

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

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

**February 13, 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 (Holdover status)  
Seat 2 Kevin Cheng, Chair (Holdover status)  
Seat 3 Robert Leshner  
Seat 4 Tim Cronin  
Seat 5 Travis George  
Seat 6 Christina Tang, Vice Chair  
Seat 7 Jadie Wasilco

*Chair Cheng called the meeting to order at 9:07 a.m. On the call of the roll, Chair Cheng, Vice Chair Tang, Members Cronin, George and Kaufman were noted present. Members Leshner and Wasilco were noted not present. There was a quorum.*

*Member Leshner was noted present at 9:32 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.

*Public Comment. Speakers: There were none.*

4. **Strategic Planning Follow Up:** 2017 Strategic Issues, 2017 Work Plan and Schedule, Strategic Planning Summary and Next Steps

*Chair Cheng introduced strategic planning facilitator Carmen Clark, who provided a review of the strategic planning meeting and discussing strategic issues/directions for the committee, the schedule for 2017, and upcoming meeting discussions, including the following: (1) succession planning; (2) staff report on assurance of project expenditure compliance with bond requirements; (3) staying informed of Mountain Tunnel project development and costs; (4) monitoring Calaveras Dam progress; (5) scope and budget for Wastewater issues (e.g., protection of flood prone areas and Bayside tunnel capacity); (6) alternative project delivery methods including design/build; (7) green infrastructure implementation and status; (8) ensuring appropriate project eligibility and how the project supports the agency's mission; (9) depth and breadth of oversight needed by RBOC; (10) capital planning and managing credit rating/debt costs, ratio of cash/debt funding; and (11) rate design presentation.*

*Public Comment. Speakers: None.*

5. **San Francisco Public Utilities Commission (SFPUC) Staff Report:** Mountain Tunnel 101 Presentation, including overview of the issue, how it is being addressed, project update, project scope and budget, why Mountain Tunnel was not included as part of WSIP, possibility of inclusion in WSIP, project going forward

*Steven Ritchie, Assistant General Manager of Water Enterprise (SFPUC); provided an update of the Mountain Tunnel project, including the following: overview of regional water system; wholesale customers; Mountain Tunnel background; Mountain Tunnel update summary and overview; Priest Portal opening; tunnel inspection work completed; tunnel adits and access improvements; interim repairs; January/February calendar for improvements, inspection support and interim repairs; and decision on long-term improvements. Dan Wade, WSIP Director; and Richard Morales, Debt Manager (SFPUC); provided information and responded to questions raised throughout the discussion.*

*Public Comment. Speakers: None.*

6. **San Francisco Public Utilities Commission (SFPUC) Staff Report:** Environmental Justice Update

*Mike Brown (SFPUC); responded to questions raised throughout the discussion and further requested additional instruction from the Committee for presentation.*

*Public Comment. Speakers: None.*

7. **San Francisco Public Utilities Commission (SFPUC) Staff Report:** Recent Water Bond Sales Results

*Richard Morales, Debt Manager; and Mike Brown (SFPUC); discussed the results of recent water bond sales, including the following: two water bond sales in 2016; AB*

water revenue bond refunding; marketing the AB bonds; historically low rates; challenging market conditions; refunding debt service savings; series 2016C water revenue bonds (green bonds); and water credit ratings. Charles Perl, Deputy Chief Financial Officer (SFPUC); and Mark Blake, Deputy City Attorney; provided information and responded to questions raised throughout the discussion.

*Public Comment. Speakers: None.*

8. **San Francisco Public Utilities Commission (SFPUC) Staff Report: Fund Balance Reserves Policy**

*Charles Perl, Deputy Chief Financial Officer (SFPUC); provided a presentation on proposed changes to the fund balance reserves policy, including the following: a background and review of the financial policy; financial policy review timeline; reserve policy objectives; existing fund balance reserve policy; peer group study findings; peer survey for operating reserve targets; proposed changes to fund balance reserve policy; and reserves in current 10-year plan. Richard Morales, Debt Manager, and Mike Brown (SFPUC); Mark Blake, Deputy City Attorney; provided information and responded to questions raised throughout the discussion.*

*Public Comment. Speakers: None.*

*Member Cronin was noted absent at 11:25 a.m.*

*Member Kaufman was noted absent at 11:32 a.m.*

9. **Approval of Minutes: January 23, 2017, Meeting Minutes**

*Public Comment. Speakers: None.*

*By unanimous consent the Committee moved that the January 23, 2017, Meeting Minutes be APPROVED. The motion passed by the following vote:*

*Ayes: 4 - Cheng, George, Leshner and Tang*

*Absent: 3 - Cronin, Kaufman, and Wasilco*

10. **2016 Annual Report Finalization and Approval**

*Public Comment. Speakers: None.*

*By unanimous consent the Committee moved that the 2016 Annual Report be APPROVED. The motion passed by the following vote:*

*Ayes: 4 - Cheng, George, Leshner and Tang*

*Absent: 3 - Cronin, Kaufman, and Wasilco*

11. **Election of Officers**

*Public Comment. Speakers: None.*

*By unanimous consent the Committee moved that the Election of Officer be CONTINUED to the March 6, 2017, RBOC meeting. The motion passed by the following vote:*

*Ayes: 4 - Cheng, George, Leshner and Tang*

*Absent: 3 - Cronin, Kaufman, and Wasilco*

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

*The Committee approved by finalization of the annual report the following regular meeting schedule for calendar year 2017:*

- 1. Monday, January 23, 2017*
- 2. Monday, February 13, 2017*
- 3. Monday, March 6, 2017*
- 4. Monday, April 10, 2017*
- 5. Monday, May 8, 2017*
- 6. Monday, June 12, 2017*
- 7. Monday, July 17, 2017*
- 8. Monday, August 7, 2017*
- 9. Monday, September 18, 2017*
- 10. Monday, October 16, 2017*
- 11. Monday, November 6, 2017*
- 12. Monday, December 11, 2017*

*Public Comment. Speakers: None.*

**13. Adjournment**

*There being no further business, the meeting adjourned at 11:45 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.*



### **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](http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=97)

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

### **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.

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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

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

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

Citizens may obtain a free copy of the Sunshine Ordinance by printing San Francisco Administrative Code, Chapter 67, at <http://www.sfbos.org/sunshine>.

### **Lobbyist Registration and Reporting Requirements**

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code, 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](http://www.sfgov.org/ethics).

San Francisco Public Utilities Revenue Bond Oversight Committee

2017 Strategic Planning Meeting

SUMMARY NOTES

January 23, 2017

Attendees: Kevin Cheng, Chair  
Holly Kaufman  
Christina Tang  
Robert Leshner  
Tim Cronin  
Travis George  
Jadie Wasilco  
Derek Evans, Assistant Clerk, SFBOS  
Mark Blake, Deputy City Attorney  
Dan Wade, WSIP Director, SFPUC  
Karen Kubick, SSIP Director, SFPUC  
Charles Perl, Deputy CFO, SFPUC  
Frank McParland, SFPUC  
Mike Brown, SFPUC  
Sheena Johnson, SFPUC  
Carmen Clark, Facilitator

Summary of 2017 Issues

- #1 Succession planning for RBOC – need for continuity and predictable turnover; maintain short list of candidates, encourage early notice of resignation, possible commitment to two terms
- #2 Report to RBOC from staff to show assurance of project expenditure compliance with bond requirements
- #3 Mountain Tunnel project – how to keep informed on project development and costs
- #4 Calaveras Dam – monitoring progress
- #5 Wastewater Issues – need scope and budget for protection of flood prone areas in the city, Bayside tunnel capacity
- #6 Alternative project delivery methods including design/build
- #7 Green infrastructure – implementation status

#8 How to insure appropriate project eligibility and how the project supports the agency's mission

#9 Depth and breadth of oversight needed by RBOC – purpose is to avoid significant non-performance or cost overruns, including expected performance of completed projects

#10 Seminar on capital planning – managing credit rating/debt costs, ratio of cash/debt funding, possible changes to financial strategy in fixed rate/variable rate mix

#11 Rate design presentation needed from staff

#### Preliminary 2017 Calendar Items

Committee members drafted the preliminary work plan (Attachment 1). Six potential items were added to the draft after the meeting by Tim Cronin and Mike Brown and have been incorporated into the preliminary plan.

## *Attachment 1*

### Preliminary 2017 RBOC Calendar/Work Plan

#### February

- #1 Mountain Tunnel presentation
- #2 2016 Annual Report approval
- #3 Environmental Justice update
- #4 Update on recent water bond sales results
- #5 Fund Balance Reserves Policy

#### March

- #1 WISP update
- #2 Discussion on generic rating process
- #3 Capital financing policy
- #4 Debt service coverage policy
- #5 Debt management policies and procedures – including Green bonds

#### April

- #1 SSIP update – design/build/bid process, including lessons learned from WISP
- #2 Assurance of bond compliance and first quarter financials

#### May

- #1 Avoiding major cost overruns – options for consulting assistance in “deep dives”
- #2 Presentation on consultants’ pool – City Services Auditor
- #3 Review RBOC account/budget

#### June

- #1 WISP update - staff report
- #2 Depth/breadth of RBOC oversight activities

## July

- #1 SSIP update – Bayside Tunnel, level of service
- #2 Green infrastructure

## August

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

## September

- #1 Follow up to May discussion on avoiding major costs overruns and consultant pool info
- #2 Review RBOC account/budget

## October

- #1 WISP update
- #2 Seminar on capital planning

## November

- #1 SSIP update

## December

- #1 Clean Power/Power Enterprise presentation

## **SUMMARY NOTES**

### **San Francisco Public Utilities Commission Revenue Bond Oversight Committee**

#### **2016 Strategic Planning Meeting**

February 8, 2016

Attendees: Kevin Chang, Co-Chair  
Joshua Low, Co-Chair  
Holly Kaufman  
Marina Pelosi  
Christina Tang  
Dari Barzel, Applicant for Committee appointment  
Derek Evans, Assistant Clerk, SFBOS  
Mark Blake, Deputy City Attorney  
Mike Brown, SFPUC Finance staff

#### Discussion of Committee Mission

After a summary of the background legislation and purpose of the RBOC given by Mark Blake, the Committee members discussed and redrafted the mission statement as follows:

*The purpose of the 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 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 invited to attend RBOC meetings and provide input.*

Members agreed to review the draft and plan to adopt a final revision at their next meeting.

#### Improvement of Committee Operations

After the discussion and redrafting above, Committee members agreed that they are clear on the mission of the Committee. They then discussed the strategic issues facing the group for the next 12-18 months. These issues and possible actions are summarized below:

- 1) The Committee needs a study of program comprehensiveness. There is a need to find out if the scope of the capital program is responsive to issues of recycling,

climate change, flooding. What other capital program components are mission critical and how does the Committee ensure that they are not omitted?

- 2) There is a need to stress test the overall budget, especially with the impact on the ability to pay off bonds due to current revenue decline.
- 3) How to best incorporate WISP lessons learned into sewer program? Should staff continue the annual peer review established for WISP or is it better to continue with independent audit? Request staff to provide the top 10 recommendations and what the results are of those that have been accepted and implemented. Need to coordinate and get recommendations from City Auditor and coordinate with their work plans.
- 4) The members agreed that a separate strategy session focused on the above 3 issues should be scheduled very soon.
- 5) Find a way to get staff time committed to implementation of the Committee's work plan
- 6) Consider bringing back subcommittees to improve ability to drill down into a topic.
- 7) Decide early if Committee wants a site visit/tour of facilities; Derek will request and coordinate.
- 8) Request staff to provide copies of the presentation materials prior to the RBOC meeting, preferably in the agenda packet.

