

Public Utilities Revenue Bond Oversight Committee

Minutes

Monday, November 15, 2010
9:30 a.m. - 11:30 a.m.
1155 Market Street (between 7th & 8th Streets)
4th Floor Conference Room moved to
6th Floor Conference Room

Committee Members

Aimee Brown, Chair
Kyle Rhorer, Vice Chair
Brian Browne
Kevin Cheng
Nathan Cruz
David Sutter
John Ummel

REGULAR AGENDA

The meeting location was moved to 1155 Market Street (between 7th & 8th Streets) 6th Floor Conference Room.

1. **Call to Order and Roll Call**

Chair Aimee Brown called the meeting to order at 9:30 a.m. and roll call was taken:

Present: Aimee Brown, Kyle Rhorer, Brian Browne, Kevin Cheng, Nathan Cruz, David Sutter and John Ummel.

Absent: None.

There was a quorum.

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

Public Comment: None.

3. Chair's Report

a. Discussion and Possible Action concerning: 1) Report from Deputy City Attorney Mark Blake Regarding the Use of Build America Bonds (BABs); and 2) Proposed Adoption of Resolution Regarding Issuance of BABs and payment to RBOC.

Agenda items 3a and 3b were heard concurrently. Please see Item No. 3b for further details.

It was moved by Member Sutter, seconded by Member Ummel, to adopt the RBOC resolution requesting the SFPUC Commission to appropriate the sum of \$96,257.50 from the Wastewater Enterprise to pay audit related expenses of the Revenue Bond Oversight Committee.

The motion to adopt the resolution passed by the following vote:

Ayes: Chair Brown, Member Rhorer, Member Cheng, Member Cruz, Member Sutter, and Member Ummel.

Noes: Member Browne.

Member Sutter withdrew his motion to approve a resolution establishing a policy for funding the RBOC in the future.

Chair Brown requested that RBOC members submit their recommendations to Deputy City Attorney, Mark Blake, regarding the resolution to create a policy for the future funding of the RBOC.

b. San Francisco Public Utilities Commission (SFPUC) Staff Update on the Revenue Bond Oversight Committee (RBOC) Account with the Controller.

Mark Blake, Deputy City Attorney; Charles Perl, Marc Hughes, and Mike Brown, San Francisco Public Utilities Commission, presented an overview on the use of Build America Bonds (BABs); provided an update on the creation of the Revenue Bond Oversight Committee account with the Controller; and responded to questions from members of the Revenue Bond Oversight Committee.

The RBOC requested an update on the creation of the RBOC account with the San Francisco Controller and information on the requirement to use Bonds Funds within 3 years.

Chair Brown requested that Member Cruz provide a summary on the Controller's account being set up on behalf of the RBOC.

Public Comment:

Nancy Wuerfel expressed concerns over the creation of an independent account for the RBOC. The current account is a sub-account of the SFPUC. Ms. Wuerfel stated that a special fund category 8 should be created for the RBOC.

c. San Francisco Public Utilities Commission (SFPUC) Staff Report on Water System Improvement Program (WSIP) Financing/Bond Sales.

Marc Hughes and Charles Perl, San Francisco Public Utilities Commission, presented a report on the Water System Improvement Program (WSIP) Financing/Bond sales and responded to questions from the Revenue Bond Oversight Committee.

Public Comment: None.

d. Discussion and Possible Action Regarding Drafting the Revenue Bond Oversight Committee 2010 Annual Report.

Chair Brown reviewed the process for creating the RBOC Annual Report and requested input from the members of the Committee concerning the creation of the 2010 Annual Report.

Public Comment: None.

Continued to the December 13, 2010, meeting of the RBOC without objection.

e. San Francisco Public Utilities Commission (SFPUC) Staff Report on Water System Improvement Program (WSIP) FY2010-11 Quarterly Report.

Julie Labonte and Mike Brown, San Francisco Public Utilities Commission, presented an update on the Water System Improvement Program (WSIP) FY2010-11 Quarterly Report and responded to questions for the Revenue Bond Oversight Committee.

Public Comment:

Nancy Wuerfel questioned whether or not the selection of a new site will delay the project and add costs in regards to the Recycled Water Site in Golden Gate Park? Ms. Labonte, SFPUC, stated that the need for modifications to the cost and schedule due to the change of location is

unclear, but possible. The reverse osmosis process is needed to remove ammonia from the water.

Member Rhorer was noted absent at 11:30 a.m.

Member Browne was noted absent at 11:40 a.m.

4. Update from the RBOC Contracting Working Group.

Chair Brown, on behalf of Member Rhorer, presented an update from the RBOC Contracting Working Group. The Contracting Working Group will hold a meeting on November 17, 2010, with various universities with a goal of developing a scope of work for the development of a Request for Proposal.

Chair Brown requested that the RBOC Contracting Working Group address the creations of a mechanism for the RBOC to hire contractors for auditing services and to publish Request for Proposals.

Public Comment: Nancy Wuerfel questioned the use of the Request for Proposal versus and the Request for Quote process to streamline the contracting process.

5. Discussion and Possible Action Regarding the Approval of the Minutes from the RBOC Meetings held on September 20, 2010, and October 19, 2010.

