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**MINUTES**  
**Public Utilities Revenue Bond Oversight Committee**  
Monday, March 16, 2009  
San Francisco Public Utilities Commission  
1155 Market Street (between 7<sup>th</sup> & 8<sup>th</sup> Streets), 4th Floor Conference Room

Committee Members

- Aimee Brown, Chair  
Kyle Rhorer, Vice Chair  
Brian Browne  
Stan Jones  
David Sutter  
Patrick Sweetland

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

Chair Aimee Brown called the meeting to order at 9:35 a.m. and roll call was taken.

Present: Aimee Brown, Kyle Rhorer, Brian Browne, Stan Jones (9:40 a.m.), David Sutter (9:41 a.m.) and Patrick Sweetland.

Absent: None.

There was a quorum.

**2. Public Comment: Members of the public may address the RBOC on matters that are within the RBOC's jurisdiction and are not on today's agenda**

Public Comment: None.

**3. Report from Manfred Wong, SFPUC, concerning the Wastewater Five-Year Capital Improvement Program**

Manfred Wong, SFPUC, presented a report on the Wastewater Five-Year Capital Improvement Program.

The Five-Year Wastewater Capital Improvement Program addressed immediate wastewater needs in the areas of flood control, odor control, and aging facilities.

There are two major categories identified in the 5-year CIP (1) the sewer improvement projects and (2) the aging infrastructure and odor control projects.

Approximately 70% of the projects are in construction or have already been completed.

47 Mr. Wong provided an overview of the various wastewater projects.

48

49 Mr. Sutter requested information concerning timeliness of the quarterly  
50 reports. Mr. Wong stated that the quarterly reports are usually available  
51 after two PUC meetings are held, but can still take up to three months  
52 after the end of the quarter to be produced.

53

54 Public Comment: None.

55

#### 56 **4. Discussion and possible action relating to the Indirect Cost Study**

57

58 Charles Perl, Acting Finance Director, SFPUC, provided an update on the  
59 Indirect Cost Study.

60 The SFPUC has received a draft of the Indirect Cost Study and is  
61 currently reviewing the report. A final version of the report should be  
62 available for the next RBOC meeting.

63

64 Public Comment: None.

65

#### 66 **5. Report from SFPUC staff concerning an update on the various** 67 **national stimulus plans and its effect on WSIP programs**

68

69 Nathan Purkiss, Government Relation Manager, Molly Petrick, Water  
70 Enterprises, and Manfred Wong, SFPUC, provided an update on the  
71 national stimulus plans and its effect on WSIP programs.

72

73 The SFPUC was able to influence a portion of Bill HR1 that requires that  
74 no less than 50% of state revolving funds must be dispersed through  
75 grants or loan forgiveness. Instructions concerning how to apply for  
76 certain stimulus funds are still vague and pending further clarification.  
77 Allocation amounts, project types, and qualification standards are still  
78 being discussed. However, projects that are applying for stimulus funding  
79 must be out of the planning stages and ready to begin construction within  
80 a year.

81

82 Mr. Sutter's asked what is the total dollar value of WSIP projects that are  
83 applying for stimulus funding; Mr. Purkiss stated that the dollar value is  
84 approximately 54.3 million dollars. Mr. Sutter also questioned whether the  
85 state revolving fund needs state approval and the response was  
86 affirmative. Todd Rydstrom, CFO and Assistant General Manager,  
87 SFPUC, responded to Mr. Sutter's question concerning coordinating the  
88 bond sale program with the potential of future stimulus funding by stating  
89 that the additional funding sources through stimulus funding will be used  
90 to decrease the need for bond funding for WSIP and capital improvement  
91 projects.

92

93 Mr. Sutter requested a brief monthly update on the national stimulus plans  
94 and its effect on WSIP programs.

95  
96 Public Comment: None.

97  
98 **6. Discussion and possible action regarding the approval of the**  
99 **minutes from the meeting held on February 23, 2009**

100  
101 Mr. Sweetland moved, seconded by Mr. Rhorer, to allow Mr. Browne to  
102 abstain from voting on this item.

103  
104 Ayes: Chair Brown; Rhorer; Jones; Sutter; Sweetland  
105 Noes: None.  
106 Excused: Browne.

107  
108 The motion to allow Mr. Browne to abstain passed.

109  
110 Mr. Jones moved, seconded by Mr. Sweetland, to approve the minutes of  
111 the February 23, 2009 meeting as amended.

112  
113 Ayes: Chair Brown; Rhorer; Jones; Sutter; Sweetland  
114 Noes: None.  
115 Abstained: Browne.

116  
117 The motion to approve the minutes as amended passed.

118  
119 Public Comment: None

120  
121 **7. Discussion and possible action relating to RBOC member**  
122 **information requests raised in today's meeting**

123  
124 Mr. Browne's document was included as part of the minutes.

