



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

**REMOTE MEETING**

**Listen/Public Call-In Phone Number  
(415) 906-4659  
Conference ID: 912826854#**

**November 17, 2020 - 9:00 AM**

**Regular Meeting**

**Remote Access to Information and Participation**

In accordance with Governor Newsom's Executive Order No. N-33-20 declaring a State of Emergency regarding the COVID-19 outbreak and Mayor London N. Breed's Proclamation declaring a Local Emergency issued on February 25, 2020, including the guidance for gatherings issued by the San Francisco Department of Public Health Officer, aggressive directives were issued to reduce the spread of COVID-19. On March 17, 2020, the Board of Supervisors authorized their Board and Committee meetings to convene remotely (via Microsoft Teams) and will allow remote public comment via teleconference.

Members of the public may participate by phone or may submit their comments by email to: [victor.young@sfgov.org](mailto:victor.young@sfgov.org); all comments received will be made a part of the official record. Revenue Bond Oversight Committee agendas and their associated documents are available at: <https://www.sfwater.org/index.aspx?page=121>

As the COVID-19 disease progresses, please visit the Board's website ([www.sfbos.org](http://www.sfbos.org)) regularly to be updated on the current situation as it affects the legislative process. For more information contact Assistant Clerk Victor Young at (415) 554-7723.

**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, Roll Call, and Agenda Changes**

Members:

- Seat 1 Ettore Leale, Co-Chair
- Seat 2 Tim Cronin
- Seat 3 Vacant
- Seat 4 Vacant
- Seat 5 Vacant
- Seat 6 Christina Tang, Co-Chair
- Seat 7 Reuben Holober

Co-Chair Leale called the meeting to order at 9:03 a.m. On the call of the roll, Co-chairs Leale and Tang and Members Cronin and Holober were noted present. A quorum was present.

There were no agenda changes.

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

Speakers: None.

3. **RBOC: Audit Update**

Hunter Wang and Massanda Djohs (Controller’s Office); Dan Dawson and Paul Pocalyko (HKA); Mike Brown (SFPUC); presented information on the matter and responded to questions from the Committee. Mr. Dawson provided a progress update and Risk Assessment Overview.

**Member Holober, seconded by Co-Chair Tang, moved to approve the bond selection for audit purposes.**

Public Comment:

None.

**The motion PASSED by the following vote:**

Ayes: Leale, Cronin, Tang, Holober

Noes: None

Note: reschedule for hearing in approximately 2 months.

4. **SFPUC: Water Capital Update**

Mike Brown and Katie Miller (SFPUC); presented information on the matter and responded to questions from the Committee.

Public Comment:  
None.

No action taken.

5. **RBOC: Annual Report 2019**

Richard Morales and Mike Brown (SFPUC); presented information on the matter and responded to questions from the Committee.

Mr. Morales confirmed that the matter is tentative scheduled for presentation before the SFPUC on December 22, 2020.

Public Comment:  
David Pilpel requested information on the approval of the annual report. (The annual report was approved at the last RBOC meeting).

No action taken.

6. **RBOC: Recruitment RBOC Members**

Rich Morales (SFPUC) provided an update on the SFPUC recruitment.

Public Comment:  
David Pilpel questioned the SFPUC website and roster and requested an update. Mr. Pilpel requested that seat appointment information be listed on the agenda.

No actions taken.

7. **Approval of Minutes: October 27, 2020, Meeting Minutes.**

Co-Chair Leale noted the possible error in the mover and second in the motion.

**Member Tang, Seconded by Member Holober, moved to approve the October 27, 2020, meeting minutes as amended.**

Public Comment:  
None

**The motion PASSED by the following vote:**

Ayes: Leale, Cronin, Tang, Holober  
Noes: None

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

Upcoming Meeting Dates: December 14, 2020

The RBOC requested the following items be scheduled for the next RBOC meeting:

SFPUC: Power Enterprise Update

SFPUC: Environmental Justice (possible update)

Pending Issues:

1. Request that SSIP Quarterly reports include information on Stormwater Management System and details on the bidding climate and possible cost increase)
2. Request that the SFPUC provide updates on all water projects that may not be part of SSIP or WSIP.
3. RBOC: Acquiring consultant to examine expected performance of complete projects.
4. SFPUC: Staff Report: Environmental Justice
5. SFPUC: Mountain Tunnel Site Tour
6. SFPUC: State Federal Loan Updates
7. SFPUC: Oceanside Wastewater Plant Tour
8. SFPUC: Clean Power Update

Public Comment:

David Pilpel commented on matters listed on the Pending Issues list.

No action taken.

