

# SAN FRANCISCO PUBLIC UTILITIES COMMISSION CITY AND COUNTY OF SAN FRANCISCO

# Edwin M Lee MAYOR

# **MINUTES**

(Approved March 22, 2011)

### **REGULAR MEETING**

Tuesday, February 22, 2011 1:30 P.M.

City Hall, Room 400 1 Dr. Carlton B. Goodlett Place

## Commissioners

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



### **ORDER OF BUSINESS:**

### 1. Call to Order:

Vice President Moran called the meeting to order at 1:40 P.M.

2. Present –Vice President Anson B. Moran, Commissioner Ann Moller Caen, Commissioner Art Torres, and Commissioner Vince Courtney

President Francesca Vietor was excused.

## 3. Approval of Minutes

- a) Minutes of the January 13, 2011, Budget Workshop Meeting
- b) Minutes of the January 20, 2011, Budget Workshop Meeting

Moved by Commissioner Caen, seconded by Commissioner Torres; passed (4-0 Moran, Caen, Torres and Courtney) unanimously.

### 4. Public Comments

Ms. Lin Robertson, the Labor Compliance Manager, began by thanking General Manager Ed Harrington and Assistant General Managers Juliet Ellis and Harlan Kelly for their leadership on local hiring issues and called attention to an upcoming federal agency sponsored conference in the Bayview bringing together representatives of the community and federal agencies such as the U.S. Department of Housing and Urban Development (HUD) and the Department of Labor to focus attention on creation of employment opportunities for local residents within the mandates in federal law.

Ms. Espanola Jackson welcomed Commissioner Torres and Courtney to the Commission. Ms. Jackson thanked staff for their thoughtful attention to her during her recent health problems and then expressed frustration that there were to be no representative from local employment development agencies, and she couldn't understand where the representation from the city departments regarding tomorrow's meeting of the U.S. Department of Labor and HUD. Ms. Jackson thought this a slap in the face of local taxpayers.

In response to questions by Commissioner Torres, the meeting time and location were identified and it was reported that while Secretary of Labor would not be attending but that regional representatives of the federal agencies would lead the meeting. Commissioner Caen noted that it was good to see Ms. Jackson in attendance again.

### 5. Communications

- a) Letter Summary
- b) Advance Calendar

There was no discussion of any communications or advance calendar items.

# 6. Other Commission Business

No new business was proposed.

## 7. Report of the General Manager

Mr. Harrington asked Deputy General Manager Michael Carlin to give an update on the recent weather conditions. Mr. Carlin discussed the recent series of heavy winter storms with heavy snow fall at Hetch Hetchy and described the areas of historic concern for severe storm impacts and potential flooding, how staff had been ready 24/7 and prepositioned to respond, and described the new Stormwatch approach to track and prioritize response to storm related events.

Mr. Carlin then reported several recent storm related events citing in particular a need to reroute Kirkwood 1&2 power up-country from a switchyard tree fall and about a sewer collapse near San Francisco General Hospital. Mr. Carlin wrapped up noting all of the calls had been cleared at the time of the meeting. In response to a question by Vice President Moran, Mr. Carlin explained that Department of Public Works partnered in the Stormwatch system.

In response to a question by Commissioner Torres regarding a reported problem in Bernal Heights, Mr. Carlin noted that was perhaps due a main break rather than a storm related problem.

## a) Local Hire Ordinance Update

Mr. Harrington reported the details of the Board of Supervisors Local Hire Ordinance that went into effect after March 25, 2011. Mr. Harrington explained that a good deal of effort was being made to avoid creating additional layers of process for contractors but instead to both streamline processes for contractors and achieve local hiring goals. Mr. Harrington also provided some clarification of what this ordinance actually proposed in response to some confusion about this arising from legislation proposed by San Mateo Assemblyman Jerry Hill Mr. Harrington reported how the local hiring goals for post-March 25<sup>th</sup> projects were structured to rise from an initial 20% growing over time to 50%, explaining hiring goal's allocation by trade and by meeting a definition as disadvantaged, also noting that compliance could be achieved by working with the Mayor's Office to

establish apprenticeship programs in specialty trades where there were insufficient numbers of qualified local residents at present in order to avoid this situation in future. Compliance could also be achieved by hiring those eligible under this ordinance on non-city jobs that could provide credit for city work. Mr. Harrington explained how careful efforts had been made to specifically excluded work that was covered by the Water System Improvement Program already and covered by the Program Labor Agreement as well as all state and federal funded projects. Mr. Harrington explained that wholesale customers were being kept fully informed as this went forward.

