similar subject matter. The requirement shall not apply
14 to committees consisting solely of members of the Board. The Board may modify or waive the
15 requirement where state or federal laws, or the terms of a grant or a contract, require the City to
16 maintain the subordinate body. The Clerk of the Board shall maintain a list of every subordinate
17 body to which the Board has the appointing authority. The Clerk of the Board shall contact these
18 bodies at the end of each year to determine if they have met at least once every four months. If
19 more than four months pass without the body meeting, the Clerk shall ask the City Attorney to
20 prepare legislation repealing the ordinance or resolution that created the body.
21
22
23
24
25

PACKET MATERIALS

DATE September 17, 2018 Item No. 8

REVENUE BOND OVERSIGHT COMMITTEE

- August 13, 2018, Draft RBOC Minutes

Completed by: Victor Young Date: August 8, 2018

PACKET MATERIALS



**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**

August 13, 2018 - 9:00 AM

Special Meeting

Mission: The Revenue Bond Oversight Committee (RBOC) monitors 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 provides independent oversight to ensure transparency and accountability. The RBOC's goal is to ensure that SFPUC revenue bond proceeds are spent for their intended purposes in accordance with legislative authorization and other applicable laws.

1. Call to Order and Roll Call

Members:

Seat 1 Vacant
Seat 2 Kevin Cheng
Seat 3 Robert Leshner, Co-Chair
Seat 4 Tim Cronin
Seat 5 Travis George, Co-Chair
Seat 6 Christina Tang, Vice Chair
Seat 7 Jennifer Millman

Chair Leshner called the meeting to order at 9:09 a.m. On the call of the roll, Co-Chair Leshner, Vice-Chair Tang, and Members Cheng, Cronin and Millman were noted present. There was a quorum.

Co-Chair George was noted present at 9:45 a.m.

2. Agenda Changes

There were no 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.

Speakers:

None.

4. **SFPUC Staff Report: Results of Wastewater Bond Sales and WIFIA Loan Transaction.**

Richard Morales and Mike Brown (SFPUC) provided an update on WIFIA Loan Transactions and responded to questions from the Committee.

Public Comment:

None.

There were no actions taken.

5. **RBOC: Review of RBOC audit topics, previous RBOC Request for Quote, process/procedures for hiring an auditor, and review of the possibility of obtaining a third party contract administrator.**

Co-Chair Leshner provided an updated on the progress of acquiring a contract manager. Richard Morales and Mike Brown (SFPUC) responded to questions from the Committee.

Upon discussion it was suggested that the process be broken up into 2 parts as follows:

- Audit on the use of bond proceeds
- Review of the application of lessons learned, performance of completed projects and development of new questions.

The RBOC requested that the SFPUC reach out to various parties regarding the possibility of acquiring a contract manager to assist the RBOC in monitoring and developing audit contracts.

Public Comment:

None.

The matter was continued to the next meeting of the RBOC without objection.

6. **RBOC: Charter Sunset Date Extension and Planning.**

Mike Brown (SFPUC) provided information on behalf of Deputy City Attorney Mark Blake and responded to questions from the Committee.

Co-Chair Leshner, seconded by Co-Chair George, moved to authorize the co-chairs to draft, finalize and submit the sunset date extension legislation and cover letter to the Board of Supervisors.

Public Comment:

None.

The motion PASSED by the following vote:

Ayes: 6 – Cheng, Leshner, Cronin, George, Tang, Millman

Noes: 0 – none

7. **RBOC: Review of CFO Annual Certification.**

Mike Brown (SFPUC) provided information on behalf of Deputy City Attorney Mark Blake and responded to questions from the Committee.

Upon review, the RBOC suggested that the certification be amended to as reasonable as follows:

- I have **reasonable** deemed necessary for purposes for this certification
- I have **reasonable** deemed necessary for purposes of providing this certification

Public Comment:

None.

There were no actions taken.

8. **RBOC: Fund Management Policy.**

Mike Brown (SFPUC) provided information on behalf of Deputy City Attorney Mark Blake and responded to questions from the Committee.

Upon review the RBOC suggested that the RBOC discuss how to determine what amount of funds is reasonable to maintain in the context of the Fund Management Policy at a future meeting.

Co-Chair George, seconded by Member Cronin, moved to adopt the Fund Management Policy as amended to replace ‘Water, Sewer, or Power’ with ‘the Enterprises’.

Public Comment:

None.

The motion PASSED by the following vote:

Ayes: 6 – Cheng, Leshner, Cronin, George, Tang, Millman
Noes: 0 – none

9. **Approval of Minutes: June 21, 2018, Meeting Minutes.**

Co-Chair Leshner, seconded by Member Millman, moved to approve the June 21, 2018, RBOC meeting minutes.

Public Comment:

None.

The motion PASSED by the following vote:

Ayes: 5 – Cheng, Leshner, Cronin, George, Millman
Noes: 0 – none
Absent: 1 – Tang

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

August 20, 2018 (Cancelled)

September 17, 2018

1. SFPUC Staff Report: Water System Improvement Program (WSIP) Financing Expenses.

October 15, 2018

1. SFPUC Staff Report: Sewer System Improve Program (SSIP).

November 26, 2018

1. SFPUC Staff Report: Mountain Tunnel update.

December 17, 2018

1. To be determined.

Pending Issues:

1. SFPUC Staff Report: Stormwater Management System Ordinance and Green Infrastructure
2. San Francisco Public Utilities Commission (SFPUC) Staff Report: Clean Power SF financing options
3. SFPUC Staff Report: Nature Resources Accounting Update
4. RBOC: Acquiring consultant to examine expected performance of complete projects.
5. SFPUC Staff Report: Environmental Justice

Co-Chair George inquired as to the filling of the vacant seat.

11. **Adjournment**

There being no further business, the meeting adjourned at 10:55 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.

Approved by the RBOC: DRAFT