

**Citizens' Advisory Committee (CAC)
MEETING MINUTES**

Tuesday, May 22, 2012
5:30 – 7:00 p.m.

1155 Market Street, 4th Floor

Members:

Stephen Bjorgan (M)(P)	Jessica Buendia (D6)(P)	Doug Cain (D3)(P)
Donald Carmignani (D2)(W)	Jennifer Clary (D11)(W)	Walt Farrell (D 7)(P)
Richard T. Hansen (D1)(W)	Art Jensen (M)(W)	Terrence Jones Chair (D10)(W)
Alex Lantsberg (B - EJ)(WW)	Mike Marshall (D5)(W)	David Pilpel (D4)(WW)
Javiree PruittHill (D8)(WW)	Dairo Romero (D9)(WW)	Vacant (M – Lg Water User)
Avni Jamdar (M – Environmental)	Ted Ko (B – S Business) (WW)	

Subcommittees: (P) Power, (W) Water, (WW) Wastewater, **bold = Chair**.
M = Mayor appointment, B = Board President appointment

Staff Liaisons: Jean Walsh and Teresa Young

ORDER OF BUSINESS

1. **Call to Order and Roll Call** - Chair Jones called the meeting to order at 05:32 p.m. when the panel achieved quorum.
Present: W.Farrell; J.Pruitt-Hill; T.Jones; S.Bjorgan; D.Pilpel; D.Cain; J.Buendia; A.Jamdar; T.Ko; A.Lantsberg; M.Marshall; R.Hansen; D.Romero; J.Clary;
Absent: D.Carmignani; A.Jensen
2. Introduction to new CAC members Ted Ko and Avni Jamdar.
3. Approval of the **March 28** meeting minutes (April meeting cancelled for lack of quorum)
W.Farrell moved; A.Lantsberg seconded. Minutes approved by acclamation.
4. **Public Comment:** none.
5. **Presentation and Possible Action:** General Manager Selection Process. Anson Moran, SFPUC Commission President
Questions/Comments:
R.Hansen: Is this search group looking for a specialist in engineering or operating utilities?
A.Moran: Not necessarily. E.Harrington isn't an engineer and neither was another GM, both came with profound knowledge of City government and how to manage people. The SFPUC doesn't require specialists, it requires people who know how to manage, take risks, motivate people, and make decisions.
M.Marshall: Is there a job description the search firm is distributing?
A.Moran: Not yet, this is still in draft and should be posted next week. We will do final review of draft later this week.

Edwin M. Lee
Mayor

Anson Moran
President

Art Torres
Vice President

Ann Moller Caen
Commissioner

Francesca Vietor
Commissioner

Vince Courtney
Commissioner

Ed Harrington
General Manager



T.Jue distributes draft of GM job description.

A.Lantsberg: I hope that person can manage and run this organization, learn to know what they don't know, and is willing to take professional advice from others who are subject matter experts. This is a political town with participatory culture.

A.Moran: I'm not sure how to put that in job description, but that person should have character and fit into culture of San Francisco.

D.Pilpel: I think you will know it when you see it. I believe you will find someone who can run this organization well that knows how to balance between internal and external constituencies. That person needs to lead the staff, reflect and support staff, but also support the rate payers and citizens and understand the politics. Find the right balance and mix and seek out internal and external candidates. Look at people from other comparable utilities or organizations could also be helpful.

A.Moran: We are looking for candidates outside of this organization. Everyone needs to earn the job.

W.Farrell: That person should also be concerned about rates.

A.Moran: That's probably a worthy subject to spend time on. We can't do the work we do unless we raise rates. We recognize that it's a hardship on a lot of people and need to convince you that your money is well-spent. That's a tough sell.

J.Buendia: The only GM I've known is E.Harrington and I appreciate his big picture understanding on how all these issues are connected together. I want to see that in somebody else who is taking this role. He brought a lot of financial management skills. Someone who will spend the money right, somebody who is committed to leadership development of people who work under him/her or other places in City arena. For example, the City Hall Fellows program is a great way to bring young people into government, especially when it was a time that it wasn't attractive to people. These are people who he's building up through the ranks and public service in general.

A.Jamdar: Adding to J.Buendia's comments. Someone who has vision in the energy sector and understands the whole balance between costs of energy vs. generating it. Someone who is savvy about California energy.

D.Cain: Echo W.Farrell's comments. E.Harrington hasn't addressed rate impacts. That topic is going to stir a lot of political backwash. I want to push that topic more in my subcommittee (Power) and CAC. The next GM must address that.