#### Preliminary 2016 Calendar Items

Committee members drafted the preliminary work plan (Attachment 1).

#### Performance Metrics

Members discussed ways that they and the public would know that they were accomplishing the mission. Some of those discussed are listed below:

- 1) Member attendance
- 2) Member full participation/contribution of ideas, recommendations, solutions
- 3) Measure not only inputs (audits), but outputs (what difference/value added did it make that the Committee was doing its job?)
- 4) Transparency
- 5) Accountability
- 6) Level and type of monitoring activity
- 7) Efficiency



## *Attachment 1*

### Preliminary 2016 RBOC Work Plan

#### March

- 1) Adopt 2016 Calendar
- 2) Briefing on Project Cost Management; lessons learned from WISP, especially any from design build experience
- 3) Bond sale updates/refunding
- 4) Staff presentation for re-baseline of wastewater program; accuracy of estimates and program comprehensiveness
- 5) Calaveras Dam presentation

#### April

- 1) Staff report on capital planning
- 2) Staff report on WISP financial audit findings
- 3) Presentation on legal compliance with bond requirements

#### May

- 1) Review of stress test for WISP re-baseline
- 2) Identify studies that RBOC will initiate
- 3) Water update – staff report
- 4) Mountain Tunnel presentation

#### June

- 1) Wastewater - staff report
- 2) Investigations/studies placeholder
- 3) Peer review program for wastewater – what is the plan?
- 4) Workshop on RBOC scorecard – metrics for measuring committee performance
- 5) Project cost management – update from March briefing

#### July

- 1) Power update – staff report
- 2) Follow-up to Mountain Tunnel and Calaveras Dam project issues

#### August

- 1) Half day field trip/site visit – location TBD

### September

- 1) Water update
- 2) Wastewater update

### October

- 1) Draft Annual Report

### November

- 1) Next strategic planning session

### December

- 1) Adoption of final Annual Report

Note: Schedule briefings on legislation before the BOS that affects RBOC on ad hoc/  
as needed basis

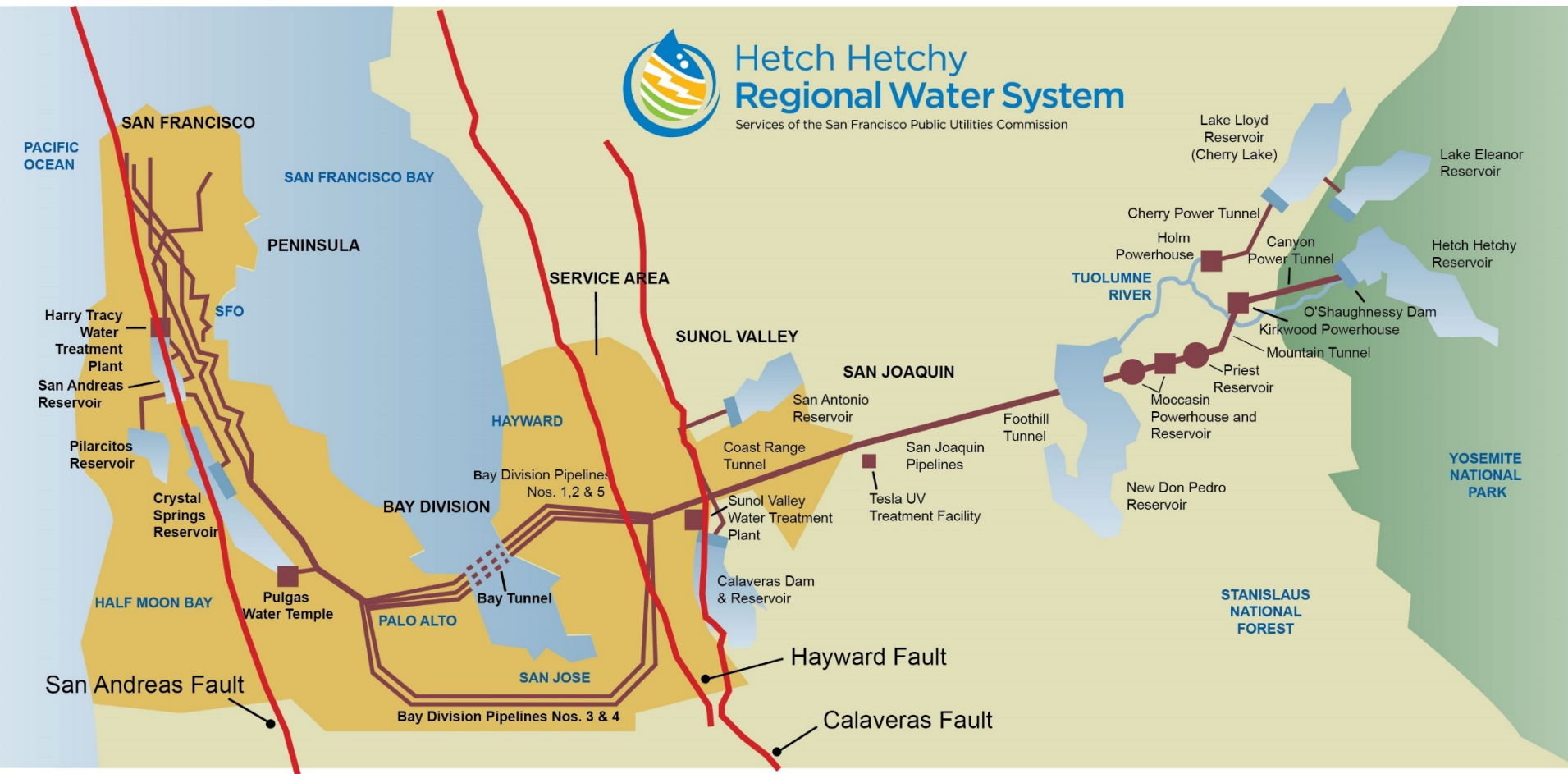
# Mountain Tunnel Update

Steven R. Ritchie

Assistant General Manager, Water

February 13, 2017

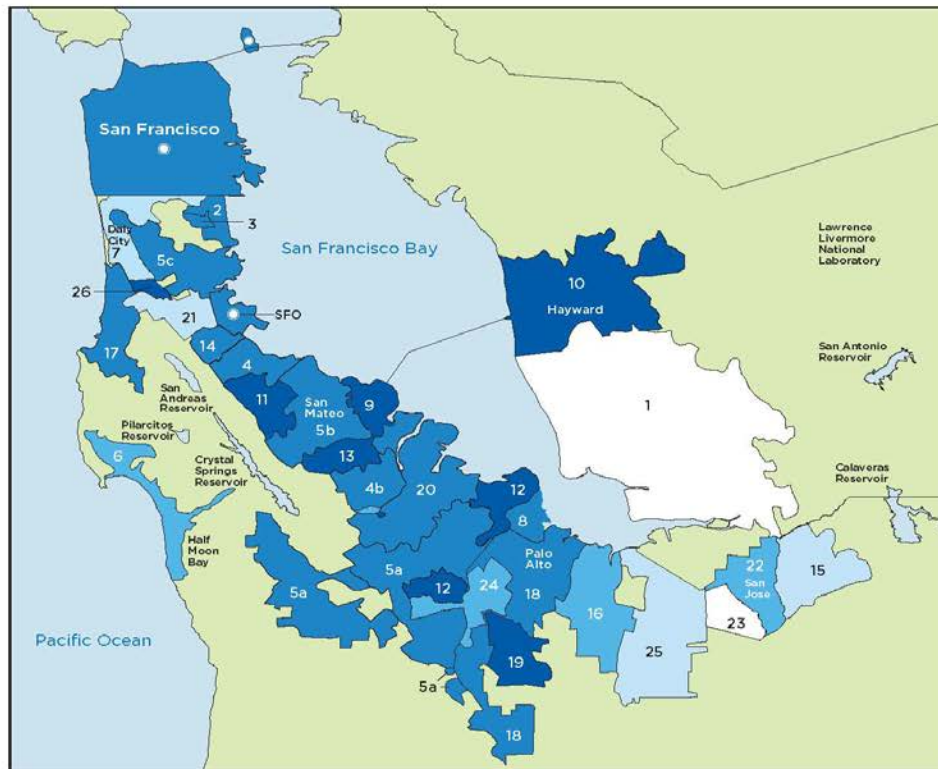
# San Francisco Regional Water System



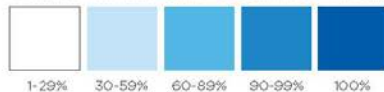
# Our Wholesale Customers

## Bay Area Reliance on Hetch Hetchy Regional Water System

The Hetch Hetchy Regional Water System supplies high-quality drinking water to over 2.6 million residents and businesses throughout the San Francisco Bay Area. Of the 26 wholesale customers, 20 rely on the Regional System for more than 60% of their drinking water supply.



Percentage of Hetch Hetchy Regional Water System to total water supply



#	Service Population	MGD purchased from SFPUC	% of total supply
1	Alameda County Water District - 344,000	7.73	22.5%
2&3	City of Brisbane / Guadalupe Valley Municipal Improvement District - 4,282	0.57	100%
4	City of Burlingame - 32,993	3.67	92.4%
5a	Cal Water Service Co. / Bear Gulch	254,786	95.1%
5b	Cal Water Service Co. / Mid-Peninsula		
5c	Cal Water Service Co. / SSF		
6	Coastside County Water District - 16,668	1.49	82.9%
7	City of Daly City - 108,510	3.39	57.2%
8	East Palo Alto - 29,143	1.57	99.9%
9	Estero Municipal Improvement District - 37,088	3.96	100%
10	City of Hayward - 152,889	13.60	100%
11	Town of Hillsborough - 10,869	2.51	100%
12	City of Menlo Park - 15,342	2.64	100%
13	Mid-Peninsula Water District - 26,730	2.48	100%
14	City of Millbrae - 21,532	2.03	98.8%
15	City of Milpitas - 70,800	5.13	56.1%
16	City of Mountain View - 76,413	7.40	81.4%
17	North Coast County Water District - 40,000	2.79	99.7%
18	City of Palo Alto - 66,152	9.68	92.8%
19	Purissima Hills Water District - 6,140	1.65	100%
20	City of Redwood City - 87,059	7.77	92.4%
21	City of San Bruno - 43,798	1.20	38.2%
22	San Jose Municipal Water System, North - 15,948	4.41	85.3%
23	City of Santa Clara - 120,973	1.87	9.4%
24	Stanford University - 30,486	1.89	66.2%
25	City of Sunnyvale - 148,028	7.94	49.7%
26	Westborough Water District - 13,260	0.77	100%
•	City and County of San Francisco - 859,276	67.7	97%

Source: BAWSCA FY 2014-15 Annual Survey





# Mountain Tunnel Background

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- Mountain Tunnel was constructed in 1918-25. It is 19 miles long from Early Intake to Priest Reservoir.
- It is a single conduit in this reach of the water delivery system.
- The upper 7 miles are through granite and are unlined. The lower 12 miles are through less competent rock and 9 of the 12 miles are lined with concrete.
- The last major inspection in 2008 revealed a number of locations where the lining was deteriorating.
- Three major activities are underway:
  - Adits and Access Improvements
  - 2017 Tunnel Inspection and Repair
  - Long-Term Tunnel Improvements planning (bypass tunnel or lining repairs)

# Mountain Tunnel Update Summary

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- Shutdown commenced January 3, 2017, and is now in Day 42 of 56 days.
- Water supply shifted to local sources on December 29, 2016.
- The Adits and Access Improvements are well underway to improve our ability to work on the tunnel and execute emergency repairs if and when needed.
- 2017 Mountain Tunnel Interim Repairs are also well underway.
- The tunnel inspection and condition assessment is complete, including 55 concrete cores.
- For the Long-Term Improvements, a reevaluation will occur in mid-2017, after the current inspection, and at that point, the decision will be made whether to build a bypass tunnel or repair the existing tunnel.