In answer to questions by Commissioner Caen as to how this might work at Hetch Hetchy, Mr. Harrington explained how this would be accomplished by identifying "local" as more than 70 miles from the City and local to the work sites thus encompassing the counties around Hetch Hetchy being defined as local for this work. Additionally, Mr. Harrington reported what seemed to be misunderstandings of what was actually in the ordinance in Assemblyman Hill's proposed legislation, noting there were other jurisdictions with such ordinances, and explained federal and state funded project were categorically exempt from it.

In response to questions by Commissioner Torres, Mr. Harrington explained that efforts to discuss his proposal with Assemblyman Hill had been thus far unsuccessful and the Board of Supervisors was likely to oppose the bill. Mr. Harrington further explained that while there were some jobs that could be covered at the jail in San Bruno and at the San Francisco International Airport, the requirements were not onerous.

### Public Comment

Ms. Espanola Jackson, Bayview Hunters Point, decried the confusion about efforts to promote local hiring, recalling the discrimination that prevented her husband, a skilled tradesman from being allowed to join unions. Ms. Jackson then emphasized that representatives from local agencies like CityBuild must attend the planned federal sponsored Bayview meeting, pointing out that local hiring had been a part of Section 3 in a federal law since 1968 but that this was a part that seemed to get overlooked. Ms. Jackson said it was long past due for the City to get to work with the community based organizations to provide jobs needed by local residents. Ms. Jackson noted those community residents seemed to get very few of the many jobs paid for by local taxpayers.

Mr Harrington thanked Ms. Jackson for her comment.

- Bay Area Water Supply & Conservation Agency (BAWSCA) General Manager's Report
  - a) BAWSCA Update Report

Mr. Jensen reported BAWSCA was addressing its budget processes facing many of the same challenges facing the SFPUC. Additionally, Mr. Jensen reported continuing work on various local water supply and conservation programs. Mr. Jensen also confirmed that Mr. Harrington had kept the wholesale customer apprised of the local hiring developments just reported.

- 9. Citizens Advisory Committee Report
  - a) Update Report by Mr. Alex Lantsberg, Chair, San Francisco Public Utilities Commission Citizens' Advisory Committee

As Mr. Lantsberg had been called away, Mr. Doug Cain, Energy Subcommittee Chair, presented the report. Mr. Cain briefly described the composition and reported on the work of the volunteer members of the Citizen's Advisory Committee. In particular, Mr. Cain urged that the Commissioners take seriously the professionalism and expertise behind resolutions that the CAC recommended for their consideration. Vice President Moran thanked the CAC members for their service and noted he planned to attend the reception being held in their honor. Commissioner Caen added her thanks for their service as well.

### CONSENT CALENDAR

10. All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the San Francisco Public Utilities Commission, and will be acted upon by a single vote of the Commission. There will be no separate discussion of these items unless a member of the Commission or the public so requests, in which event the matter will be removed from the Consent Calendar and considered as a separate item.

Moved by Commissioner Torres, seconded by Commissioner Caen, to adopt items (a-b) listed under the Consent Calendar; passed (4-0 Moran, Caen, Torres and Courtney) unanimously.

a) Accept work performed by Design-Build Solutions, Inc. for Power Enterprise Solar Project-funded Contract No. DB-112 – Maxine Hall and Chinatown Library, for a total final contract amount of \$497,613 and with total final contract duration of 410 consecutive calendar days; and authorize final payment, in the amount of \$49,296 to the contractor. Contract work consisted of installing two photovoltaic systems at Maxine Hall and Chinatown Library. **Resolution No. 11-0030** 

b) Accept work performed by CMC Construction for Water Enterprise, Water Main Retrofit/Replacement Program funded Contract No. WD-2608 As-Needed Roadway Sawcutting, Micro LBE Set-Aside; approve Modification No. 3 (Final), for reconciling the final contract amount with the actual quantities of labor and materials used, increasing the contract by \$90, for a total contract amount of \$135,090; and authorize final payment, in the amount of \$17,486, to the Contractor.)

