San Francisco Water Power Sewer
Services of the San Francisco Public Utilities Commission

SAN FRANCISCO PUBLIC UTILITIES COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

Edwin M. Lee
MAYOR

MINUTES
(Approved February 14, 2012)
SPECIAL MEETING
(Noticed December 22, 2011)
Thursday, January 12, 2012
10:00 AM
1155 Market Street, Room 402
NOTE DIFFERENT DAY/TIME/LOCATION THAN REGULAR MEETING

Commissioners
Anson B. Moran, President
Art Torres, Vice President
Ann Moller Caen, Commissioner
Francesca Vietor, Commissioner
Vince Courtney, Commissioner

Departments and Enterprises
Water Enterprise
Wastewater Enterprise
Power Enterprise
Infrastructure
Business Services
External Affairs

Ed Harrington
General Manager

Michael Housh
Secretary

For information, contact the Commission Secretary at 554-3165.
Minutes and other information are available on the SFPUC web site: www.sfwater.org.

1. Call to Order

Commissioner Ann Moller Caen, Chair for the FY 2012-13 & FY 2013-14 Budget Workshops called the meeting to order at 10:05 a.m.

2. Roll Call

Present were: President Moran, Commissioner Caen, Commissioner Vietor, and Commissioner Courtney. Vice President Torres was excused attendance.

PUBLIC HEARING

3. Public Hearing to consider, and possible action on budget proposals for the Operating and Capital Budgets and associated 10-Year Financial and Capital Plans for the enterprises and bureaus under the jurisdiction of the San Francisco Public Utilities Commission for Fiscal Year 2012-13 and FY 2013-14. (Persons who are unable to attend the public hearings may submit to the City, by the time the proceedings begin, written comments regarding the subject of the hearing. These comments will be brought to the attention of the Commission and will become a part of the official public record. Written comments can be sent to the Commission Secretary, San Francisco Public Utilities Commission, 1155 Market Street, 11th Floor, San Francisco, California, 94103). *(Rydstrom)*

a. Consider, and take action on the proposed Operating and Capital Budgets and associated 10-Year Financial and Capital Plans for the enterprises and bureaus of the Public Utilities Commission for Fiscal Year 2012-13 and FY 2013-14, (focusing on the **Water** and **Wastewater Enterprises**).

General Manager Harrington began the budget workshop discussions with a general overview of big picture of the noting that the principle drivers of change were due to major infrastructure projects and pointed out that the operating budgets remained relatively flat with only very minimal personnel additions.

Then Budget Director Carlos Jacobo presented a detailed overview of each of the tabbed Enterprise budget proposals in the proposed Operating and Capital Budgets and associated 10-Year Financial and Capital Plans proposals followed by individual presentations of the Water Enterprise Budget by AGM Ritchie and the Wastewater Enterprise Budget by AGM Moala.

There followed and extensive discussion among the Commissioner of each of the enterprise's presentations followed by questions and responses from the Commissioners.

Commissioner Courtney left the meeting at 10:47 a.m.
Commissioner Courtney rejoined the meeting at 11:30 a.m.

Concluding this segment, President Moran observed that the key issue that had to be addressed was in finding a reasoned balance of rates against identified infrastructure needs given that the operating side of the proposed enterprise budgets was remaining largely flat.

Public comment

Mr Peter Drekmeier, Tuolumne River Trust, found the presentations informative and reiterated his organization's concerns with any proposal, such as the acquisition of additional water supply from the Irrigation Districts, as problematic both from the point of view of the sizable commitment to an annual expenditure for the proposed water purchases and the long-term the health of the river.

Mr. David Pilpel, SFPUC CAC, expressed strong support for increased inspection and more repair and replacement activities. Then Mr Pilpel called attention to areas where he found the budget detail in the binders difficult to follow, and specifically urged that the Commissioners be mindful of the problem with "position creep" when backfilling staffing changes to avoid a "brain drain" from other less well funded department to the SFPUC. Additionally, Mr Pilpel expressed concerns with the longer term questions about water consumption, suggestion to low point per capita may not yet have been reached. Wrapping up, Mr. Pilpel also requested more details concerning related long-term Wastewater trends and what were any goals that were identified.

The Commission took a brief recess at 11:59 p.m.

Commissioner Vietor left the meeting during the recess.

The Commission returned to session at 12:25 p.m.

Following the break the workshop discussions resumed with additional presentations by AGM Ritchie followed by an extensive discussion among the Commissioners as how to best to address the needs of the various regional facilities.

AGM Moala then further discussed Wastewater Enterprise Operations and provided additional detail of the watershed management plans in preparation for each of the City's eight basins and how this related to ongoing infrastructure activities followed by an extensive discussion among the Commissioners of how these various activities could be achieved within the proposed limitations identified in the budgets. The Commissioners also discussed the issues raised in CFO & AGM for Business Services Rydstrom and Mr Perl's presentation of available options to remain within the 5 year rates and avoid "rates shock" related rates adjustments. Mr Rydstrom explained this situation was related to both the continuing declines in water consumption and related revenue issues and identified capital needs and was being explored in planning for the next iteration of rates now upcoming.

Public comment

Mr. David Pilpel SFPUC, CAC, asked about ways for the agency to reduce chemical costs noting that money spent to install grease removal devices would cut the need for chemical benefiting both financially and environmentally. Also Mr Pilpel expressed support for improvements of the regional facilities. Turning to staffing related questions, Mr Pilpel suggested that the current practice by the City in furloughing employees was unwise and should be discontinued if possible. Mr Pilpel pointed to ongoing discussions by the Mayor and the Board of Supervisors

seeking to address budget shortfalls and urged that any savings be kept in reserve and reinvested in staff.

Commission discussion

Commissioner Caen observed that an element of this were the lingering after-effects of the imposed rates freeze. Mr Harrington noted that he would bring back a review of Mr Pilpel's questions concerning educing chemical use and noted that negotiations were ongoing concerning the furlough question but that it was important that our ratepayers also understand these issues and why this was not a good practice.

4. Consider Motion to continue this agenda item to a the regular meeting scheduled for Tuesday, January 24, 2012 for further hearings and possible action.

Motion by President Moran, seconded by Commissioner Courtney continue this agenda item to a the regular meeting scheduled for noon on Tuesday, January 24, 2012 Passed 3-0 Aye (Moran, Caen, Courtney) unanimously

There being no further business the meeting was adjourned by Budget Workshop Chair Caen at 1:03 p.m.

ADJOURNMENT