# Opening Priest Portal





# Entering Priest Portal



# Tunnel Inspection Work Completed

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- Safety/hazard management
- Visual assessment and mapping of lining defects of the lined sections
- Physical inspection and mapping of rock in the unlined sections
- Collection of lining and rock cores from the tunnel

# Concrete Coring





# Mountain Tunnel Adits and Access Improvements

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## PROJECT PURPOSE:

To advance the goal of returning Mountain Tunnel to service within three months of a water service interruption by improving access to and into the tunnel from existing adits.

## PROJECT SCOPE OF WORK:

- Improve Adit 5/6 and Adit 8/9 access roads
- Enlarge Adit 5/6 & Adit 8/9 openings by replacing 3-ft diameter bulkheads with new 8' x 8' bulkhead doors
- Enlarging the clearances and widening the adits to allow vehicle access into the tunnel

# Mountain Tunnel Adits and Access Improvements (HH-981)

## EARLY PROGRESS:



Moving the new bulkhead door frame into Adit 5/6



Chiller tube installation prior to concrete pour of new plug



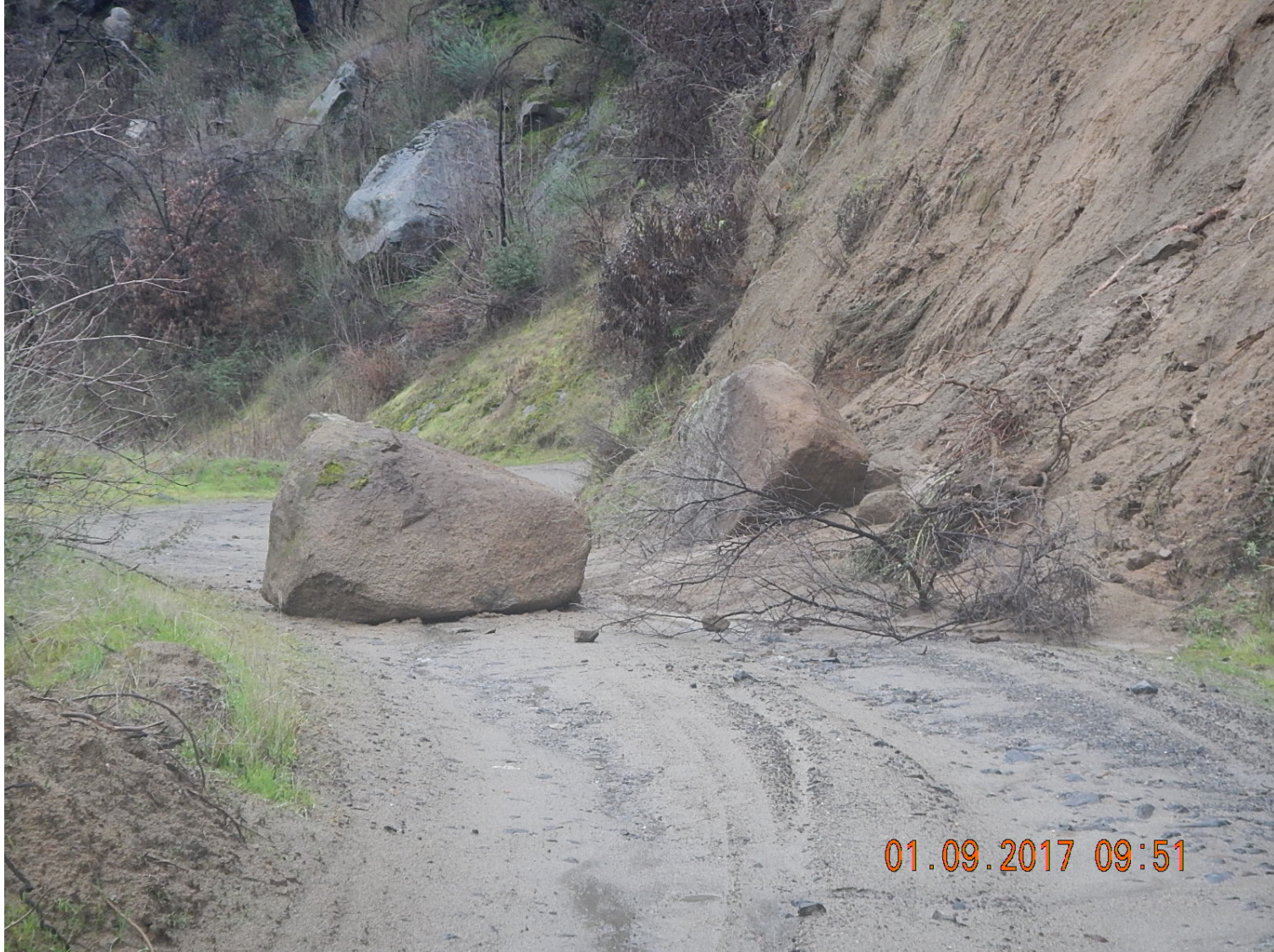
Removing the formwork from the new concrete plug at Adit 8/9



Grading and resurfacing the adit access roads



# Adit Access Road



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# Adit Improvements





# Adit Improvements



# Mountain Tunnel Interim Repairs

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## PROJECT PURPOSE:

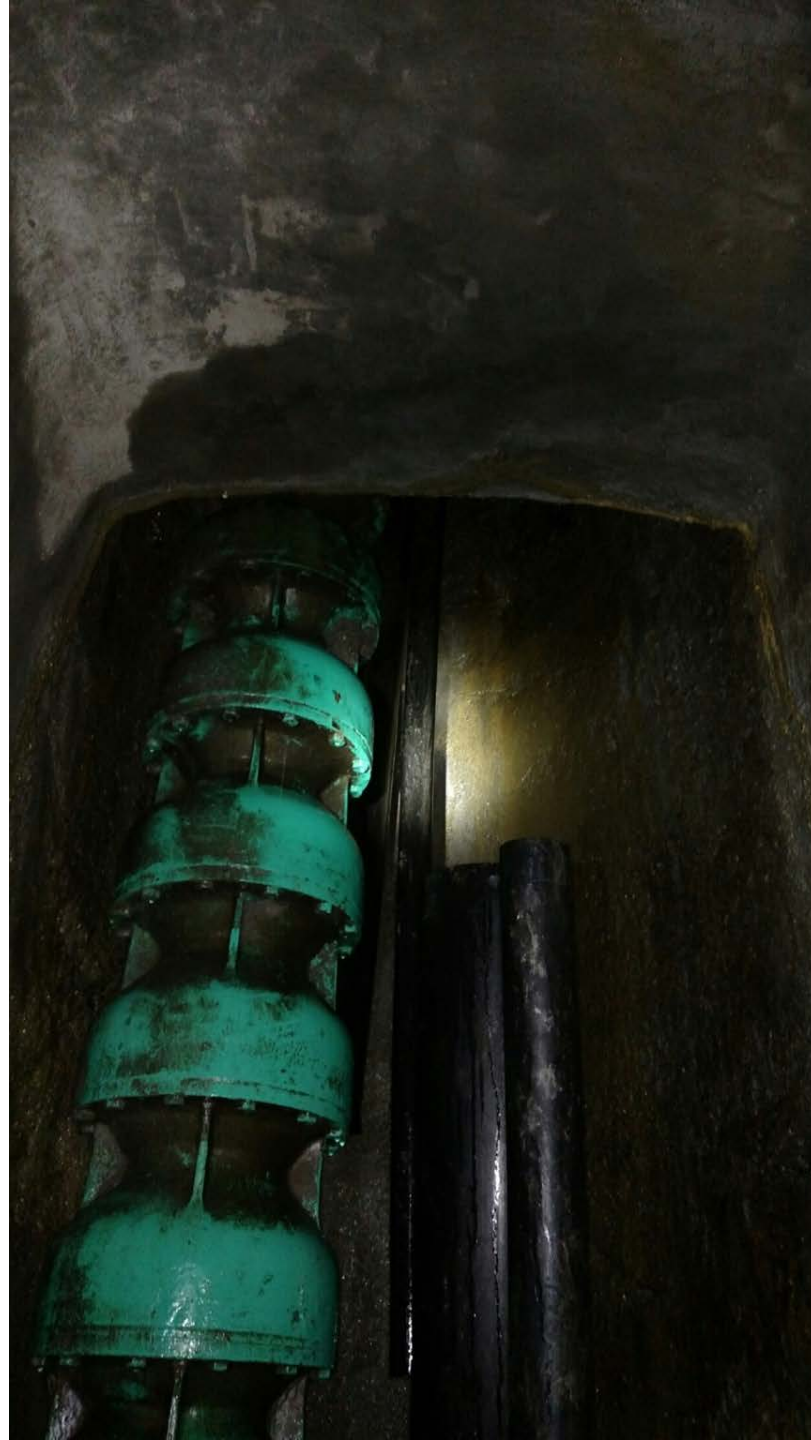
- Make interim repairs to the Tunnel lining while the long term alternative is evaluated

## HH-986 CONSTRUCTION SCOPE:

- Support the 2017 inspection, including access to tunnel
- Approx. 7,200 linear feet of lining repairs from Priest Portal
- Some additional repairs being performed













# JANUARY 2017

February 2017

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28				

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3 DAY 1 ✓ HHWP Drains Mountain Tunnel	4 DAY 2 ✓ Turned over Tunnel to HH-986 Contractor. Most Mountain Tunnel entrances open for ventilation.	5 DAY 3 ✓ CS-249 Safety/Survey and Inspection Teams enter at Priest Portal	6 DAY 4 ✓	7 DAY 5 ✓
8 DAY 6 ✓	9 DAY 7 ✓	10 DAY 8 ✓	11 DAY 9 * ✓ Tunnel Inspection from Priest to South Fork West Completed	12 DAY 10 ✓	13 DAY 11 ✓ HH-981 Adit 5/6 Bulkhead demolition begins	14 DAY 12 * ✓ HH-986 Sand removal at Early Intake complete
15 DAY 13 ✓	16 DAY 14 ✓ HH-981 Adit 8/9 bulkhead demolition begins moved up from 1/18	17 DAY 15 * ✓ HH-986 rock & concrete coring & GPR/LiDAR activities complete. Rescheduled from 1/15	18 DAY 16 ✓ HH-986 tunnel lining repairs begin	19 DAY 17 ✓ HH-981 Adit 5/6 tunnel lining excavation/widening begins	20 DAY 18 ✓	21 DAY 19 ✓
22 DAY 20 ✓	23 DAY 21 ✓ HH-981 Adit 5/6 tunnel lining excavation/widening begins. Rescheduled from 1/19 Adit 5/6 rock bolt installation begins.	24 DAY 22 ✓	25 DAY 23 ✓ HH-981 Adit 8/9 rock bolt installation begins. Rescheduled from 1/20	26 DAY 24 ✓ HH-981 Adit 5/6 wire mesh installation begins. Rescheduled from 1/25 CS-249 Tunnel inspection between Early Intake and South Fork East.	27 DAY 25 ✓ CS-249 Tunnel inspection of Kirkwood bypass section	28 DAY 26 ✓ HH-981 Adit 5/6 & 8/9 rock bolt installation completed. Adit 5/6 wire mesh installation completed.
29 DAY 27 ✓	30 DAY 28 ✓ HH-981 Adit 8/9 tunnel lining excavation/widening begins	31 DAY 29 ✓	1	2	3	4