9. **Adjournment**

The meeting adjourned at 10:42 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: December 14, 2020



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# Revenue Bond Risk Assessment

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1. Progress Update
2. Risk Assessment Overview
3. WSIP Project Population
4. WSIP Bond Selection
5. SSIP Project Population
6. SSIP Bond Selection



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# Progress Update

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## Task 1: Audit Planning and Survey

- October 21 Kick-off Meeting
  - Introduction to SFPUC and RBOC
  - Identified RBOC's areas of concern
  - Submitted information request to Mike Brown
- Risk Assessment
  - Received WSIP and SSIP expenditures by project by bond series
  - Performed risk assessment according to GAGAS Standards (8.107)

## Task 2: Audit Fieldwork (Approx. 2 - 4 months)

## Task 3: Draft Report (Approx. 1 - 2 months)

## Task 4: Final Report (Approx. 1 - 2 months)



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# Risk Assessment Overview

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## Risk Assessment

- Non-statistical sampling approach
- Performed data analytics, Identified:
  - Projects with multiple funding sources
  - Projects with cost overruns (EAC to baseline budget)
  - Bonds that fund multiple projects
  - Bonds with significant expenditures in high-risk projects
  - Bonds used to refund commercial paper
  - Bonds with potential record retention issues
- Reviewed proposed sample bonds with CSA

### *Proposed Bond Sample:*

<u>WSIP:</u>	<u>SSIP:</u>
2006 A	2010 B
2010 G	2013 B
2012 A	2016 A



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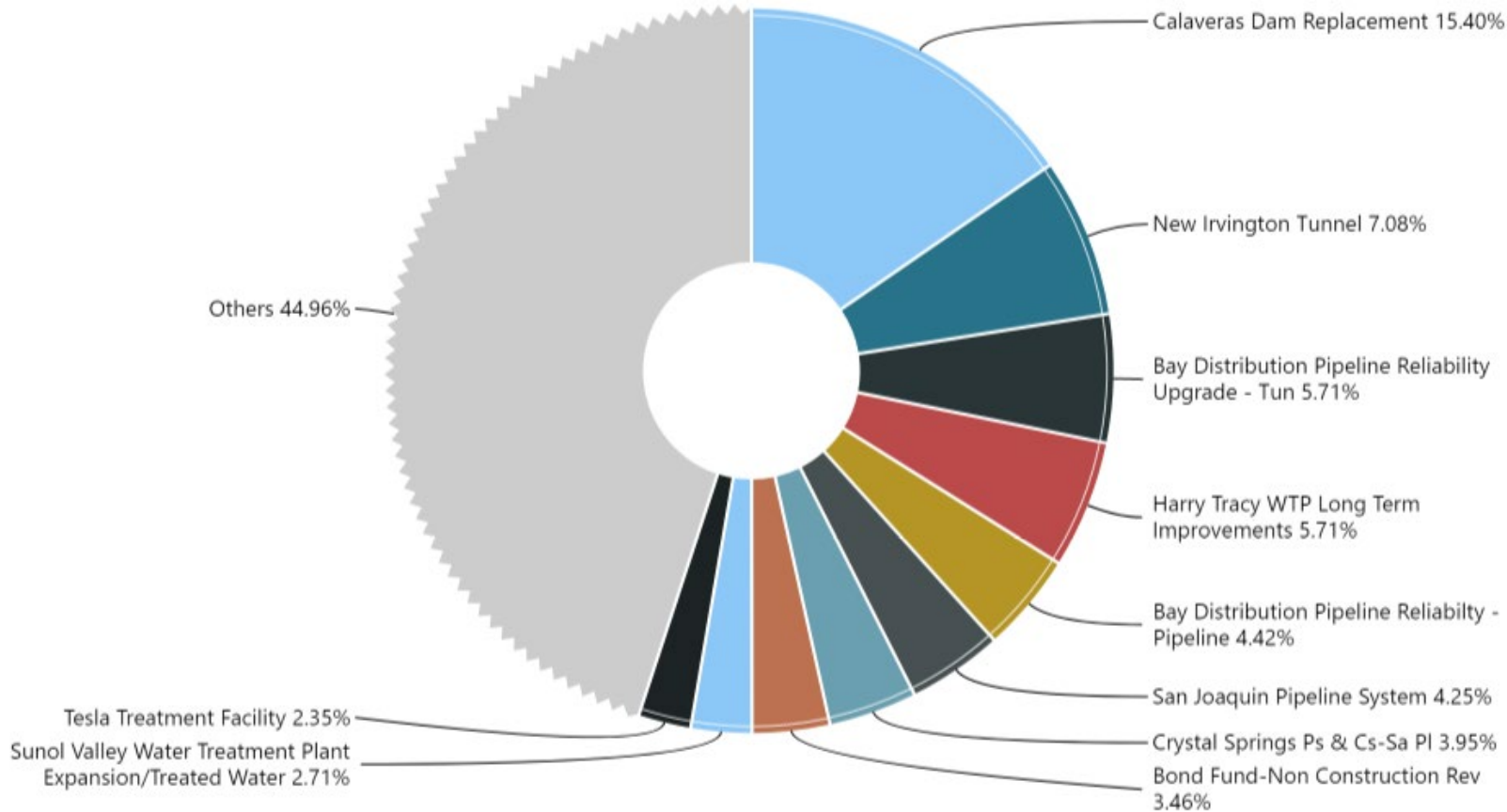
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# WSIP: Project Population



- 87 Total Projects
  - [330 including second tier projects]
  - 10 over \$100m
  - 55% of Spend
  - 21 projects with more than 10 funding sources
  - HKA/YAC Identified 10 High Risk Projects
- (As of June 30, 2019)



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# WSIP: High-Risk Projects

Project Description	Total
Calaveras Dam Replacement	758,697,921
New Irvington Tunnel	349,114,516
Harry Tracy WTP Long Term Improvements	281,266,731
San Joaquin Pipeline System	209,461,974
Crystal Springs Ps & Cs-Sa PI	194,421,993
Sunol Valley Water Treatment Plant Expansion/Treated Water	133,710,076
Seismic Bay Distribution Pipeline @ Hayward Fault P	74,165,147
San Antonio Backup Pipeline	55,247,504
Peninsula Pipeline Seismic Upg	39,870,815
<b>Total</b>	<b>2,095,956,677</b>