125  
126 Mr. Sutter inquired as to the requirements for Sunshine training and  
127 Ethics Commission's Form 700.

128  
129 Public Comment: None

130  
131 **8. Discussion and possible action for future agenda items**

132 Mr. Sutter requested a brief monthly update on the national stimulus plans  
133 and its effect on WSIP programs.

134  
135 Mr. Sutter requested a brief monthly update on WSIP project.

136  
137 Mr. Sutter requested a discussion on the possible extension of the sunset  
138 date for the RBOC and requested an opinion from the City Attorney as to

139 how to reconcile the completion date of the WSIP projects to match the  
140 sunset date of the RBOC.

141

142 Ken Roux, Deputy City Attorney, responded to the question concerning  
143 the extension of the sunset date for the RBOC and will inform the City  
144 Attorney's Office of the RBOC's request.

145

146 Mr. Browne requested a presentation on the Master Water Sales  
147 Agreement and the price of elasticity of demand.

148

149 Mr. Jones, seconded by Mr. Sutter moved to scheduling a hearing on the  
150 entirety of the Master Water Sales Agreement in May of 2009.

151

152 Ayes: Chair Brown; Jones; Sutter

153 Noes: Rhorer, Browne.

154 Absent: Sweetland

155

156 The motion to hold a hearing on the entirety of the Master Water Sales  
157 Agreement failed.

158

159 Mr. Browne, seconded by Mr. Rhorer moved to schedule a preview  
160 presentation on the Master Water Sales Agreement in April of 2009 not to  
161 exceed 15 minutes including committee members questions and answer  
162 period and to schedule a second hearing in May of 2009 for a unrestricted  
163 and complete review of the Master Water Sales Agreement.

164

165 Ayes: Chair Brown; Rhorer, Browne, Jones; Sutter

166 Noes: None

167 Absent: Sweetland

168

169 The motion to schedule a preview hearing in April of 2009 and a complete  
170 hearing in May of 2009 on the Master Water Sales Agreement passed.

171

172 Public Comment: None

173

## 174 **9. Adjournment**

175

176 Mr. Jones moved, seconded by Mr. Browne, to adjourn the meeting.

177

178 Ayes: Chair Brown; Rhorer, Browne, Jones; Sutter

179 Noes: None

180 Absent: Sweetland

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182 The meeting adjourned at 11:32 a.m.

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Mr. Browne's Attachment (e-mail sent by Mr. Browne on 2/25/09):

Ms. Brown -  
Chair - RBOC

I turned up today at the SFPUC and learned I had written down the wrong date. I regret this failure to show, apologize, and can only explain this organizational failure on a very nasty cold. I wanted to attend. I had some questions based on the agenda.

BAWSCA passed AB1823 and when it sunset, passed AB2428 in 2008. Both AB1823 and AB2437 have two firm dates for expenditure completion 2010 -50% and 2015 100%.

Mr. Jensen does not see these benchmarks as triggers. Then why write them into law? BAWSCA also mandates in both AB1823 and now AB2058 the water/power policy for the Hetch Hetchy system. So does the Federal Raker Act of 1913. Is there a conflict between the state and federal Acts? BAWSCA (2002 AB2058) is able to absorb SFPUC-RWS (in exchange we receive 30% governance)

We are entering the final lap for the Master Water Sales Agreement (1984 to 2009). The allocation of volumes from the HH system will impact rates based on revenue bond expenditures. SFPUC is assuming average Hetch Hetchy system deliveries of 265MGD and hence a continuation of the 1884 184/81 MGD split between the peninsula and city.

In 2000, a combined task force of SFPUC and BAWUA (now BAWSCA) estimated annual average system reliability at 239 MGD (RWS system has not really been enhanced since). Since 1984, when the previous MWSA was signed (a good run of wet years), the average system delivery was 250 MGD. I had data to present today, for the RBOC's consideration, to challenge the accuracy of these key CIP volumetric assumptions. These assumptions impact the rate quotients.

Volumes are the denominator in the price quotient.

Projected rates for revenue bond debt service must be realistic. On this subject the SFPUC is now estimating rate elasticities using econometric techniques. Better late than never - it has taken me nearly 10 years of badgering. The suggestion that 265 MGD was spurious and that if current elasticities or future elasticities (the longer a high price persists the greater becomes the demand elasticity) were greater than -1 seemed (less total revenues and an impact on the ability to pay down the debt) to generate

232 some less than positive comments by Mr. Jensen about  
233 economists, at least all he has worked with.  
234 I hope you can put an agenda item reflecting my above  
235 concerns. I will also ask that my notes be included.  
236 Again, my apologies for missing the meeting.  
237 Brian Browne