It was moved by Member Ummel, seconded by Member Cruz, to approve the minutes of the RBOC for September 20, 2010, and October 19, 2010.

The motion to adopt the resolution passed by the following vote:

Ayes: Chair Brown, Member Cheng, Member Cruz, Member Sutter, and Member Ummel.

Noes: None.

Absent: Member Browne and Member Rhorer.

Public Comment: None.

6. Discussion and Possible Action Concerning Adopting the Revenue Bond Oversight Committee Meeting Schedule for 2011.

Chair Brown discussed possible meeting dates for the RBOC in 2011, and requested that members of the Committee review the proposed meeting schedule.

Public Comment: None.

5. Discussion and Possible Action Relating to RBOC Member Information Requests Raised at Today's Meeting.

Member Ummel requested information regarding which financing mechanisms the RBOC has jurisdiction over.

Public Comment: None.

6. Discussion and Possible Action for Future Agenda Items.

SFPUC presentation on Wastewater. (Dec or Jan)

Westside Recycling Project (January)

Probability of Cost Overruns that may occur versus Contingency Funds.

Risk Management – Key performance indication being used.

Ivy Vine Memo concerning Contract Insurance

Public Comment: Nancy Wuerfel, comments attached.

7. Adjournment

The meeting adjourned at 12:20 p.m.

For information concerning agendas, minutes and meeting information
please contact:

Victor Young, Committee Clerk
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1 Dr. Carlton B. Goodlett Place, Room 244
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Victor.Young@sfgov.org
(415) 554-7723

For information concerning SFPUC reports and documents
please contact:

bondoversight@sfgov.org

(415) 487-5245

Audio recording of the meeting of the Revenue Bond Oversight Committee is available
at:

http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=97

Public Comment submitted by Nancy Wuerfel

Subject: Comments on Recycled Water Program

October 26, 2010

Dear Chair Brown:

Attached is a copy of my public comment regarding item 6 for future agenda items for RBOC as you requested. I have further examined the available public documents about the approved costs for the WSIP Local Program and wish to acknowledge that the increased cost from \$385 million to \$600 million is due primarily to a reorganization of projects in 2009. The Water Supply project costs were transferred to Regional and Local Programs that were redefined. Unfortunately, the WSIP Recycled Water projects are now split between these two programs, so that the total costs of Recycled Water projects cannot be readily identified or tracked because of nomenclature changes and the historical scope of work for individual projects has changed.

My statement about cost escalation for Westside Recycling Water Project (now in the Local Program) is still true, as evidenced by a new forecast of a cost increase of another \$25 million this past quarter FY 2009-2010. It is not clear if this increase includes the additional 2.5 miles of new pipelines south from the park back to the to Oceanside for brine discharge and to the Zoo.

Also, the project does have an entitlement issue because construction of new structures in Golden Gate Park require votes of the electorate and the Board of Supervisors as stated in the city Charter section 4.113 (see below). The votes pertain to "structures" not to "programs or projects." This entitlement has not been acknowledged by staff in any of the project documents. The Westside project timeline has already slipped from the closeout date of 9/2013 in the 2008 report to a forecast of 11/2015 in the last 2010 quarterly report. A vote of the people on use of Golden Gate Park for siting the treatment plant could either add serious time delays to the already maximized timeline or deny the construction of the new treatment plant in Golden Gate Park, which would require a new project design and new EIR. I believe the issues of cost and the timeline for the Westside Recycling Water Project are serious enough to require a discussion at the RBOC.

In addition, I believe RBOC should review the current status of the entire SF Recycled Water Program. The Eastside Recycled Water Project will plan and design a recycled water treatment facility (or facilities) and distribution system to produce and distribute tertiary recycled water to proposed non-potable water customers on the eastern side of the City of San Francisco. However, the planning budget has grown from \$23 million to \$32 million and is behind

schedule. Of greatest concern is that this project was added on to WSIP in 2009 and has no overall project budget identified, nor was not part of the 2005 baseline budget. Therefore, the total costs for the Eastside project(s) will be add-on costs to the \$4,586,000,000 budgeted so far for WSIP. The timeline to complete these new projects will also go well beyond the 2015 deadline.

For the above reasons, I believe RBOC must discuss the Recycled Water Program overall, and the Westside Recycled Water Project in particular, to decide what is needed to keep WSIP on time and on budget. Thank you for considering these comments.

CITY CHARTER SEC. 4.113 RECREATION AND PARK COMMISSION.

The Department shall have the power to construct new parks, playgrounds, recreation centers, recreation facilities, squares and grounds, and to erect and maintain buildings and structures on parks, playgrounds, square, avenues and grounds, except as follows:

- 1. No building or structure, except for nurseries, equipment storage facilities and comfort stations, shall be erected, enlarged or expanded in Golden Gate Park or Union Square Park unless such action has been approved by a vote of two-thirds of the Board of Supervisors;*
- 2. No park land may be sold or leased for non-recreational purposes, nor shall any structure on park property be built, maintained or used for non-recreational purposes, unless approved by a vote of the electors.*

Sincerely,

Nancy Wuerfel