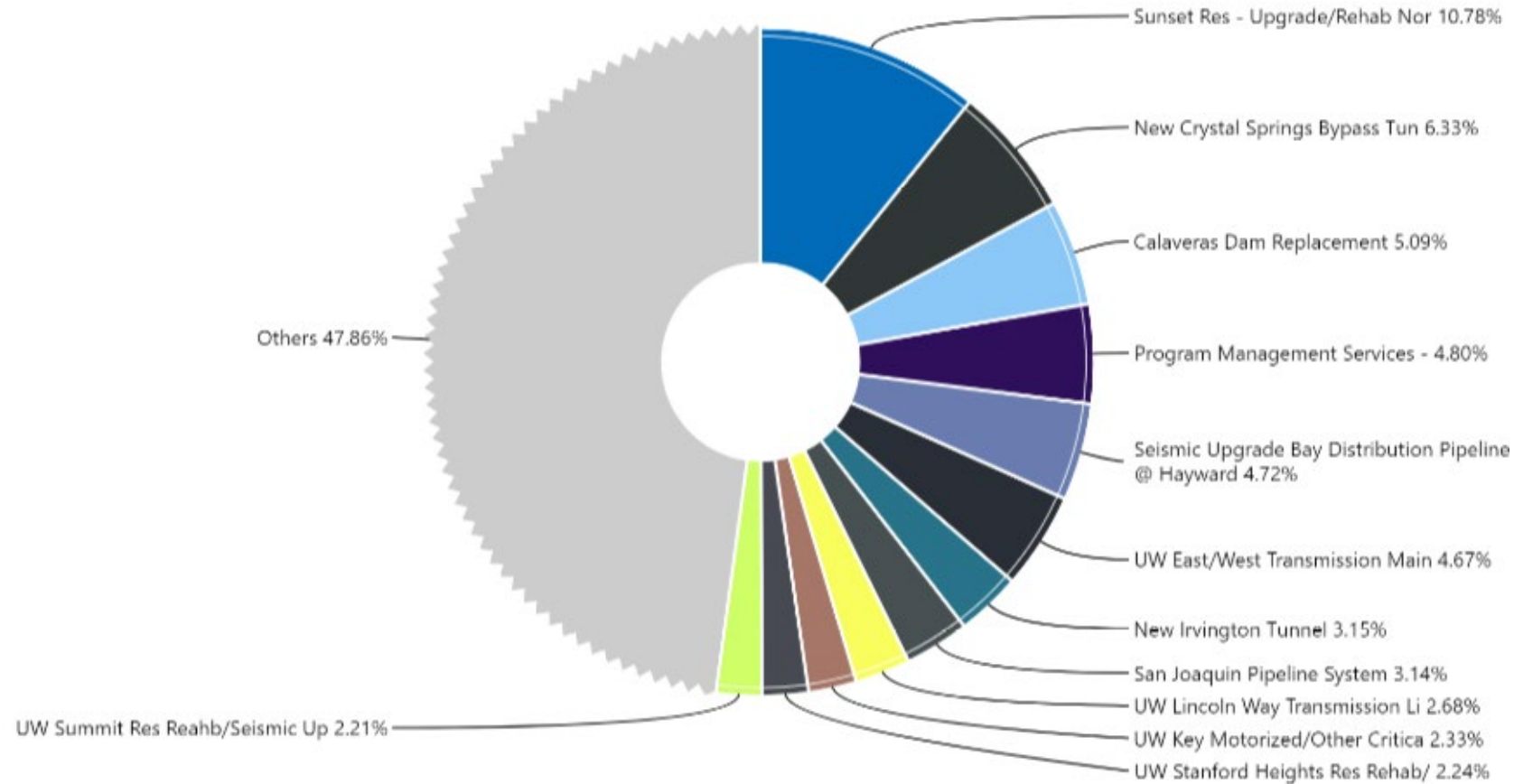
## Parameters:

- Inherent project complexities
- Multiple funding sources
- High spend
- Bond expenditures in excess of baseline EAC



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# WSIP: Use of 2006A Bond Funds