# FEBRUARY 2017

March 2017

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

Sun	Mon	Tue	Wed	Thu	Fri	Sat
29	30	31	1 DAY 30 ✓	2 DAY 31 ✓ HH-986 South Fork Manifold hoses were replaced.	3 DAY 32 ✓	4 DAY 33 ✓
5 DAY 34 ✓	6 DAY 35 ✓	7 DAY 36 * ✓ TAP Tour	8 DAY 37 ✓	9 DAY 38 ✓ CGJ Tour Media Tour Sr. Management Tour	10 DAY 39 ✓	11 DAY 40
12 DAY 41	13 DAY 42 Shotcrete lining work at Adit 5/6 & 8/9 begins.	14 DAY 43	15 DAY 44 HH-981 Concrete pour for new invert and curbs at Adit 5/6. Rescheduled from 2/7. CS-249 South Fork Siphon is to be visually inspected. Rescheduled from 2/9	16 DAY 45	17 DAY 46 Shotcrete lining work at Adit 5/6 & 8/9 completed.	18 DAY 47 HH-981 Concrete pour for new invert and curbs at Adit 8/9. Rescheduled from 2/10
19 DAY 48	20 DAY 49 HH-981 tunnel work is completed. Tunnel cleaning at Adit 5/6 & 9/8 begin.	21 DAY 50	22 DAY 51 * HH-981 pressure monitoring equipment installation at Adit 5/6, 8/9, and South Fork East is completed.	23 DAY 52 * HH-981 ventilation, utilities & temp. bulkhead are removed and tunnel cleaning at Adit 5/6 & 8/9 is completed.	24 DAY 53	25 DAY 54
26 DAY 55 * HH-986 tunnel lining repairs are completed.	27 DAY 56 Mountain Tunnel is turned over to HHWP	28 DAY 57	1	2	3	4



# Decision on Long-Term Improvements

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- Phase I Geotechnical Investigation commenced September 2016
- Confirmed Project Performance Standards – Nov 2016
- Condition Assessment Methodology Concurrence– Dec 2016
- Tunnel Inspection and Interim Repairs – January-February 2017
- Hydraulic Field Study - March 2017
- Concrete/Rock Lab Testing and Evaluation – March to June 2017
- Confirmation of Preferred Engineering Alternative – August 2017

# Conclusions

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- Management and repair of Mountain Tunnel is a high priority for the SFPUC.
- Three concurrent contracts are being managed to perform interim improvements and inform long-term project decision-making.
- Emergency response management is being actively pursued to ensure a successful shutdown process, achievement of shutdown objectives, and uninterrupted water deliveries during shutdown.



San Francisco  
Water  
Power  
Sewer

# Water Bond Sale Results

Richard Morales  
Debt Manager  
February 13, 2017







# Two Water Bonds Sales in 2016

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- Total of \$1.15 billion of Water Bonds sold
  - \$893.8 million Series 2016 AB
  - \$259.3 million Series 2016 C
- Bond sales encompassed various purposes and features
  - Refunding for debt service savings
  - Commercial Paper take-out
  - New Money
  - Green Bonds
  - Taxable Bonds
  - Negotiated Sale
  - Competitive Sale



# 2016 AB Water Revenue Bonds Refunding

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- Par amount \$893.8 million  
(Tax-Exempt)
- Average borrowing term 13.3 years
- Sale date October 6, 2016
- Negotiated sale Syndicate led by  
J.P. Morgan
- Refunds WSIP and Non-WSIP Bonds
  - Series A (WSIP) \$763 million
  - Series B (Non-WSIP) \$130.8 million

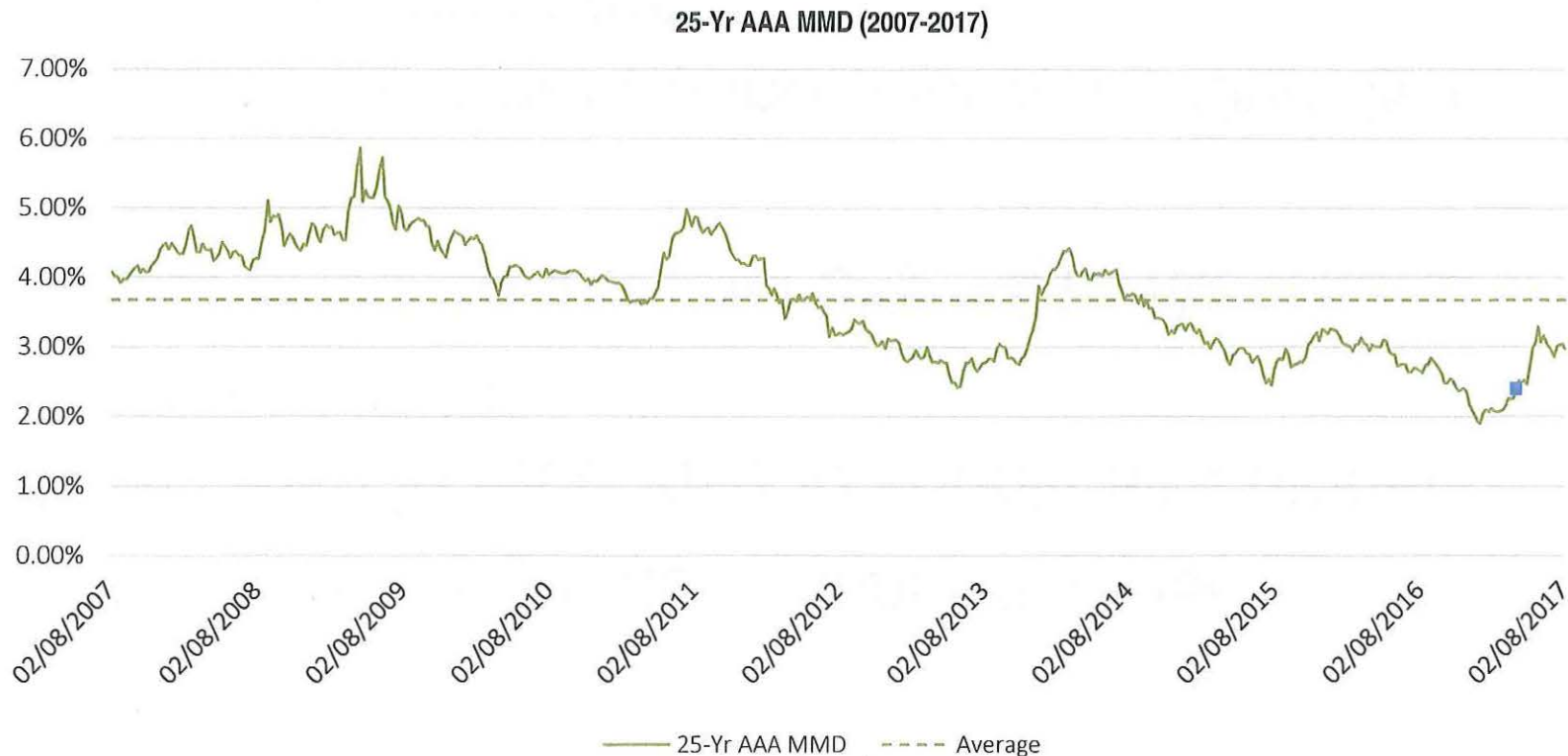


# Marketing the 2016 AB Bonds

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- Local outreach media campaign
  - Digital banner ads throughout service area (including SFGate, Bloomberg, Yahoo Finance)
  - Radio spots (KCBS, Sing Tao Chinese Radio)
- Investor presentation – Boston
  - 14 institutional investors attended
- One-on-one calls with institutional investors

# Historically Low Rates



- 25-Year MMD\* rate on Oct 6<sup>th</sup> was 2.40%
- Since 1990, 25-year MMD rate has been below 2.40% just 1.40% of the time

\*Municipal bond market index





# Challenging Market Conditions

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- Week of Oct 3<sup>rd</sup> saw largest muni supply since 2010
- U.S. Treasury yields continued to rise
- MMD rose in response to supply and higher Treasury yields
- Retail order period (Oct 5<sup>th</sup>) – \$154M orders, 188 investors
- Institutional order period (Oct 6<sup>th</sup>) – Over \$1B orders, 30 investors
- True Interest Cost (TIC) – 2.85%





# Refunding Debt Service Savings

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- Gross savings                      \$136M
- Net PV savings                      \$107M
- Percent savings                      11.52%
- Savings benefit both Retail and Wholesale Customers



## Series 2016C Water Revenue Bonds (Green Bonds)

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- Par amount \$259.3 million (Taxable)
- Average borrowing term 18.9 years
- Sale date November 29, 2016
- Competitive sale 8 bids; winning bidder—Wells Fargo
- Pays off Taxable Commercial Paper plus approximately \$19.5 million of New Money for WSIP spending
- True Interest Cost (TIC) 3.90%



## 2016C Water Bonds— Green Bonds

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- Received Green Bonds certification by Climate Bonds Initiative (CBI)
- Entire WSIP program now certified as projects meet either climate change adaption or mitigation criteria
- SFPUC has now issued Green Bonds for each of its 3 enterprises:
  - 2015A Power Revenue Bonds
  - 2016A Wastewater Revenue Bonds
  - 2016C Water Revenue Bonds



# Water Credit Ratings

- Ratings Affirmed:
  - S&P AA-
  - Moody's Aa3
- Reasons cited:
  - Strong and competent operational & financial management
  - Prudent rate-setting
  - Effective long-range fiscal planning
- Low debt service coverage cited as credit weakness

S&P	Moody's
AAA	Aaa
AA+	Aa1
AA	Aa2
AA-	Aa3
A+	A1
A	A2
A-	A3



# Questions

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# **Financial Policies Update: Proposed Changes to Fund Balance Reserve Policy**

Charles Perl, Deputy CFO  
Revenue Bond Oversight Committee  
February 13, 2017



# Agenda

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1. Financial Policy Review Background
2. Fund Balance Reserve Policy
  - A. Objectives
  - B. Existing Policy
  - C. Peer Group Study
  - D. Policy Change Recommendations





# Financial Policy Review Background

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- Financial sustainability is a key goal of 2020 Strategic Plan
- ‘Off-budget year’ allows the SFPUC to set fiscal guidance through the review of Commission-level policies
- Financial policy review will impact rates set during 2018 Water & Sewer Rate Study
- Financial policies represent best practices, and support:
  - Prudent financial management
  - Continuous, stable service during periods of volatility (i.e. drought, natural disaster, economic instability)
  - Organizational accountability
  - Consistent decision-making
  - Strong bond ratings





# Financial Policy Review Timeline

Policy	CAC Review Date	RBOC Review Date	RFB Review Date	Commission Review Date
→ Fund Balance Reserve Policy	Jan 17, 2017	<b>Feb 13, 2017</b>	Feb 17, 2017	Feb 28, 2017
Capital Financing Policy (New)	Feb 21, 2017	Mar 3, 2017	Mar 10, 2017	Mar 28, 2017
Debt Service Coverage Policy (New)				
Debt Management Policies and Procedures	Mar 21, 2017	Apr 10, 2017	Apr 7, 2017	Apr 25, 2017
Rates & Ratepayer Assurance Policies	Apr 18, 2017	Apr 10, 2017	Apr 7, 2017	May 23, 2017