There was no public comment.

Resolution No. 11-0031

### **PUBLIC HEARING**

(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 Michael Housh, Commission Secretary, San Francisco Public Utilities Commission, 1155 Market Street, 11th Floor, San Francisco, California, 94103).

11. Provide feedback during a presentation and discussion of Sewer System Improvement Program, Proposed 10-Year Capital Request and Associated Rate Impacts. (Items Continued from the February 8, 2011 Public Hearing)

Commissioner Courtney left at 2:40 P.M. and returned at 2:45 P.M.

Mr. Harrington began by noting that approval of the Wastewater Capital Plan had been continued to this meeting in order to allow its approval to be better informed by a robust presentation and discussion of the next steps going forward with the Sewer System Improvement Program (SSIP). Wastewater Capital Programs Manager Karen Kubick then presented a brief historical background setting the stage for what staff had identified as the sewer system priorities and needs since that last major renovation efforts in the 1970's that the Commissioners could consider. Ms. Kubick proposed to outline a possible program based on the Commissioners' input and seek the Commissioners' approval for the Wastewater Capital Program and going forward with hiring a program manager for what was envisioned as a fifteen year long program to bring the sewer system up to date. Ms. Kubick then presented a detailed overview of each element in the system's operations and discussed the major facilities.

In response to questions by Commissioner Torres concerning climate change related issues, Ms. Kubick discussed the implications of sea level rise as well as related salt water incursions into the system noting this was already occuring 7 or 8 times each year and could realistically be expected to continue to occur as climate changes became more manifested. Ms. Kubick then discussed the

challenges facing the collection system and in particular the vulnerabilities facing each of the three in-city treatment plants, Southeast, Northpoint, and Oceanside, as well as the special situation regarding replacing the Treasure Island Treatment Plant. Ms. Kubick next discussed plans to modify and adapt the existing system to maximize their ability to withstand seismic impacts as well as address the results of climate change with more frequent and intense storm patterns as well as sea level rise.

In response to questions by Commissioner Caen, Ms. Kubick explained how citing particularly concerning pumps and Bayside facilities was critically important to meet the level of service goals as well as the ability to return to service within 72 hours of a major earthquake. Additionally, Ms. Kubick noted the importance of building for a 100 year lifecycle with both efficiency, and economic and environmental sustainability, as well as eventually achieving complete reuse of all by products. Ms. Kubick pointed out this program specifically did not include things like a cross-town tunnel or relocation of the Southeast facility, rebuilding the outfalls and possible future new requirements for nutrient removal.

Next, Ms. Kubick discussed in detail the specific identified needs of each of the facilities and the related financing costs. Ms. Kubick then outlined steps needed to address the Southeast Plant, pointing in particular to the digester replacement and the many other needs at this projected \$730 million project. Ms. Kubick outlined the needs at Oceanside, especially related to grit removal, and the Northpoint Plant. Ms. Kubick pointed out that odor control was also an issue at Northpoint. Next, Ms. Kubick reported on the need for a new Treasure Island Treatment Plan. Ms. Kubick next outlined the need to renovate outfalls.

In response to questions by Commissioner Torres, Chief Financial Officer Todd Rydstrom discussed the likely impact of the Governor's proposed elimination of Redevelopment Agencies, an expected profile for Treasure Island customers, and the likely ratepayer impacts going forward over the next 30 to 40 years related to some of these proposals. Vice President Moran called attention to the essential importance of meeting the heavy obligations of likely permit exposure at Treasure Island.

Ms. Kubick then addressed flooding related issues noting a likely price tag if everything potential could be done as up to \$6.9 billion. Ms. Kubick then broke out the various options that could be employed to address flood risk issues in each of the city's vulnerable areas like the Upper Cayuga area, Islais Creek, in the Mission using a mix of resources including using low impact develop (LID).