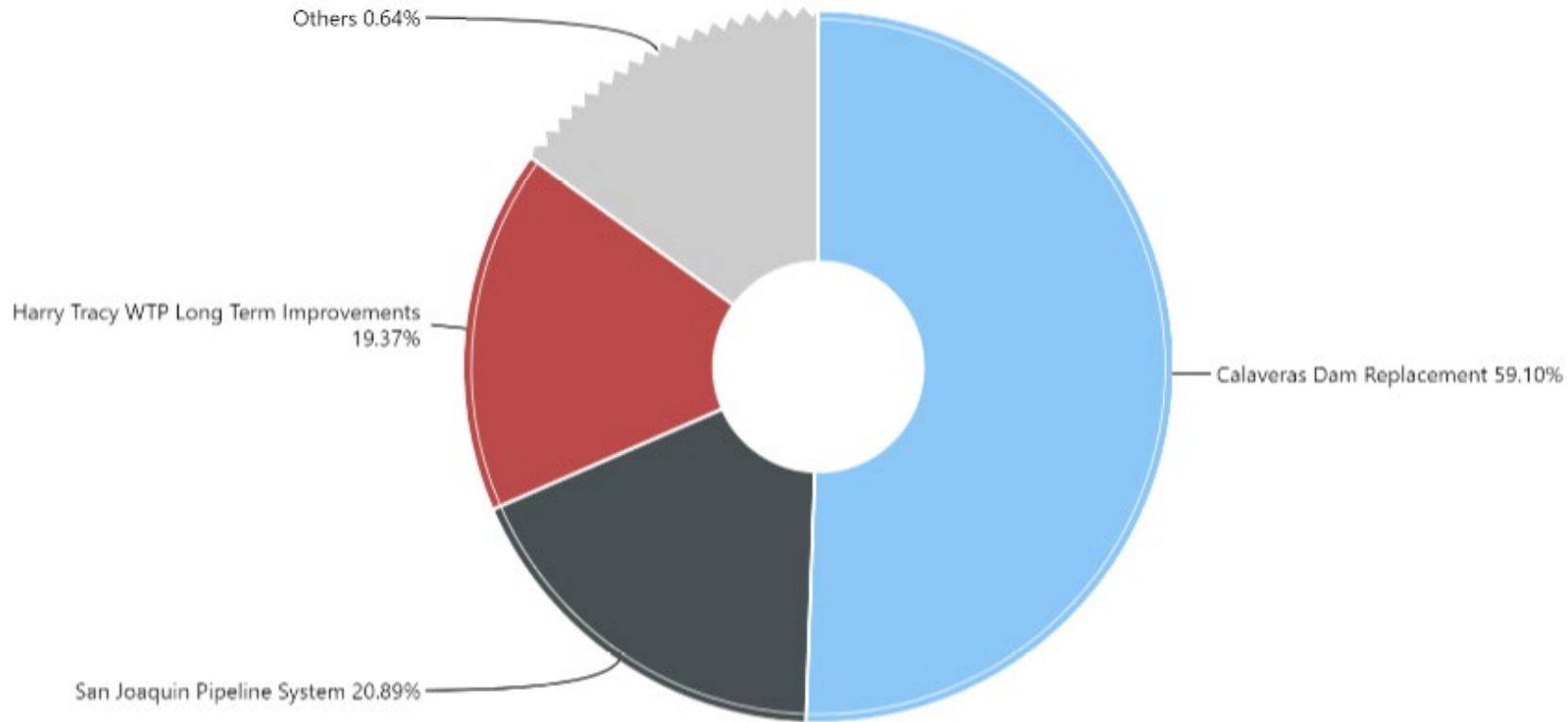
## • Profile:

- \$478.5m
- 10% of total Bond Expenditures
- Over 90 projects
- Record Retention Test



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# WSIP: Use of 2010G Bond Funds