A.Moran: The current rate program we're under adopted by the Board of Supervisors lays out the rate increases we're experiencing today. How does that fit in with your comment? Is that not transparent enough?

D.Cain: My feeling is another big burst of bond issues will cover the lack of capital reserves of soon-to-be-obsolete Moccasin and there's not going to be money for that. We can't get enough money from General Fund departments for power usages. That was an issue we could have relied on instead of rates. Issue of bonds has not really been fully calculated.

6. **Presentation and Possible Action:** Budget Overview. Frances Lee, Deputy Chief Financial Officer and Carlos Jacobo, Budget Director

Questions/Comments:

M.Marshall: Where does the new building fall in all of this?

C.Jacobo: 525 Golden Gate is fully funded. There are some costs related to maintenance of building.

D.Pilpel: Do the numbers incorporate the latest results from labor negotiations?

C.Jacobo: The budget that's presented to Mayor and the Board of Supervisors is subject to change and reconciled for the June 1 meeting if it's crunched in time. We'll report back to Commission on changes.

J.Clary: The Hetch Hetchy capital budget went down. How much of \$74/\$77M – from current year actually goes to capital at Hetch Hetchy and what goes outside of Hetch Hetchy system?

C.Jacobo: Look at slide 9 and 12 of presentation.

J.Clary: Different number from book.

C.Jacobo: That document reflects adopted FY12-13. This is the first time doing fixed budget for two years. That document was approved last year. We've gone back and adjusted on FY12-13 budget.

J.Clary: Chart H2. Page 140. There looks like a lot of projects rolled up in that capital number. How many of those projects are addressing the capital needs of the Hetchy system? What are the capital projects being funded? For Hetchy Power, which went to capital investments in Hetchy power system?

C.Jacobo: Up country – FY11-12 related to Power is 13.8M. Moving forward for FY12-13 is \$10.7M, and FY13-14 26.6M. There is some cost in Hetchy power that's going down like streetlights.

A.Lantsberg: Capital budget on last page Hetchy power for energy efficiency – what's the reasoning behind so little long-term investment in energy efficiency?

C.Jacobo: Hetchy revenues are going down.

Charles Perl: Deputy CFO, manage debt and rate side. In balancing Hetchy enterprise with 2 cents, that was meant to fund a shortfall as it means to overall subsidy for General Fund funded rates. We still need to look at cost cuts to capital side, which included local in-city projects (GoSolar) and other energy efficiency projects as well, along with some assumption for bond funding.

A.Lantsberg: We are charging ourselves reduced rates so we can spend extra energy instead of spending it on energy efficiency programs. We're underinvesting in something important.

C.Perl: The 2 cent increase over 4 years help us, but doesn't get us there.

C.Jacobo: That's been a priority and we must maintain that infrastructure, especially up country. Energy in current year is 6.7 is going down to 2.6 and 2.1. GoSolar is 3M, going to \$2M for next two fiscal years.

J.Buendia: What is AAO view? On page 10 – budget for capital plan, including financial costs that excludes AWSS?

C.Jacobo: Annual appropriation ordinance – approved budget for City departments. They can track numbers that goes back to BOS document. Yes, it excludes AWSS (fire department).

R.Fox: SFPUC does provide power to municipal functions. They get subsidized energy. There are choices elected by the Mayor, BOS, SFPUC in deciding those rates to keep the City running. We are pleased to get 2 cent increase and are looking at broader choices we need to make.

D.Cain: The critical thing is the BOS and Mayor decided that in order to balance the books, they have to cut CCA and other energy efficiency program. The BOS and Mayor have decided to have SFPUC raise more bonds to pay for these things. Only the things constituents most demand. They will fix Moccasin. Reason is SFPUC can raise bonds without elections. Bonds are going to be issued, they are being contemplated now and that's going to have a massive impact on rates, because that's coming on top of W and WW. Should we develop constituents and political will behind CCA and energy efficiency?

C.Jacobo: The management looks what needs to be taken care of. They look at the needs of organization and infrastructure.

D.Romero: We can push BOS on decisions. If there are other ways to balance without sacrificing the programs we consider important, where are the alternatives and priorities that citizens can push to BOS?

T.Jue: When rates discussion came up, we came up with different scenarios and went over them with electeds. What could happen without a huge impact on City services. The impacts trickle down to all the other City departments as well.

D.Cain: A lot of departments do not deploy energy efficiency programs.