Next, Ms. Kubick outlined the elements of the 10 years of the Interim Capital Improvement Program, viewed as the first segment of the thirty year overall program. Ms. Kubick noted that there were things needed that would have to be put off and outlined several scenarios for the Commissioners to consider. Ms. Kubick noted that the total program was likely to come to \$8.4 billion if everything

identified was done. Ms. Kubick then discussed the Interim Capital Improvement Program, and the specific projected cost numbers included in response to Commissioner Caen's request for a presentation of what could be done if rates were kept to single digits or under 10%. In response to questions by Vice President Moran, Ms. Kubick then discussed the \$450 million proposed construction management contract which staff intended to address a wide array of critical program needs. Ms. Kubick next discussed staff's rationale for the conflict of interest issues that underlay the model for the proposed construction management contract. In response to questions by Commissioner Caen regarding how this contract had benefited from the challenging conflicts of interests experience gained by the WISP, Mr. Kelly recounted the complex and lengthy issues that had been experienced during the WSIP that lead to a desire to have one lead from the beginning who clearly understood this was all of the Program that they would be permitted to do. Commissioner Caen underscored how important this was given the sometimes frustrating difficulties the Commissioners had faced regarding conflict of interest during WSIP.

Ms. Kubick next outlined in each area of need what each of the proposed program levels would and would not cover. In response to questions by Vice President Moran, Ms. Kubick agreed that each of these plans addressed setting a series of priorities within the limitations set by costs. Ms. Kubick agreed with Vice President Moran's observation that projects and specific identified needs left out of these proposal still needed to be done and how this might be accomplished was as yet unanswered. Vice President Moran noted that the proposed \$8.5 billion in identified needs actually represented work that had to be done. Vice President Moran also noted that we were at the beginning of a long process as the experience with the WSIP had demonstrated. Mr. Harrington noted that the priorities were those identified by staff and that it was expected that these would evolve and change would over the course of ongoing analysis and Commission discussion and as additional expertise identified alternative ways to achieve these goals.

In response to a follow up question by Commissioner Caen, Ms. Kubick and Mr. Harrington explained the choices resulting from limiting any related rate increases in sewer rates to 9%. Vice President Moran pointed out that it was also important to keep in mind this was just the sewer portion of the average bill that was being discussed.

Ms. Kubick next outlined the likely costs of the Channel Tunnel and improved pump stations and outfalls. Ms. Kubick discussed each of the levels of LID improvements, noting that our use of low impact design (LID) was still at an early state where each of these m types needed to be studies and modeled as to how effectively they served to address the identified needs. Next, Ms. Kubick addressed backflow prevention and odor control under each proposal. Ms. Kubick then discussed proposal lie downspout disconnection programs.

Ms. Kubick then wrapped up with a focus on what was proposed for the first two years showing what was already approved and what more that would be needed to address the identified projects in each area of concern in the next two years for treatment, collection system, and then low impact design. In response to questions by Commissioner Torres and Commissioner Caen, Mr. Moala discussed the already ongoing odor control efforts, and Mr. Harrington described the variety of projects that were being funded in the current budget. Mr. Harrington called Commissioner Torres attention to the section of the chart that showed these expenditures. Commissioner Torres noted that it was important to let the community know this work was ongoing. Prompted by Ms. Jackson, Ms. Kubick reported on a number of ongoing efforts in the Southeast to address this issue. Ms Kubick then outlined the proposed planning and design costs. Ms. Kubick pointed out that escalation and delay were our enemies noting that were we to try to build some already existing facilities today their costs would be astronomic. Ms Kubick then discussed what each of the proposed costs levels would buy.

Chief Financial Manager and Assistant General Manager Todd Rydstrom then discussed the rates implications for the average bills taking into consideration the affordability index. In response to a question by Commissioner Torres, Mr. Rydstrom confirmed the average monthly water bill was \$32 and the average sewer bill \$51. In answer to a question by Vice President Moran, Mr. Rydstrom noted this didn't include the cost of deferred maintenance.