- **Profile:**

- \$295.5.5m
- Concentrated exposure to 3 high-risk projects

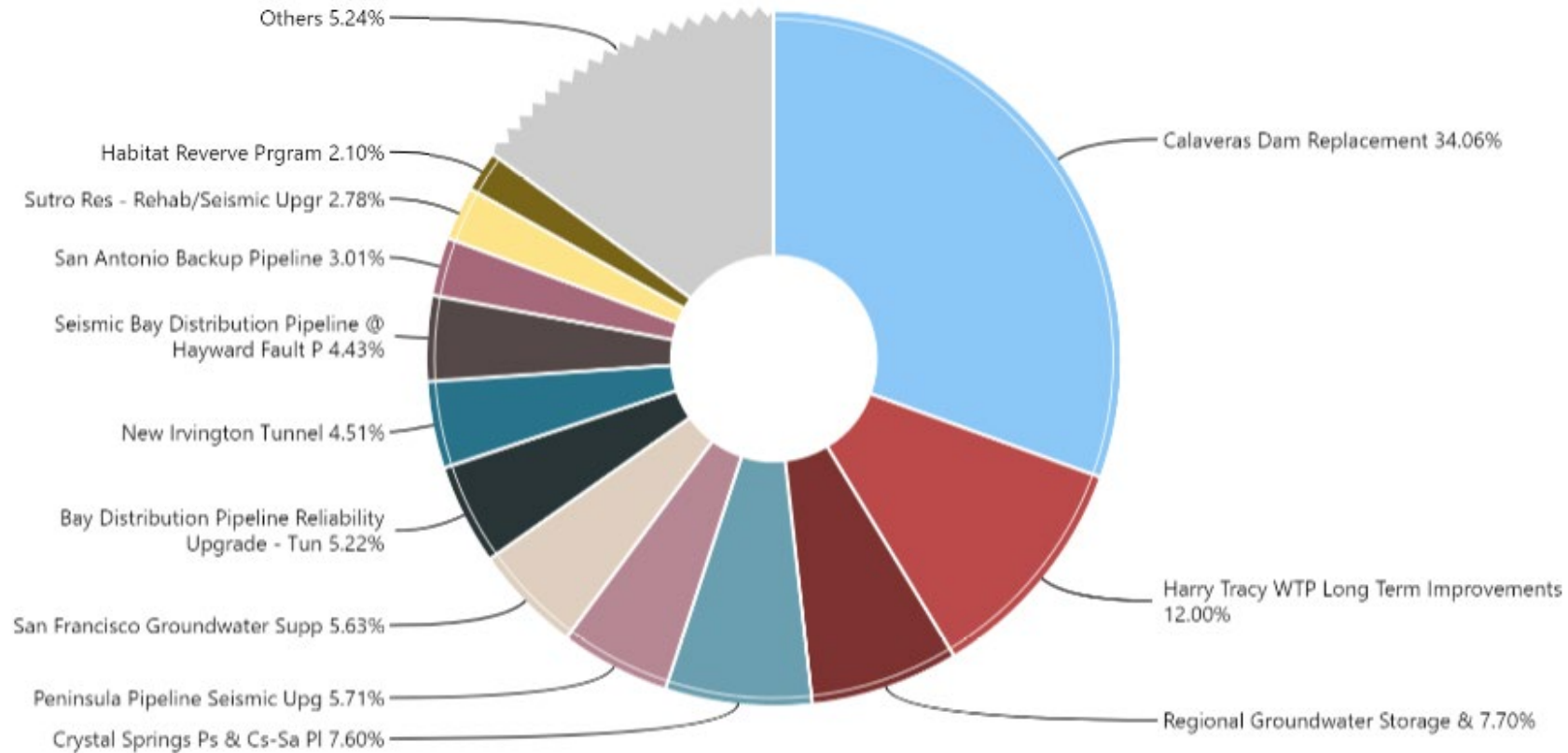


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# WSIP: Use of 2012A Bond Funds



## • Profile:

- \$540.2m
- 33 projects funded
- Significant spend in high-risk projects
- Large spend in other projects



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# WSIP: 2006A, 2010G, and 2012A

Project Description	06A-WT	10G-WT	12A-WT	Total
Calaveras Dam Replacement	24,372,855	174,618,215	184,012,380	383,003,450
Harry Tracy WTP Long Term Improvements	4,837,260	57,223,801	64,859,876	126,920,937
San Joaquin Pipeline System	15,047,387	61,716,032	3,625,650	80,389,069
Crystal Springs Ps & Cs-Sa PI	7,218,897		41,068,344	48,287,241
New Irvington Tunnel	15,057,846		24,365,427	39,423,273
Peninsula Pipeline Seismic Upg			30,876,207	30,876,207
Seismic Bay Distribution Pipeline @ Hayward Fault P	2,462,182		23,925,377	26,387,559
San Antonio Backup Pipeline	1,816,946		16,283,335	18,100,281
Sundol Valley Water Treatment Plant Expansion/Treated Water	3,443,807		238,105	3,681,912
Relocation Of Bdip 1 & 2	2,375,811			2,375,811
<b>Total</b>	<b>76,632,991</b>	<b>293,558,048</b>	<b>389,254,701</b>	<b>759,445,740</b>

## Sample Profile:

- Over 100 Projects  
(includes second tier projects)
- \$1,314m Spend
  - \$759m high risk projects
  - \$555m in other projects



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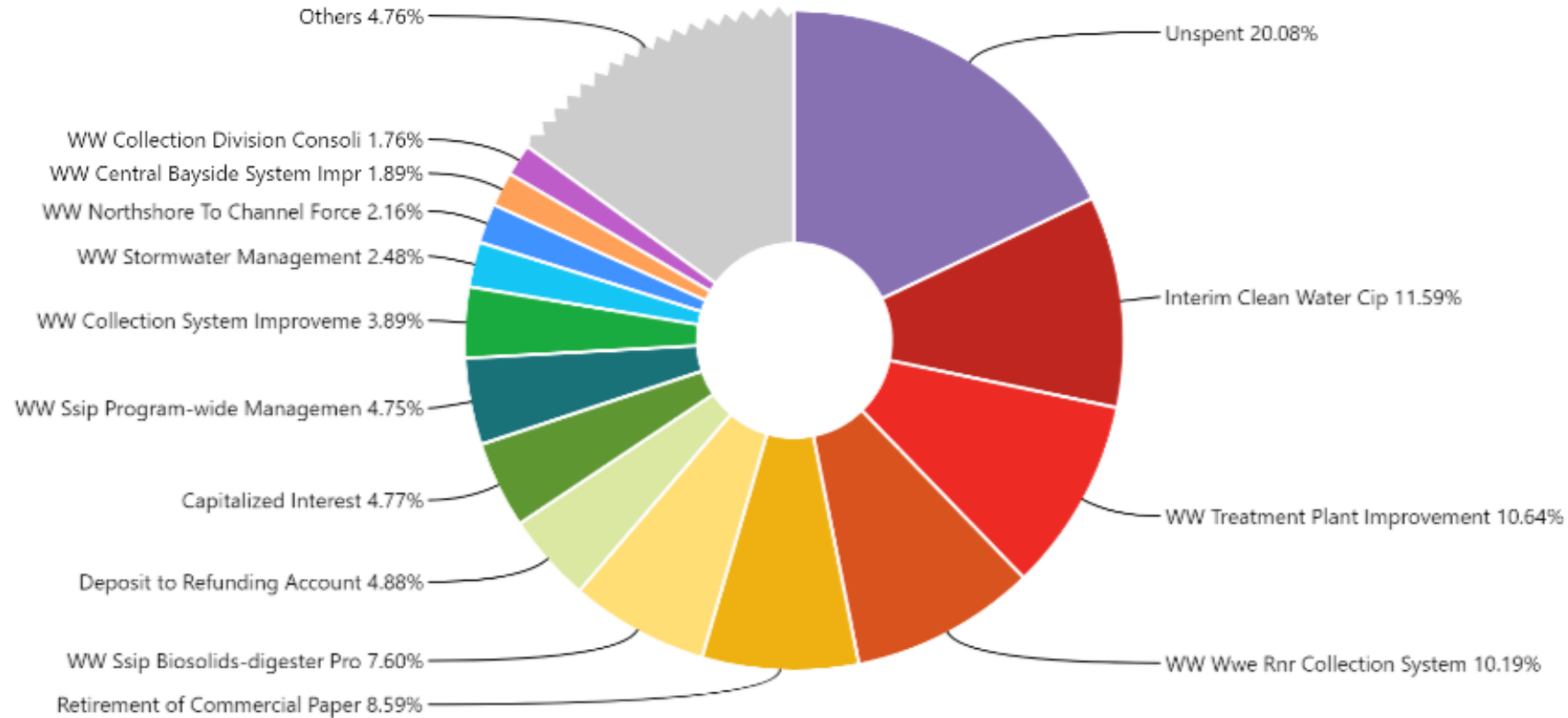