T.Jue: if you want to fund energy efficiency programs, you need a revenue source to fund those.

D.Pilpel: On slide 12, it does have 10 year capital plan for Hetchy. \$514M in water projects, including infrastructure in water and power. It's not like up country stuff is unattended to, but staff is well-aware of the needs.

J.Clary: Suggesting looking at budget cycle and calendar. Right now we're looking at a budget that the Mayor is presenting to BOS. If we want input on budget, act on it in October. We need to identify as large committee and subcommittee on items we want to move forward in writing. Memorialize them in writing in resolutions. Let's start scheduling a closer look in September in separate committees and bring forward in October, no later than November.

Public comment: none.

Skipped to item 9.

7. Presentation and Possible Action: Rate-setting Process. Crispin Hollings, Director of Financial Planning

Questions/Comments:

D.Romero: If I pay \$100 for my bi-monthly water and sewer bills, how much is going toward the cost of operations? What is the money going toward?

C.Hollings: The second to last slide for FY2013 – of the \$400M that water enterprise needs, half goes to operations and half goes to capital funding for programs. As the rates increase over next 20 or so years, almost all of the increase we're going to be looking at is driven by capital programs and infrastructure replacements. The operations and maintenance expense side is modeled with a 3% increase.

D.Romero: Does everyone pay the same?

C.Hollings: It is a tiered structure, so there is a set of rates for single family residential, and multi-family residential, and commercial customers.

M.Marshall: Is the tiered pricing system on par or unique to San Francisco or other communities?

C.Hollings: It's different across the country.

C.Perl: About 80% of customers in California are part of a tiered rate structure. Some have three tiers, some have a single tier, and some have more. It depends on how that jurisdiction decides to promote conservation.

D.Cain: This is the last time for 5 years to look at rate impacts, right?

C.Hollings: Every year the Commission looks at the 10 year outlook/impact.

C.Perl: We last talked about water and sewer rates in 2009. We are on the CAC calendar to come back in a few months to discuss the independent review. The whole point of that review is to review whether there is equity with the rates we have or inequity? Consultant will help recommend how to fix that.

J.Buendia: Who is the decision making body to influence this, is that the Commission, CAC, rate fairness board?

C.Hollings: All. Ultimately it is the Commission that approves the rates. This body has the influence to forward a written document to the Commission.

C.Perl: We will come to this body to present consultant recommendations, staff recommendations. Anyone here can go to rate fairness board or Commission meetings to provide input.

D.Pilpel: In general, are capital projects being debt financed, are we investing in long-life assets?

C.Hollings: They are all for long-life assets that will last 30 years or more.

J.Clary: Do you know who's on the rate fairness board?

C.Hollings: The rate fairness board consists of 50% citizens and 50% city employees.

8. **Report from the Chair:** T.Jones is going back to Wastewater Subcommittee.

9. **Communications Staff Report:** (Jean Walsh)

The CAC Draft Calendar takes into consideration what Commission discusses and covers what the CAC has talked about over last five months and a forward look into future items. The full CAC is scheduled to look at budget, but we can add budget information in subcommittee meetings in September. The calendar is changing and evolving and I continue to work with staff to update the content and discussion topics.

T.Jones: Some of the topics came out of discussion with E.Harrington. The Commission would like to hear feedback, but CAC needs to let them know.

S.Bjorgan: The subcommittee chairs should set agendas with their members based on what they believe citizens need.

Skipped back to item 7.

10. **Subcommittee Chair Reports:**

a. Power Subcommittee (Doug Cain)

i. Meeting was cancelled.

b. Water Subcommittee (Jennifer Clary)

i. Wanted to bring resolution to full CAC. There was a presentation from last month about water supply options. SFPUC is going to move forward with a water supply ordinance that we want to support.

ii. Still working on Francisco Reservoir resolution. Talk to Karen Donovan on our committee for more information.

c. Wastewater Subcommittee (Alex Lantsberg)

i. Urban watershed team shared what they were doing.

ii. SSIP talked about validation process. Going back and reviewing the levels of service established by commission and how projects are meeting them.

11. **Future CAC Agenda Items - Next regularly scheduled Full CAC meeting Tuesday, June 26**

D.Pilpel suggested going to 2 hour meetings to have more in depth discussion on key topics. J.Walsh suggested having a break in the summer, possibly in August.

12. Adjournment - **Meeting adjourned at 07:02 p.m.** A.Lantsberg moved to adjourn. T.Jones seconded.