Next in response to questions by Commissioner Torres, Mr. Rydstrom discussed the reasonable long-term outlook for borrowing. Mr. Rydstrom then showed where they likely wastewater rates would fall within the federal affordability index noting each seemed at or below this line. In response to a question by Vice President Moran, Mr. Rydstrom noted that these figures also did not include the deferred maintenance costs. Mr. Rydstrom next noted that our likely combined total average bill fell within the affordability index under each of the proposed options. Mr. Rydstrom showed how this contrasted with the projected likely average household electric bill and with expected inflation. Mr. Rydstrom noted that the decision today was how to choose which option that seemed best to meet these needs.

In response to follow up questions by Commissioner Torres, Mr. Rydstrom outlined each of the likely average impact of each of the proposed scenarios and explained the safeguards built in each of the regular budget and financial updates presented to the Commission every year in order to make any needed adjustments to remain on track. Mr. Harrington also noted expected increases in operating costs were also included in these calculations. Vice President Moran noted we were still very early in this process and that many changes would occur as new information. Commissioner Torres also noted the likely impact of state and federal actions in response to the current economic crisis would impact us. In answer to questions by Commissioner Torres, Ms. Kubick reported the

timeline for the Request for Qualifications for the Program Manager by the end of February or beginning of March. Ms. Kubick then outlined the next steps and Mr. Kelly explained the careful process being used to make the right choice. Mr. Harrington noted that a key direction gained already through this discussion was that the Commissioners were impatient to get this long delayed program underway.

### **Public Comment**

Ms. Espanola Jackson Bayview Hunters Point noted that it was time for this program to get underway that it had already taken 15 years just to get to this point and now was the time to get the work going.

Mr. Larry Wong, Local 21, reported that staff had been meeting with the union and that the union currently conditionally supported issuing the Request for Proposals. Mr. Wong discussed issues of interest to the union that remained to be clarified within the construction management area suggesting most of this work could be done by existing staff without any need to bring on outside consultants. Mr. Wong pointed out that the current CM staff had gained invaluable experience during WSIP that should not be lost.

In response to Mr. Wong's observations, Mr. Kelly noted that it was clear that outside expertise was only being sought in areas where we found there were questions regarding sufficient in-house expertise, and that if it was not needed, they would not be used.

12. Public Hearing to consider **adoption** of the Wastewater Enterprise 10-year Capital Plan, with the corresponding update to the 10-Year Financial Plan for the Wastewater Enterprise.

Mr. Harrington noted that as had been discussed the focus of this proposed plan was on what was needed in the first two years and that as the program went forward it was expected that additional decisions would need to be made. Mr. Harrington reported that staff continued to recommend the proposed reorganization of the Real Estate Service Division. In answer to questions by Commissioner Torres and Commissioner Courtney, Mr. Harrington reported holding preliminary discussions with the union's involved. Commissioner Courtney noted that he had discussed this question with the Mayor and labor representatives. Commissioner Courtney explained that he now felt clear that his concerns that the appropriate steps had all been taken and was now prepared to move this item understanding that negotiations would continue as the budget process went forward.

Moved by Commissioner Caen, seconded by Commissioner Courtney, to adopt the following resolution; passed (4-0 Moran, Caen, Torres and Courtney) unanimously. **Resolution No. 11-0032** 

13. Public Hearing to consider adoption of the proposed budgets for the Bureaus for FY 2011-12 and FY 2012-13.

#### Public Comment

Ms. Sharon Jenkins, IFPTE Local 21 Representative/Organizer, expressed dismay at what she characterized as an overly harsh response to this situation from the SFPUC. Ms. Jenkins reported that the union had responded in writing and had met with Mr. Harrington and Mr. Carlin and suggested that the most of the proposed classification changes were unnecessary. Ms. Jenkins said that the union regarded most of these issues as personnel matters and there was no effort to hold managers accountable and that this reorganization was an inappropriate and extreme way to address these kinds of issues. Ms. Jenkins then noted professional qualifications and exemplary performance evaluations of many of the current real estate staff pointing out that they had been required to follow the directions provided by their senior managers. Ms. Jenkins reported that the union suggested addition of an 1823 classification and any other needed support staff instead. Ms Jenkins asked that the Commissioner not approve the proposed budget unless this question was resolved.