# Reserve Policy Objectives

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- Protect against cash flow shortfalls as a result of:
  - Unexpected expenditures (ex. disasters)
  - Unplanned revenue variability (ex. Drought, recession)
- Protect ratepayers from rate shock, by allowing both:
  - Building up reserves to mitigate future rate increases
  - Lowering reserves to provide short-term rate relief
- Support strong AA bond ratings to maintain low interest rates on debt
- Provide guidance for long-term planning and rate setting



## Existing Fund Balance Reserve Policy

- Established February 2010
- Requires fund balance reserves to meet one or more:

	Water	Wastewater	Hetchy/Power
15% of Annual Revenues	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
15% of Annual Expenses	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
1.25 Debt Service Coverage Ratio	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

- In practice, we usually aim to meet all three criteria
- 1.25 debt service coverage ratio is required by our indenture



# Peer Group Study Findings

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- Montague DeRose (MDA) financial advisors conducted a review of financial policies of highly-rated peer agencies and provided recommendations for the SFPUC
- Peer agency reserve policy findings
  - Most agencies have operating reserve, rate stabilization reserve, or both
  - Reserves typically calculated as a % of operating expenses (exclusive of debt service and revenue-funded capital)
  - Most agencies have minimum operating reserves of 25%
  - Ratings agencies look for reserves of 25-68% for AA rating
- MDA recommends increasing minimum reserve from 15% to 25%, and considering a rate stabilization reserve





# Peer Survey: Operating Reserve Targets

Agency	Utility	Credit Rating	Reserve Minimum %
City of Chicago, IL	Water	AA/AA	25%
City of Houston, TX	Water & Sewer	Aa2/AA	17%
City of San Diego, CA	Sewer	AA+/AA	19%
City of Seattle, WA	Water & Sewer	AA+	8%
	Power	AA	25%
District of Columbia Water & Sewer Authority	Water	AA+/AA	16%
East Bay Municipal Utilities District	Water	AAA/AA+	25%
	Sewer		30%
Los Angeles Department of Water and Power	Water	AA+/AA	41%
Sacramento Regional County Sanitation District	Sewer	AA/AA	25%
Santa Clara Valley Water District	Water	Aa1/AA	50%
<b>Average Reserve Minimum %</b>			<b>25%</b>



# Proposed Changes to Fund Balance Reserve Policy

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- Formulate the policy based on a single metric: percent of annual operating expenses
- Remove reference to debt service coverage from the Fund Balance Reserve policy and create a separate Debt Service Coverage Policy
- Establish an Operating Reserve range of 25-68% of operating expenses
  - If the Reserve exceeds this level, the Commission will consider use to further mitigate instability and reduce rates

# Discussion

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# Proposed Changes to Fund Balance Reserve Policy

- Requires ~~fund balance~~ Operating Reserves to meet ~~one or more~~:

~~15% of Annual Revenues~~

~~15% 25% of Annual Operating Expenses~~

~~1.25 Debt Service Coverage Ratio~~

Water      Wastewater      Hetchy/Power



- Amounts in excess of the minimum will be considered for contingencies and rate stabilization
- Example for Water Enterprise:

Existing Policy	Fund Balance Reserve = \$174.4M	
Proposed Policy	Operating Reserve = Minimum 25% Operating Expenses = \$64.5M	25% - 68% Operating Expenses for rate stabilization and contingencies = \$109.9M





# Reserves in Current 10 Year Plan

## Fund Balance as a % of Operating Expenses

	FYE 2017	FYE 2018	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FYE 2023	FYE 2024	FYE 2025	FYE 2026	FYE 2027
Water	68%	70%	55%	52%	52%	50%	50%	55%	56%	54%	53%
Wastewater	90%	98%	100%	99%	95%	95%	108%	83%	63%	52%	51%
Power	39%	31%	35%	38%	41%	45%	40%	37%	32%	33%	36%

We are currently meeting the proposed policy in all three Enterprises

## FUND BALANCE RESERVE POLICY

The San Francisco Charter Section 8B.125 requires the SFPUC to be a financial steward by establishing “rates, fees and charges at levels sufficient to improve or maintain financial condition and bond ratings at or above levels equivalent to highly rated utilities of each enterprise under its jurisdiction, meet requirements and covenants under all bond resolutions and indentures... and provide sufficient resources for the continued financial health (including appropriate reserves), operation, maintenance and repair of each enterprise, consistent with good utility practice.” To most effectively meet this requirement, the SFPUC will utilize financial policies that foster financial stability, support fiscal discipline, and maintain credit ratings at or above levels equivalent to highly rated utilities. Institutionalized policies signal to rating agencies and the capital markets that an entity is well managed and committed to prudent financial practices.

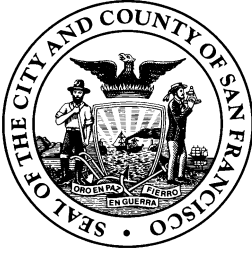
The SFPUC faces a number of risks to revenue stability, including multi-year rate packages, drought and weather variability, and highly volumetric rates. To manage these risks and reduce susceptibility to emergency rate increases, the SFPUC will ensure adequate ratepayer protection in the form of a Fund Balance Reserve. For each enterprise, the SFPUC will adopt budgets and establish rates to maintain undesignated fund balances that provide sufficient capacity to bridge shortfalls in cash flow and cover unanticipated expenditures, while also considering ratepayer impact and fairness in compliance with the San Francisco Charter.

Specifically, for the time period covered in the SFPUC's Charter-mandated 10-Year Financial Plan, operating and capital budgets and rates will be proposed for adoption such that the Fund Balance Reserve totals **a minimum of 90 days or 25% of Operations & Maintenance Expenses** (including programmatic projects, and excluding debt service and revenue-funded capital) throughout the forecast period. Amounts in excess of the minimum will be considered for contingencies and rate stabilization.

In the event that Fund Balance Reserve exceeds 250 days or 68% of Operations & Maintenance Expenses, the fact will be brought to the Commission during the subsequent biannual budget process for consideration for use, including:

- The reduction of future customer rate increases,
- Management of unanticipated one-time events (such as an earthquake or disaster), or any ongoing impairment to revenues (such as a drought or economic downturn), or
- Revenue-funded capital projects, which will reduce projected future debt issuance.

To monitor compliance with this policy, SFPUC Finance staff will present this metric to the Commission as part of the annual 10-Year Financial Plan and Quarterly Budget Status Report.



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

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

**January 23, 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 (Holdover status)  
Seat 2 Kevin Cheng, Chair (Holdover status)  
Seat 3 Robert Leshner  
Seat 4 Tim Cronin  
Seat 5 Travis George  
Seat 6 Christina Tang, Vice Chair  
Seat 7 Jadie Wasilco

*Chair Cheng called the meeting to order at 9:20 a.m. On the call of the roll, Chair Cheng, Vice Chair Tang, Members Cronin, George, Kaufman, Leshner, and Wasilco were noted present. There was a quorum.*

### **2. Agenda Changes**

*Item 8 was called and heard before Item 7.*

### **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. **Strategic Planning Session – Introductions**

*Chair Cheng introduced strategic planning facilitator Carmen Clark, who briefly discussed her background and meeting purpose. Participants introduced themselves to the Committee and provided backgrounds: RBOC Committee Members Cheng, Cronin, George, Leshner, Kaufman, Tang, and Wasilco; SFPUC Staff Charles Perl, Dan Wade, Karen Kubick, Mike Brown, Frank McParland, and Sheena Johnson; Deputy City Attorney Mark Blake; Strategic Planning Facilitator Carmen Clark; and Assistant Clerk of the Board of Supervisors Derek Evans. Discussion then focused on the meeting purpose: reviewing the legislative history and mission of RBOC, discussing strategic issues/directions for the committee, and developing a preliminary work plan for 2017, in addition to hearing from PUC staff.*

*Public Comment. Speakers: None.*

#### 5. **Staff Presentation:** Brief overview and legislative history of the PUC and RBOC

*Mark Blake (City Attorney's Office); presented a legislative history and provided the context for establishment of the Committee. Charles Perl, Deputy Chief Financial Officer, and Mike Brown (SFPUC); provided information and responded to questions raised throughout the discussion.*

*Public Comment. Speakers: None.*

#### 6. **San Francisco Public Utilities Commission (SFPUC) Staff Presentation:** Capital budget overview

*Charles Perl, Deputy Chief Financial Officer, Frank McParland, and Mike Brown (SFPUC); responded to questions raised throughout the discussion and provided an overview of SFPUC Capital Planning Process, including the following: dynamics of capital planning process; capital planning development process; capital planning approval process, and capital financing.*

*Public Comment. Speakers: None.*

#### 7. **San Francisco Public Utilities Commission (SFPUC) Staff Report:** Sewer System Improvement Program (SSIP) Updates

*Karen Kubick, SSIP Director, and Sheena Johnson (SFPUC); provided a high-level overview of the Sewer System Improvement Program, including the following: priority challenges, levels of service goals, baseline budget summary, phased implementation plan, phase 1 projects, major project schedule, organizational management, SSIP organizational structure, project delivery, as well as summary project descriptions and governance guide. Mike Brown (SFPUC); Mark Blake, Deputy City Attorney; provided information and responded to questions and answers throughout the discussion.*

*Public Comment. Speakers: None.*



8. **San Francisco Public Utilities Commission (SFPUC) Staff Report:** Water System Improvement Program (WSIP) Updates - High-level overview of WSIP initial budget and rebaselining, including overtime, contingencies that exceeded forecasts, risk register, and reporting requirements

*Dan Wade, WSIP Director (SFPUC); provided a high-level overview of the Water System Improvement Program, including the following: initial budget and rebaselining, including overtime, contingencies that exceeded forecasts, risk register, and reporting requirements.*

*Public Comment. Speakers: None.*

9. **Approval of Minutes:** 2016 RBOC Meeting Minutes

*Public Comment. Speakers: None.*

*Member Kaufman, seconded by Member George, moved to AMEND the December 12, 2016, meeting minutes on page 2, by changing 'February 24, 2017' to 'February 28, 2017,' and that the 2016 RBOC Meeting Minutes be APPROVED. The motion passed by the following vote:*

*Ayes: 7 - Cheng, Cronin, George, Leshner, Kaufman, Tang, and Wasilco*

10. **2016 Annual Report Finalization and Approval**

*Committee members made edits to the working draft, which will be included in the packet material for the February 13, 2017, RRBOC meeting agenda for final approval. The report will be presented to the SFPUC at the February 24, 2017, Commission meeting.*

*Public Comment. Speakers: None.*

*By unanimous consent, the Committee moved to CONTINUE this item to the February 13, 2017, RBOC meeting.*

*Items 11 through 14 were heard together.*

11. **Discussion of 2017 Strategic Issues**

*Carmen Clark facilitated the strategic planning session, presented and documented information concerning the matter, and responded to questions raised throughout the discussion.*

*Discussion focused on (1) succession planning, (2) verification of RBOC purpose relating to bond proceeds, (3) items that significantly change construction schedules, (4) delivery methods and design build, (5) green infrastructure projects, (6) depth and scope of RBOC oversight, (7) lessons learned review, (8) capital planning seminar, and (9) presentation on rate design.*

*Public Comment. Speakers: None.*

*An additional report of the results of this discussion is forthcoming.*

**12. Develop Preliminary 2017 Work Plan and Schedule**

*Carmen Clark facilitated the strategic planning session, presented and documented information concerning the matter, and responded to questions raised throughout the discussion.*

*Discussion focused on (1) succession planning, (2) verification of RBOC purpose relating to bond proceeds, (3) items that significantly change construction schedules, (4) delivery methods and design build, (5) green infrastructure projects, (6) depth and scope of RBOC oversight, (7) lessons learned review, (8) capital planning seminar, and (9) presentation on rate design.*