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# SSIP: Project Population



- 70 Total Projects\*
- \$184m in Commercial Paper Retired\*
- 10 Projects over \$20m\*

\*(As of June 30, 2019)



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# SSIP: High Risk Areas

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- Commercial Paper
  - Test Traceability of Bond Funds to Project Expenditures
- SEP Biosolids Digester Facilities Project
  - Current EAC \$1,680m; *31.7% Over 2016 Baseline Budget*
- SEP New Headworks (Grit) Replacement
  - Current EAC \$618m; *47.7% Over 2016 Baseline Budget*

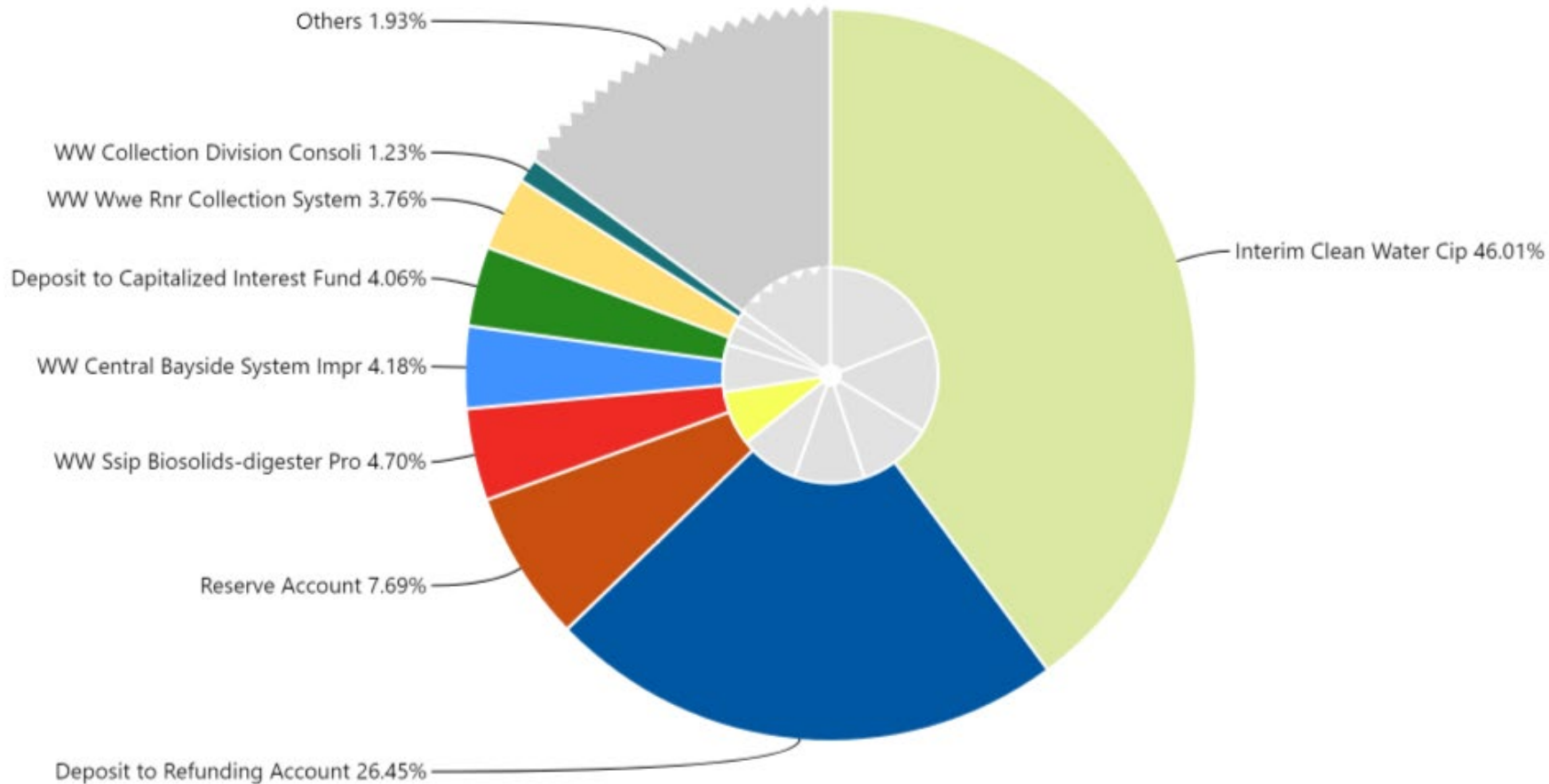


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# SSIP: Use of 2010B Bond Funds



