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; 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) 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 Djohns (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
Revenue Bond Risk Assessment

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

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)
Risk Assessment Overview

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:

<table>
<thead>
<tr>
<th>WSIP</th>
<th>SSIP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006 A</td>
<td>2010 B</td>
</tr>
<tr>
<td>2010 G</td>
<td>2013 B</td>
</tr>
<tr>
<td>2012 A</td>
<td>2016 A</td>
</tr>
</tbody>
</table>
Revenue Bond Risk Assessment

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

- 87 Total 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)
## WSIP: High-Risk Projects

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

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calaveras Dam Replacement</td>
<td><strong>758,697,921</strong></td>
</tr>
<tr>
<td>New Irvington Tunnel</td>
<td><strong>349,114,516</strong></td>
</tr>
<tr>
<td>Harry Tracy WTP Long Term Improvements</td>
<td><strong>281,266,731</strong></td>
</tr>
<tr>
<td>San Joaquin Pipeline System</td>
<td><strong>209,461,974</strong></td>
</tr>
<tr>
<td>Crystal Springs Ps &amp; Cs-Sa Pl</td>
<td><strong>194,421,993</strong></td>
</tr>
<tr>
<td>Sunol Valley Water Treatment Plant Expansion/Treated Water</td>
<td><strong>133,710,076</strong></td>
</tr>
<tr>
<td>Seismic Bay Distribution Pipeline @ Hayward Fault P</td>
<td><strong>74,165,147</strong></td>
</tr>
<tr>
<td>San Antonio Backup Pipeline</td>
<td><strong>55,247,504</strong></td>
</tr>
<tr>
<td>Peninsula Pipeline Seismic Upg</td>
<td><strong>39,870,815</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,095,956,677</strong></td>
</tr>
</tbody>
</table>
WSIP: Use of 2006A Bond Funds

- **Profile:**
  - $478.5m
  - 10% of total Bond Expenditures
  - Over 90 projects
  - Record Retention Test
WSIP: Use of 2010G Bond Funds

• Profile:
  • $295.5.5m
  • Concentrated exposure to 3 high-risk projects
WSIP: Use of 2012A Bond Funds

- **Profile:**
  - $540.2m
  - 33 projects funded
  - Significant spend in high-risk projects
  - Large spend in other projects

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

<table>
<thead>
<tr>
<th>Project Description</th>
<th>06A-WT</th>
<th>10G-WT</th>
<th>12A-WT</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calaveras Dam Replacement</td>
<td>24,372,855</td>
<td>174,618,215</td>
<td>184,012,380</td>
<td>383,003,450</td>
</tr>
<tr>
<td>Harry Tracy WTP Long Term Improvements</td>
<td>4,837,260</td>
<td>57,223,801</td>
<td>64,859,876</td>
<td>126,920,937</td>
</tr>
<tr>
<td>San Joaquin Pipeline System</td>
<td>15,047,387</td>
<td>61,716,032</td>
<td>3,625,650</td>
<td>80,389,069</td>
</tr>
<tr>
<td>Crystal Springs Ps &amp; Cs-Sa PI</td>
<td>7,218,897</td>
<td>41,068,344</td>
<td>48,287,241</td>
<td></td>
</tr>
<tr>
<td>New Irvington Tunnel</td>
<td>15,057,846</td>
<td>24,365,427</td>
<td>39,423,273</td>
<td></td>
</tr>
<tr>
<td>Peninsula Pipeline Seismic Upg</td>
<td>15,057,846</td>
<td>24,365,427</td>
<td>39,423,273</td>
<td></td>
</tr>
<tr>
<td>Seismic Bay Distribution Pipeline @ Hayward Fault P</td>
<td>2,462,182</td>
<td>23,925,377</td>
<td>26,387,559</td>
<td></td>
</tr>
<tr>
<td>San Antonio Backup Pipeline</td>
<td>1,816,946</td>
<td>16,283,335</td>
<td>18,100,281</td>
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</tr>
<tr>
<td>Sunol Valley Water Treatment Plant Expansion/Treated Water</td>
<td>3,443,807</td>
<td>238,105</td>
<td>3,681,912</td>
<td></td>
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<tr>
<td>Relocation Of Bdip 1 &amp; 2</td>
<td>2,375,811</td>
<td></td>
<td>2,375,811</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>76,632,991</td>
<td>293,558,048</td>
<td>389,254,701</td>
<td>759,445,740</td>
</tr>
</tbody>
</table>
• 70 Total Projects*
• $184m in Commercial Paper Retired*
• 10 Projects over $20m*

*(As of June 30, 2019)
SSIP: High Risk Areas

- 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
SSIP: Use of 2010B Bond Funds

Profile:
- $206m
  - $94.7m Interim Clean Water CIP
  - $9.6 Biosolids Digester
- $54.5m Refunding Account
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
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
### SSIP: 2010B, 2013B, and 2016A

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

#### Sample Profile:

- Over 30 Total Projects
- $854m Spend
  - $135m Com. Paper
  - $45m Biosolids Digester
Conclusion / Q&A

Next Steps:
Task 2: Audit Fieldwork