*Public Comment. Speakers: None.*

*An additional report of the results of this discussion is forthcoming.*

**13. Strategic Planning Summary and Next Steps**

*Carmen Clark facilitated the strategic planning session, presented and documented information concerning the matter, and responded to questions raised throughout the discussion.*

*Discussion focused on (1) succession planning, (2) verification of RBOC purpose relating to bond proceeds, (3) items that significantly change construction schedules, (4) delivery methods and design build, (5) green infrastructure projects, (6) depth and scope of RBOC oversight, (7) lessons learned review, (8) capital planning seminar, and (9) presentation on rate design.*

*Public Comment. Speakers: None.*

*An additional report of the results of this discussion is forthcoming.*

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

*Carmen Clark facilitated the strategic planning session, presented and documented information concerning the matter, and responded to questions raised throughout the discussion.*

*Discussion focused on (1) succession planning, (2) verification of RBOC purpose relating to bond proceeds, (3) items that significantly change construction schedules, (4) delivery methods and design build, (5) green infrastructure projects, (6) depth and scope of RBOC oversight, (7) lessons learned review, (8) capital planning seminar, and (9) presentation on rate design.*

*Public Comment. Speakers: None.*

*An additional report of the results of this discussion is forthcoming.*

15. **Adjournment**

*There being no further business, the meeting adjourned at 3:20 p.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 Revenue Bond Oversight Committee on February 13, 2017.*

### **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](http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=97)

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

### **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**

Revenue Bond Oversight Committee meetings are held at the Public Utilities Commission, 525 Golden Gate Avenue, San Francisco, CA. The hearing rooms at the Public Utilities Commission are specified on the agenda and are wheelchair accessible. To request sign language interpreters, readers, large print agendas or other accommodations, please call (415) 554-5184. Requests made at least 48 hours in advance of the meeting will help to ensure availability.

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.

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

Citizens may obtain a free copy of the Sunshine Ordinance by printing San Francisco Administrative Code, Chapter 67, at <http://www.sfbos.org/sunshine>.

### **Lobbyist Registration and Reporting Requirements**

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code, 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](http://www.sfgov.org/ethics).



# San Francisco Public Utilities Revenue Bond Oversight Committee

## Annual Report 2016

525 Golden Gate Avenue  
4<sup>th</sup> Floor  
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# Background



In November 2003, the Public Utilities Revenue Bond Oversight Committee (RBOC) was formed after passage of Proposition P (November 2002), adding to the San Francisco Administrative Code, Sections 5A.30 through 5A.36.

The RBOC facilitates transparency and accountability in the expenditure of revenue bond proceeds, and the general public is invited and welcomed to attend RBOC meetings and to provide input.

Pursuant to Administrative Code, Section 5A.36, the RBOC is charged with providing independent oversight of the expenditure of public utility revenue bond proceeds for capital improvements. The committee helps ensure an uninterrupted supply of water, power, and wastewater treatment services by the San Francisco Public Utilities Commission (SFPUC) to its customers. Further, it helps ensure public dollars are spent in accordance with the authorizing bond resolution and applicable laws.

After conducting its own independent audit, and consulting with the City Attorney, the RBOC may determine that proceeds of a revenue bond program were not utilized for purposes authorized in accordance with the bond resolution. It may be further determined that this amounts to an illegal expenditure or waste of such revenue bonds. By majority vote, the RBOC may prohibit the issuance or sale of authorized revenue bonds which have yet to be issued or sold.

The RBOC's decision to prohibit the sale of authorized, unsold revenue bonds may be appealed and overturned, or lifted, upon a two-thirds vote of all the members of the Board of Supervisors, if the SFPUC, in response to the report of the RBOC, provides evidence of corrective measures satisfactory to the Board of Supervisors. To date, the RBOC has not needed to use its authority in this way.

The SFPUC continues to incur bonded indebtedness to finance capital improvements, namely, through its water, sewer, and power enterprises.

The provisions of Proposition P were set to expire on January 1, 2013, unless extended by an ordinance of the Board of Supervisors. In 2012, the Board extended the sunset date of the committee to January 1, 2016 (see Ordinance No. 236-12) to ensure revenue bonds are used for their intended purposes, and to help the SFPUC continue to employ best management practices.

In 2015, the SFPUC submitted, and the Board of Supervisors approved, a PUC resolution supporting another extension. Shortly thereafter, on October 27, 2015, the Board of Supervisors approved Ordinance No. 189-15, extending the RBOC until January 1, 2019.

The RBOC reports publicly to the Mayor, SFPUC, and the Board of Supervisors regarding the SFPUC's expenditure of revenue bonds, and it is required to issue annual reports on the results of its activities. This 2016 annual report is the 11<sup>th</sup> report issued since its formation.

# Executive Summary

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## Purpose



*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.*

## Highlights



*During 2016, RBOC achievement highlights include the following:*

- Conducted hearings and reviews on the progress of the Sewer System Improvement Program (SSIP) and Water System Improvement Program (WSIP), with particular focus on the accuracy of budgeting and scheduling forecasts.*
- In furtherance of its purpose, the RBOC, with the City Attorney's Office, continued improving its outreach to the public and coordination with the Citizens' General Obligation Bond Oversight Committee and Public Utilities Citizens' Advisory Committee to ensure greater public awareness and input related to the SFPUC's expenditure of revenue bonds.*
- Hired contractor to facilitate a strategic planning session, held on February 8, 2016, where the committee reviewed the legislative history and mission of the RBOC, discussed strategic directions for the committee, and developed a work plan for the year.*



## Further Accomplishments: 2016

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Other work efforts completed or initiated by RBOC during the year included:

- Welcomed new RBOC members: Jadie Wasilco, Robert Leshner, and Tim Cronin were appointed to the Committee in 2016; Travis George was appointed in January 2017. RBOC is grateful for the service of Dari Barzel, Joshua Low, and Marina Pelosi.
- Toured WSIP project site at Calaveras Dam Replacement project to gain firsthand knowledge of challenges and opportunities of the WSIP capital program.
- Evaluated SSIP project initiation and level of services intended for project delivery and collaborated with SSIP management and staff to incorporate “lessons learned” from the WSIP project.
- Invited staff from Controller’s Office (Audit Director Tonia Lediju and Steve Flaherty) for presentation on the whistleblower program to inform RBOC and clarify RBOC’s role in identifying deficiencies in the quality and delivery of government services, wasteful and inefficient practices, and misuse of funds

### Future Activities



RBOC plans to continue improving its outreach to the public and coordinate with the PUC Citizen Advisory and General Bond Oversight Committees to ensure greater public awareness and input related to the SFPUC’s expenditure of revenue bond proceeds.

#### Summary of 2017 Issues

1. *Succession planning for RBOC – continuity and predictable turnover; maintain short list of candidates, encourage early notice of resignation*
2. *Report from staff to show assurance of project expenditure compliance with bond requirements*
3. *Mountain Tunnel project – informed on project development and costs*
4. *Calaveras Dam – monitoring progress*
5. *Wastewater Issues – scope and budget for protection of flood prone areas in the city, Bayside tunnel capacity*
6. *Alternative project delivery methods including design/build*
7. *Green infrastructure – implementation status*
8. *How to ensure appropriate project eligibility; how project supports the agency’s mission*
9. *Depth and breadth of oversight needed by RBOC – purpose is to avoid significant non-performance or cost overruns, including expected performance of completed projects*
10. *Seminar on capital planning – managing credit rating/debt costs, ratio of cash/debt funding, possible changes to financial strategy in fixed rate/variable rate mix*
11. *Rate design presentation needed from staff*

# Additional Committee Information

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## Membership



The RBOC is comprised of seven members appointed by the Mayor, Board of Supervisors, Controller, Bay Area Water Supply and Conservation Agency (BAWSCA), and Budget and Legislative Analyst:

- Two (2) seats appointed by the Mayor
- Two (2) seats appointed by the Board of Supervisors
- One (1) seat appointed by the City Controller
- One (1) seat appointed by the Bay Area Water User's Association (BAWUA), under the auspices of the Bay Area Water Supply and Conservation Agency (BAWSCA), and
- One (1) seat is the Budget and Legislative Analyst or his/her representative.

At a minimum, the members appointed by the Mayor and the Board shall, individually or collectively, have expertise, skills and experience in economics, the environment, construction, and project management.

The member appointed by the Controller shall have background and experience in auditing, accounting, and project finance.

RBOC members serve no more than two consecutive terms. For initial appointments, three members were assigned by lot to an initial term of two years and the remaining four members had an initial term of four years. Thereafter, each RBOC member shall serve a four-year term.

Further information on the current members is included below. The members and officers of the RBOC who served during the past calendar year can be found in **Appendix 1**.

## Member Biographies



### **Kevin Cheng (Chair)**

Appointed by the Mayor

Former principal management consultant developing and executing strategy and operation work for major Fortune 500 corporations, with particular expertise in project management. Current managing partner of San Francisco-based development company.



### **Holly Kaufman**

Appointed by the Mayor

CEO of a strategic advisory firm, designing and managing initiatives that integrate environmental and economic needs. Clients include the White House Council on Environmental Quality, Hewlett Packard, the California Wind Energy Association, the Union of Concerned Scientists and the Natural Resources Defense Council. Served in the Clinton administration as a United Nations climate treaty negotiator representing the Departments of State and Defense. Speaks and publishes widely on green business, clean tech, climate change, sustainability and ecological protection issues.



### **Christina Tang (Vice Chair)**

Appointed by BAWSCA

Senior Administrative Analyst for the Bay Area Water Supply and Conservation Agency (BAWSCA) representing its 26 members' collective interests in their relationship with the SFPUC on matters related to water supply, facility reliability, operations, water quality and wholesale water rates. Christina has over 12 years of experience in public finance, including direct experience in debt management. Christina received her Master of Science degree in Finance from the University of Houston, and her Master of Public Administration from the University of Illinois at Springfield.

**Travis George**

Appointed by the Controller

Debt Administrator for the East Bay Municipal Utility District, Travis has a background in both utilities and municipal finance. Before his current role, Travis worked at Moody's Investors Service where he served five years as a credit rating analyst. During his time with Moody's he rated a wide range of municipal issuers including many water, wastewater and electric utilities. Travis also previously served as an analyst for both Con Edison in New York City and Bonneville Power Administration in Portland, OR. Travis holds a bachelor's degree in Economics from Portland State University and a master's degree in Public Administration and Policy from New York University.

**Jadie Wasilco**

Appointed by the Budget and Legislative Analyst's Office

Jadie Wasilco is a Senior Analyst at Harvey M. Rose Associates, LLC, which serves as the San Francisco Board of Supervisors' Budget & Legislative Analyst. Ms. Wasilco has experience in budget, legislative and policy analysis, as well as performance and management auditing. Ms. Wasilco previously held positions in the public, private and non-profit sectors in real estate consulting, environmental planning and government relations. Ms. Wasilco holds a Bachelor of Arts from UC Berkeley, and a Masters' in Urban and Regional Planning from UCLA's Luskin School of Public Affairs.

**Robert Leshner**

Appointed by Board of Supervisors

Robert Leshner leads the merchant division of Postmates, a technology and logistics company, after founding two venture backed technology companies. Before that, Robert was a founding employee of HPM Partners, a financial advisor with \$8bn of assets under management, where he was a member of the Investment Committee and led interest rate and fixed income analysis. Prior, he managed risk, liquidity, and issuance planning for \$60bn of funding at Discover Bank. Robert holds a B.A. in Economics from the University of Pennsylvania, and is a Chartered Financial Analyst.