## Profile:

- \$206m
  - \$94.7m Interim Clean Water CIP
  - \$9.6 Biosolids Digester
- \$54.5m Refunding Account

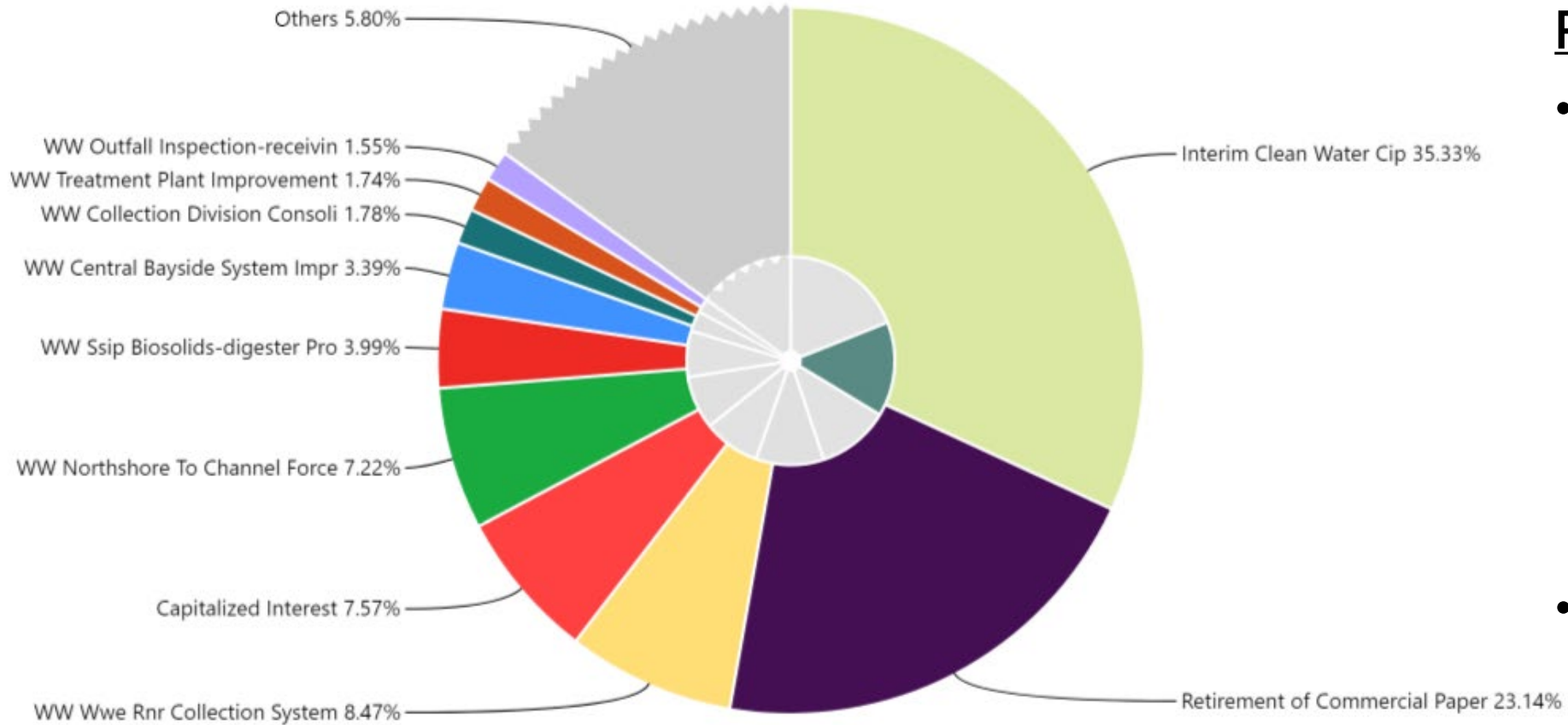


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# SSIP: Use of 2013B Bond Funds



## Profile:

- \$367.2m
  - \$129.7m Interim Clean Water CIP
  - \$31.1m Collection System
  - \$26.5m Northshore To Channel Force
  - \$14.6m Biosolids Digester
- \$87.6m Commercial Paper