In response to questions by Commissioner Courtney, Ms. Jenkins explained their rationale for proposing an alternative reorganization for real estate instead. Additionally, Commissioner Courtney asked Ms Jenkins to clarify what her reference to management deficiency referred to. Commissioner Courtney explained that his position was that the ball was now in the union's court for them to effectively present their case as the broader budget process moved forward, understanding that all of the required procedural processes to this point had taken place as identified in Page 3 of the union's memo. Commissioner Courtney noted that meet and confer properly occurred when these action have occurred but that as this was just a proposal such was premature. Ms. Jenkins said that the union preferred that this be addressed through the discipline processes, and that it was the union's position that should the Commission move this forward, they were making a personnel decision. Commissioner Courtney noted he understood her position but that there were yet many opportunities during the meet and confer process. Vice President Moran noted that an important issue in this proposed budget was to shift where Real Estate Services fit within the organization and that the classification questions would normally be addressed in the ongoing process.

Mr. Peter Saltzman, Leonard Card Law Firm (on behalf of Local 21), expressed a hope that the Commissioners would instruct staff to move forward to address

these matter with dispatch given the press of going budget approval process. Mr. Saltzman noted that the union strongly disagreed that the appropriate procedural steps had been met and that there was a question concerning if any disciplinary processes had been undertaken as required. Mr. Saltzman emphasized that the union wanted to focus attention that department optimize the abilities of their existing staff before making any radical steps to alter their situation and expressed hope that the meet and confer process would go forward.

Ms. Judy West, Citizen's Advisory Committee Secretary, noted she was unsure of its relation to this topic but expressed concern with a plan for the disposition of SFPUC property at 17<sup>th</sup> and Folsom for use as affordable housing and a park which she thought inappropriate at this location which was currently used a parking location for local businesses.

### Commission Discussion

Vice President Moran noted that what essentially was before the Commission was a budget decision related to the organization of the agency and this was well within the Commissioners purview and given the extensive discussion so far he felt it appropriate to move this process forward.

Commissioner Courtney asked that the record reflect that the Commissioners encouraged staff to move forward expeditiously to address these issues.

Moved by Vice President Moran, seconded by Commissioner Caen, to adopt the following resolution; passed (4-0 Moran, Caen, Torres and Courtney) unanimously. Resolution No. 11-0033

### **REGULAR BUSINESS**

14. Discussion and possible action to authorize the General Manager of the San Francisco Public Utilities Commission (SFPUC) to execute Amendment No. 1 to the 1995 Agreement with the Golden Gate Primitive Baptist Church (GGPBC) in Alameda County, increasing the \$10,000 lump sum payment amount authorized in section 7 of the Agreement by \$26,440 for a not-toexceed amount of \$36,440 to provide an alternative water supply to GGPBC.

Moved by Commissioner Caen, seconded by Commissioner Torres, to adopt the following resolution; passed (4-0 Moran, Caen, Torres and Courtney) unanimously. **Resolution No. 11-0034** 

There was no public comment.

## **CLOSED SESSION**

As there was nothing to discuss Vice President Moran took the Closed Session items off calendar and moved next to Agenda item #20.

- 15. Public comments on matters to be discussed in Closed Session.
- 16. Motion on whether to assert the attorney-client privilege regarding the matters listed below as Conference with Legal Counsel.

THE PUBLIC UTILITIES COMMISSION WILL GO INTO CLOSED SESSION TO DISCUSS THE FOLLOWING ITEMS:

17. Threat to Public Services or Facilities – Pursuant to California Government Code Section 54957 and San Francisco Administrative Code Section 67.10(a). (Ambrose)

Consultation with: Agency Chief of Security concerning security of S.F.P.U.C. Water and Power Systems.

FOLLOWING THE CLOSED SESSION, THE PUBLIC UTILITIES COMMISSION WILL RECONVENE IN OPEN SESSION.

- 18. Announcement following Closed Session.
- 19. Motion regarding whether to disclose the discussions during Closed Session.
- 20. Other New Business

No new business items were proposed.

Adjournment

Moved by Commissioner Torres, seconded by Commissioner Courtney to adjourn the meeting Passed (4-0 Moran, Caen, Torres and Courtney) unanimously.

The meeting was adjourned at 3:53 P.M.

Michael Housh Commission Secretary