### **Tim Cronin**

Appointed by Board of Supervisors

Tim Cronin is an attorney in the San Francisco office of Wilson Sonsini Goodrich & Rosati, where he advises clients on issues relating to the financing, development, and regulation of energy and infrastructure projects.

Tim has represented developers and investors in financings involving large distributed and utility-scale renewable energy project portfolios. In addition, he provides counsel to energy and infrastructure companies with respect to customer agreements and federal, state, and local regulations as such companies seek to enter new markets and offer new distributed energy services to residential and commercial customers.

Before attending law school at U.C. Berkeley, Tim worked at the American Council On Renewable Energy (ACORE) in Washington, DC, where he promoted international partnerships among government actors, renewable energy companies, and financiers as the organization's manager of international programs.

## **Past Meetings Schedule: 2016**



The RBOC held 10 meetings in 2016, the substance of which is briefly described in **Appendix 2**. The RBOC cancelled 2 meetings.

Full agendas and minutes for each meeting are available at <http://www.sfwater.org/rboc>.

# Budget

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Pursuant to Proposition P, the RBOC receives 1/20<sup>th</sup> of 1% of gross revenue bond proceeds to fund the cost of retaining the services of “outside auditors, inspectors and necessary experts” to perform independent reviews.

As of December 31, 2016, RBOC had a pending account balance of \$1,534,410 with actual expenditures to-date (including encumbrances) of \$1,081,474. A complete accounting of RBOC funds can be found in **Appendix 3**.

## Meeting Schedule: 2017

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Regularly scheduled meetings of the RBOC meet monthly on the following dates beginning at 9:00 A.M. at the SFPUC Building located at 525 Golden Gate Avenue, in San Francisco, unless otherwise specified.

Meeting agendas of the RBOC will be posted on <http://www.sfwater.org/rboc> and at the SF Main Library, 5<sup>th</sup> Floor. Public participation is always welcome.

The 2017 regular meeting schedule is as follows:

1. *Monday, January 23, 2017*
2. *Monday, February 13, 2017*
3. *Monday, March 6, 2017*
4. *Monday, April 10, 2017*
5. *Monday, May 8, 2017*
6. *Monday, June 12, 2017*
7. *Monday, July 17, 2017*
8. *Monday, August 7, 2017*
9. *Monday, September 18, 2017*
10. *Monday, October 16, 2017*
11. *Monday, November 6, 2017*
12. *Monday, December 11, 2017*
13. *Monday, January 22, 2018 (to be determined)*
14. *Monday, February 12, 2018 (to be determined)*
15. *Monday, March 5, 2018 (to be determined)*

## Acknowledgements

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The RBOC would like to acknowledge and express appreciation to the SFPUC staff and others for facilitating the tasks of the committee. Specifically, the committee would like to acknowledge the following staff:

*Public Utilities Commission* - General Manager Harlan Kelly, Chief Financial Officer Eric Sandler, Deputy CFO Charles Perl, WSIP Director Dan Wade, Alan Johanson, and John Kinneen; SSIP Director Karen Kubick, Richard Morales, Mike Brown, Nancy Hom, Christina Anderson, Sarah Bloom, and Sheena Johnson.

*City Attorney's Office* - Deputy City Attorney Mark Blake.

*Controller's Office* - Audit Director Tonia Lediju and Steve Flaherty.

Additionally, the committee would like to thank Carmen Clark. From the Board of Supervisors, the RBOC wishes to thank Assistant Clerk of the Board Derek Evans for providing technical and administrative support. A commendation was provided to former RBOC Member Eric Sandler for his service as the Controller's representative and committee Vice-Chair.

The RBOC also expresses its appreciation for the participation of members of the public and various stakeholders, including but not limited to Steve Lawrence.

## Appendix 1. RBOC Members 2015–2016

Member	Appointed By & Term	Qualifications
Kevin Cheng <i>Chair</i>	<b>Mayor Appointee</b> Appointed on 5/19/10 Term expired on 11/12/13 (Holdover Status)	Former management consultant developing and executing strategy and operation work for major Fortune 500 corporations, with particular expertise in project management. Current managing partner of San Francisco based development company.
Tim Cronin	<b>Board of Supervisors Appointee</b> Appointed on 12/3/2016 Term expires on 11/12/2020	Attorney in the San Francisco office of Wilson Sonsini Goodrich & Rosati, where he advises clients on issues relating to the financing, development, and regulation of energy and infrastructure projects. Tim has represented developers and investors in financings involving large distributed and utility-scale renewable energy project portfolios. In addition, he provides counsel to energy and infrastructure companies with respect to customer agreements and federal, state, and local regulations as such companies seek to enter new markets and offer new distributed energy services to residential and commercial customers. Before attending law school at U.C. Berkeley, Tim worked at the American Council On Renewable Energy (ACORE) in Washington, DC, where he promoted international partnerships among government actors, renewable energy companies, and financiers as the organization's manager of international programs.
Travis George	<b>Board of Supervisors Appointee</b> Appointed on 1/20/2017 Term expires on 11/12/2019	Debt Administrator for the East Bay Municipal Utility District, Travis has a background in both utilities and municipal finance. Before his current role, Travis worked at Moody's Investors Service where he served five years as a credit rating analyst. During his time with Moody's he rated a wide range of municipal issuers including many water, wastewater and electric utilities. Travis also previously served as an analyst for both Con Edison in New York City and Bonneville Power Administration in Portland, OR. Travis holds a bachelor's degree in Economics from Portland State University and a master's degree in Public Administration and Policy from New York University.
Holly Kaufman	<b>Mayor Appointee</b> Appointed on 2/15/12 Term expired on 11/12/15 (Holdover Status)	CEO of a strategic advisory firm that designs and manages initiatives that integrate environmental and economic needs. Clients include the White House Council on Environmental Quality, Hewlett Packard, the California Wind Energy Association, the Union of Concerned Scientists and the Natural Resources Defense Council. Served in the Clinton Administration as a United Nations climate treaty negotiator representing the Departments of State and Defense. Speaks and publishes widely on green business, clean tech, climate change, sustainability, and ecological protection issues.
Robert Leshner	<b>Board of Supervisors Appointee</b> Appointed on 11/3/2016 Term expires on 11/12/2019	Robert Leshner leads the merchant division of Postmates, a technology and logistics company, after founding two venture backed technology companies. Before that, Robert was a founding employee of HPM Partners, a financial advisor with \$8bn of assets under management, where he was a member of the Investment Committee and led interest rate and fixed income analysis. Prior, he managed risk, liquidity, and issuance planning for \$60bn of funding at Discover Bank. Robert holds a B.A. in Economics from the University of Pennsylvania, and is a Chartered Financial Analyst.
Christina Tang <i>Vice Chair</i>	<b>Bay Area Water Users Association Appointee</b> Appointed on 7/1/2014 Term expires on 7/1/2018	Senior Administrative Analyst for the Bay Area Water Supply and Conservation Agency (BAWSCA) representing its 26 members' collective interests in their relationship with the SFPUC on matters related to water supply, facility reliability, operations, water quality and wholesale water rates. Christina has over ten years of experience in financial operations with City and County governments and special district governmental entities, including debt issuance and debt management. Christina received her Master of Science degree in Finance from the University of Houston, and her Master of Public Administration from the University of Illinois at Springfield.
Jadie Wasilco	<b>Budget Analyst Appointee</b> Appointed on 8/24/2016 Term expires on 1/6/2018	Jadie Wasilco is a Senior Analyst at Harvey M. Rose Associates, LLC, which serves as the San Francisco Board of Supervisors' Budget & Legislative Analyst. Ms. Wasilco has experience in budget, legislative and policy analysis, as well as performance and management auditing. Ms. Wasilco previously held positions in the public, private and non-profit sectors in real estate consulting, environmental planning and government relations. Ms. Wasilco holds a Bachelor of Arts from UC Berkeley, and a Masters' in Urban and Regional Planning from UCLA's Luskin School of Public Affairs.

Continued on next page



Member	Appointed By & Term	Qualifications
Dari Barzel (previous member)	Controller Appointee Appointed on 3/4/2016 Term expires on 11/12/2019	Treasury Manager for the East Bay Municipal Utility District. She has over 25 years' experience in public finance. Prior to her appointment as Treasury Manager Dari was responsible for managing all aspects of the District's debt portfolio and provided key support in serving the Employee Retirement System. Before joining the District, Dari was a Vice-President at Moody's Investor Services where she spent nearly 15 years rating public agency financings. Dari has also served in the finance departments of two local government agencies, as a financial advisor to public agencies in connection with the issuance of municipal bonds, and has worked internally at both New York and California banks. Dari has a Bachelor's degree in English from Barnard College and a Master's in Business Administration from the Columbia University Graduate School of Business.
Josh Low (previous member)	Budget Analyst Appointee Appointed on 1/6/2015 Resigned on 8/17/2016	Josh is an analyst for the San Francisco Budget & Legislative Analyst's Office. In this capacity Josh reviews fiscal impact of potential legislation and performs budget analysis for the Board of Supervisors. Prior to working for the Budget and Legislative Analyst's Office, Josh served as a policy analyst for Los Angeles Mayor Antonio Villaraigosa, as well as several non-profit organizations working in areas such as community development, human services and education. Josh has a Bachelor's degree in Political Science from San Diego State University and a Master's Degree in Public Policy from the University of California, Los Angeles.
Marina Pelosi (previous member)	Board of Supervisors Appointee Appointed on 1/8/2014 Resigned on 7/28/2016	Energy and Utility professional who has worked as an operating engineer on ocean going tankers, and ran a San Francisco based financial services company. A Certified Energy Manager by the Association of Energy Engineers with professional focus that includes initiating and managing energy efficient, facility improvement projects throughout California.

## Appendix 2. RBOC Meetings 2016

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### **December 12, 2016**

1. San Francisco Public Utilities Commission (SFPUC) Staff Report: Sewer System Improvement Program (SSIP) Updates
2. San Francisco Public Utilities Commission (SFPUC) Staff Report: Mountain Tunnel 101 Presentation, including overview of the issue, how it is being addressed, project update, project scope and budget, why Mountain Tunnel was not included as part of WSIP, possibility of inclusion in WSIP, project going forward
3. Approval of Minutes: 2016 RBOC Meeting Minutes
4. Annual Report Preparation

### **November 7, 2016**

1. San Francisco Public Utilities Commission (SFPUC) Staff Report: Water System Improvement Program (WSIP) Updates
2. Presentation of SFPUC Bond Sale Update
3. Annual Report Preparation

### **October 17, 2016**

1. San Francisco Public Utilities Commission (SFPUC) Staff Report: Sewer System Improvement Program (SSIP) Quarterly Update and Communications Report
2. Mountain Tunnel 101 Presentation: overview of the issue, how it is being addressed, project update, project scope and budget, why Mountain Tunnel was not included as part of WSIP, possibility of inclusion in WSIP, project going forward
3. Updates to RBOC Mission Statement
4. Annual Report Preparation
5. Strategic Planning Follow Up: Identifying Studies for Initiation, Metrics for Measuring Committee Performance

### **September 19, 2016**

1. San Francisco Public Utilities Commission (SFPUC) Staff Report: Water System Improvement Program (WSIP) Updates
2. Presentation of SFPUC Capital Financing Plan for FY2016-2017
3. Updated Debt Management Policies and Procedures Approved by the Public Utilities Commission (September 13, 2016)
4. Updates to RBOC Mission Statement
5. Annual Report Preparation
6. Strategic Planning Follow Up: Identifying Studies for Initiation, Metrics for Measuring Committee Performance