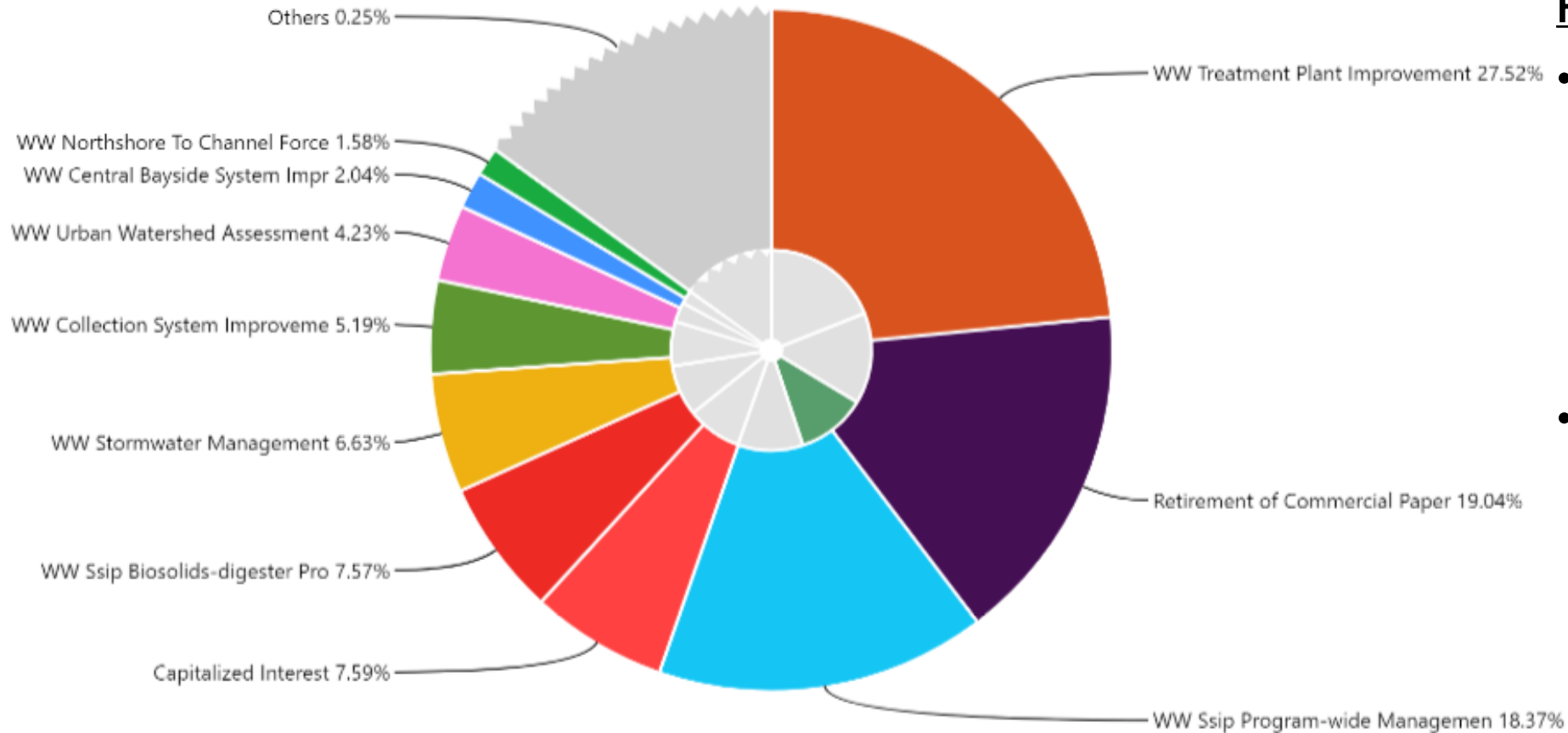


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# SSIP: Use of 2016A Bond Funds



## Profile:

- \$280.7m
  - \$77.2m Treatment Plant Improvement
  - \$14.5 Collection Systems Improvement
  - 7 other projects with spend over \$10m
- \$53.4m Commercial Paper



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# SSIP: 2010B, 2013B, and 2016A

Authority Description	2010B	2013B	2016A (SSIP)	Total
Interim Clean Water Cip	94,787,294	129,775,140		<b>224,562,434</b>
Retirement of Commercial Paper		85,000,000	53,439,773	<b>138,439,773</b>
WW Treatment Plant Improvement		6,406,828	77,236,442	<b>83,643,270</b>
Deposit to Refunding Account	54,500,000			<b>54,500,000</b>
Capitalized Interest		27,813,978	21,291,486	<b>49,105,464</b>
WW Ssip Biosolids-digester Pro	9,674,274	14,639,549	21,247,548	<b>45,561,371</b>
WW Wwe Rnr Collection System	7,747,294	31,118,098		<b>38,865,392</b>
WW Northshore To Channel Force		26,515,813	4,440,692	<b>30,956,505</b>
WW Central Bayside System Impr	8,603,468	12,464,389	5,728,630	<b>26,796,487</b>
Reserve Account	15,853,086			<b>15,853,086</b>
WW Urban Watershed Assessment		3,347,677	11,883,509	<b>15,231,186</b>
WW Collection Division Consoli	2,527,158	6,550,066		<b>9,077,224</b>
Deposit to Capitalized Interest Fund	8,362,072			<b>8,362,072</b>
WW Outfall Inspection-receivin		5,682,155		<b>5,682,155</b>
WW Bond-commercial Paper Expen	1,014,749	2,630,097		<b>3,644,846</b>
<b>Total</b>	<b>203,069,395</b>	<b>351,943,790</b>	<b>195,268,080</b>	<b>750,281,265</b>

## Sample Profile:

- Over 30 Total Projects
- \$854m Spend
  - \$135m Com. Paper
  - \$45m Biosolids Digester



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# Conclusion / Q&A

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Next Steps:  
Task 2: Audit Fieldwork



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