### **August 8, 2016**

1. Recessed Off-site Visit of Water System Improvement Project (WSIP): Calaveras Dam Replacement Project

### **July 11, 2016**

1. Cancelled meeting

### **June 6, 2016**

1. Draft San Francisco Public Utilities Commission (SFPUC) Staff Report: Sewer System Improvement Program (SSIP) Updates
2. San Francisco Public Utilities Commission (SFPUC) Staff Report: Water System Improvement Program (WSIP) Updates
3. Updates to RBOC Mission Statement
4. Strategic Planning Follow Up: Identifying Studies for Initiation

### **May 9, 2016**

1. Cancelled meeting

**April 11, 2016**

1. Updates to Mission Statement
2. Follow Up: Strategic Planning Session
3. RBOC Member Vacancies
4. RBOC Strategic Planning Preparations
5. San Francisco Public Utilities Commission (SFPUC) Staff Report: Capital Planning
6. San Francisco Public Utilities Commission (SFPUC) Staff Report: Water System Improvement Program (WSIP) Financial Audit Findings
7. San Francisco Public Utilities Commission (SFPUC) Staff Report: Legal Compliance with Bond Requirements

**March 7, 2016**

1. Follow Up: Strategic Planning Session
2. Updates to Mission Statement
3. RBOC Member Vacancies
4. Adoption of 2016 Calendar
5. RBOC Strategic Planning Preparations
6. San Francisco Public Utilities Commission (SFPUC) Staff Report: Sewer System Improvement Program (SSIP) Update, Re-baselining, Accuracy of Estimates and Program Comprehensiveness
7. San Francisco Public Utilities Commission (SFPUC) Staff Report: Water System Improvement Program (WSIP) Update; briefing on project cost management; lessons learned from WSIP, especially any from design build experience, Calaveras Dam update
8. San Francisco Public Utilities Commission (SFPUC) Staff Report: Bond Sale Updates and Refunding

**February 8, 2016**

1. Strategic Planning Session

**January 11, 2016**

1. Follow Up: Annual Report (2014 - 2015)
2. Comparison of the Revenue Bond Oversight Committee with Other Oversight Committees Follow Up
3. RBOC Member Vacancies
4. Approval of Contract for Strategic Planning Session
5. RBOC Strategic Planning Preparations

## Appendix 3. Budget Summaries

### RBOC Account Summary December 2016

Funding Sources (\$)		5W Water	5C Wastewater	5T Hetchy Power	Total
Series					
2006 A Bonds		223,310	-	-	223,310
2008 CREBS*		-	-	3,163	3,163
2009 A Bonds		236,598	-	-	236,598
2009 B Bonds		206,000	-	-	206,000
2010 A Bonds		28,473	23,525	-	51,998
2010 B Bonds		208,860	96,258	-	305,118
2010 D Bonds		35,680	-	-	35,680
2010 E Bonds		172,100	-	-	172,100
2010 F Bonds		90,480	-	-	90,480
2010 G Bonds		175,735	-	-	175,735
2011 A Bonds		301,358	-	-	301,358
2011 B Bonds		14,488	-	-	14,488
2011 C Bonds		16,798	-	-	16,798
2011 QECBS		-	-	4,146	4,146
2012 NCREBS*		-	-	3,300	3,300
2012 A Bonds		295,805	-	-	295,805
2012 B Bonds		8,260	-	-	8,260
2013 B Bonds		-	165,793	-	165,793
2015 A Bonds		-	-	19,778	19,778
2015 NCREBS		-	-	2,050	2,050
2016 A Bonds		-	120,290	-	120,290
2016 B Bonds		-	33,964	-	33,964
2016 C Bonds		129,675	-	-	129,675
A	Subtotal Sources - All	2,143,618	439,829	32,437	2,615,884
Charges Against Budget (\$)					
Actual Charges					
WSIP Expenditures & CP (2006)		59,370	-	-	59,370
Financial Review of WSIP (2007)		92,050	-	-	92,050
WSIP Sunset Reservoir (2009)		71,890	-	-	71,890
CSA Controller's Audit (2011/2012)		86,219	29,750	-	115,969
Independent Review Panel (IRP) (2011/2012)		116,010	-	-	116,010
LADWP for IRP (2011/2012)		11,489	-	-	11,489
IBBS Consulting for IRP (2011/2012)		47,000	-	-	47,000
CSA Audit - Final Bill Q3 12		29,625	-	-	29,625
RM Block WSIP Evaluation - (invoice for Nov 12 - Aug 14)		531,926	-	-	531,926
RBOC 2015 Strategic Planning Meeting*		970	970	970	2,911
RBOC 2016 Strategic Planning Meeting		1,078	1,078	1,078	3,234
B	Subtotal Actual Charges	1,047,628	31,798	2,048	1,081,474
A - B	Available Funds Before Pending Charges	1,095,990	408,031	30,388	1,534,410
Pending Charges					
C	Subtotal Pending Charges	-	-	-	-
A - B - C	Available Funds After Pending Charges	1,095,990	408,031	30,388	1,534,410

\* Revised from prior statement



# RBOC Account Summary October 2016

Funding Sources (\$)				
Series	SW Water	SC Wastewater	ST Hetchy Power	Total
2006 A Bonds	223,310	-	-	223,310
2008 CREBS*	-	-	3,163	3,163
2009 A Bonds	236,598	-	-	236,598
2009 B Bonds	206,000	-	-	206,000
2010 A Bonds	28,473	23,525	-	51,998
2010 B Bonds	208,860	96,258	-	305,118
2010 D Bonds	35,680	-	-	35,680
2010 E Bonds	172,100	-	-	172,100
2010 F Bonds	90,480	-	-	90,480
2010 G Bonds	175,735	-	-	175,735
2011 A Bonds	301,358	-	-	301,358
2011 B Bonds	14,488	-	-	14,488
2011 C Bonds	16,798	-	-	16,798
2011 QECBS	-	-	4,146	4,146
2012 NCREBS*	-	-	3,300	3,300
2012 A Bonds	295,805	-	-	295,805
2012 B Bonds	8,260	-	-	8,260
2013 B Bonds	-	165,793	-	165,793
2015 A Bonds	-	-	19,778	19,778
2015 NCREBS	-	-	2,050	2,050
2016 A Bonds	-	120,290	-	120,290
2016 B Bonds	-	33,964	-	33,964
<b>A Subtotal Sources - All</b>	<b>2,013,943</b>	<b>439,829</b>	<b>32,437</b>	<b>2,486,209</b>
Charges Against Budget (\$)				
Actual Charges				
WSIP Expenditures & CP (2006)	59,370	-	-	59,370
Financial Review of WSIP (2007)	92,050	-	-	92,050
WSIP Sunset Reservoir (2009)	71,890	-	-	71,890
CSA Controller's Audit (2011/2012)	86,219	29,750	-	115,969
Independent Review Panel (IRP) (2011/2012)	116,010	-	-	116,010
LADWP for IRP (2011/2012)	11,489	-	-	11,489
IBBS Consulting for IRP (2011/2012)	47,000	-	-	47,000
CSA Audit - Final Bill Q3 12	29,625	-	-	29,625
RM Block WSIP Evaluation - (invoice for Nov 12 - Aug 14)	531,926	-	-	531,926
RBOC 2015 Strategic Planning Meeting*	970	970	970	2,911
RBOC 2016 Strategic Planning Meeting	1,078	1,078	1,078	3,234
<b>B Subtotal Actual Charges</b>	<b>1,047,628</b>	<b>31,798</b>	<b>2,048</b>	<b>1,081,474</b>
<b>A - B Available Funds Before Pending Charges</b>	<b>966,315</b>	<b>408,031</b>	<b>30,388</b>	<b>1,404,735</b>
Pending Charges				
<b>C Subtotal Pending Charges</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>A - B - C Available Funds After Pending Charges</b>	<b>966,315</b>	<b>408,031</b>	<b>30,388</b>	<b>1,404,735</b>

\* Revised from prior statement

**RBOC Account Summary October 2015**

Funding Sources (\$)		SW Water	SC Wastewater	ST Hetchy Power	Total
<u>Series</u>					
	2006 A Bonds	223,310	-	-	223,310
	2008 CREBS	-	-	-	-
	2009 A Bonds	236,598	-	-	236,598
	2009 B Bonds	206,000	-	-	206,000
	2010 A Bonds	28,473	23,525	-	51,998
	2010 B Bonds	208,860	96,258	-	305,118
	2010 D Bonds	35,680	-	-	35,680
	2010 E Bonds	172,100	-	-	172,100
	2010 F Bonds	90,480	-	-	90,480
	2010 G Bonds	175,735	-	-	175,735
	2011 A Bonds	301,358	-	-	301,358
	2011 B Bonds	14,488	-	-	14,488
	2011 C Bonds	16,798	-	-	16,798
	2011 QECBS	-	-	-	-
	2012 NCREBS	-	-	-	-
	2012A Bonds	295,805	-	-	295,805
	2012B Bonds	8,260	-	-	8,260
	2013A CP	-	165,793	-	165,793
	2013B Bonds	-	-	-	-
	2015A Bonds	-	-	19,778	19,778
	2015 NCREBS *	-	-	2,050	2,050
A	Subtotal Sources - All	2,013,943	285,576	21,828	2,321,346
<b>Charges Against Budget (\$)</b>					
<b>Actual Charges</b>					
	WSIP Expenditures & CP (2006)	59,370	-	-	59,370
	Financial Review of WSIP (2007)	92,050	-	-	92,050
	WSIP Sunset Reservoir (2009)	71,890	-	-	71,890
	CSA Controller's Audit (2011/2012)	86,219	29,750	-	115,969
	Independent Review Panel (IRP) (2011/2012)	116,010	-	-	116,010
	LADWP for IRP (2011/2012)	11,489	-	-	11,489
	IBBS Consulting for IRP (2011/2012)	47,000	-	-	47,000
	CSA Audit - Final Bill Q3 12	29,625	-	-	29,625
	RM Block WSIP Evaluation - (invoice for Nov 12 - Aug 14)	531,926	-	-	531,926
	Refreshments for All Day RBOC Audit Planning Workshop for CY2015	211	-	-	211
	Facilitation Services for RBOC 2015 Strategic Planning Meeting	-	2,700	-	2,700
B	Subtotal Actual Charges	1,045,790	32,450	-	1,078,239
A - B	Available Funds Before Pending Charges	968,153	253,126	21,828	1,243,107
<b>Pending Charges</b>					
C	Subtotal Pending Charges	-	-	-	-
A - B - C	Available Funds After Pending Charges	968,153	253,126	21,828	1,243,107

\* Change from prior month

# SFPUC Enterprise Debt Overview

## Summary of Enterprise Debt Programs

(as of January 1, 2017)

	Water	Wastewater	Power
<b>Outstanding Debt (Par)</b>			
Revenue Bonds	\$4.2B	\$1.07B	\$39.55M
SRF Loans	-	\$7.40M	-
Tax Credit Bonds	-	-	\$16.04M
Commercial Paper (Authorized/Issued)	\$500M/\$0M	\$500M/\$61M	\$90M/\$0
<b>Ratings</b>			
Long-Term	Aa3/AA-	Aa3/AA <sup>1</sup>	AA-/A+
Short-Term	P-1/A-1	P-1/A-1	F1/A-1

<sup>1</sup>Upgraded by S&P from AA- in April 2016

## SFPUC New Money Debt Issuance 2016

Enterprise	Debt Issuance	Amount (par)
Water	Bond Series 2016 C	\$259,350,000
Wastewater	SRF Loan Bond Series 2016 AB	\$7,435,000 \$308,400,000
Power	-	-