



San Francisco
Water Power Sewer

Services of the San Francisco Public Utilities Commission

SAN FRANCISCO PUBLIC UTILITIES COMMISSION
City and County of San Francisco

London N. Breed

Mayor

Minutes
SPECIAL MEETING
Budget Hearing #1
Thursday, January 9, 2020
9:00 A.M.
(Approved January 28, 2020)

NOTE DIFFERENT TIME AND LOCATION

525 Golden Gate Avenue, Second Floor
O'Shaughnessy Conference Room
San Francisco, CA 94102

Commissioners

Ann Moller Caen, President
Francesca Vietor, Vice President
Anson Moran
Sophie Maxwell
Tim Paulson

Harlan L. Kelly, Jr.

General Manager

Donna Hood

Secretary



For information, contact the Commission Secretary at 415-554-3165
Minutes and other information are available on the SFPUC web site:
www.sfwater.org

ORDER OF BUSINESS

1. Call to Order
Budget Chair Caen called the Special Budget Hearing to order at 9:06 am.
2. Roll Call
Present: Caen, Vietor, Moran, and Maxwell
Absent: Paulson
3. Public Hearing and discussion of the Proposed FY 2020-21 and FY 2021-22 Operating and Capital Budgets, the Proposed FY 2020-21 through FY 2029-30 Capital Plan and the Proposed FY 2020-21 through FY 2029-30 Financial Plan for the San Francisco Public Utilities Commission:

- A. Overview of (1) Proposed FY 2020-21 and FY 2021-22 Operating and Capital Budgets, (2) Proposed FY 2020-21 through FY 2029-30 Capital Plan, and (3) Proposed FY 2020-21 through FY 2029-30 Financial Plan
General Manager (GM) Kelly began with an overview of the budget presentation, including the FY21-FY22 Operating and Capital Budgets, 10-Year Capital Plan, and 10-Year Financial Plan. He noted three budget themes that support the Strategic Plan Goals: People, Resiliency, and being a Utility of the Future, now.

He stated that the SFPUC is a growing, revenue-generating business that provides essential life services and employs a diverse workforce across the region. He noted the budget proposal is guided by the Strategic Plan Goals: Financial Stability, Reliable Service Assets, Organizational Excellence, Effective Workforce, Stakeholder and Community Interest, and Environmental Stewardship.

He reviewed organizational challenges, the need to align and grow the workforce to meet service level needs, and permanent positions needed for core work. He stated that the budget proposal request for budget year one is for 77 total positions (11 for core operations and programs, 27 for new programs and facilities and existing operations, and 39 for capital projects); and the budget proposal request for budget year two is for 48 total positions (14 for core operations and programs, 11 for new programs and facilities and existing operations, and 23 for capital projects).

GM Kelly discussed challenges of Resilience Planning and responses to those challenges. He noted the need for the SFPUC to become a “Utility of the Future, now”, and discussed work needed to achieve.

GM Kelly turned the presentation over to Eric Sandler, Chief Financial Officer (CFO,) who reviewed Commission budget actions and hearing schedule.

CFO Sandler reviewed the SFPUC's FY 2019-20 Total Uses by Enterprise and Total Uses by Budget Category (\$1.4 billion total FY 2019-20 Operating Budget). He went over the FY 2020-21 and FY 2021-22 Operating Budget development, Operating Budget management, and Operating Budget highlights for each Bureau and Enterprise (GM Office/Bureau, Wastewater, Water, Hetchy Water, Hetchy Power, and CleanPowerSF).

CFO Sandler displayed the FY 2019-20 to FY 2021-22 Total Uses, FY 20-21 and FY 21-22 budget changes (proposed 3% FY 2020-21 and proposed 5% FY 2021-22). He provided highlights for operating and project position changes and reviewed proposed authorized position changes for FY 2020-21 and FY 2012-22.

Mr. Sandler discussed Strategic Plan Goal areas and indicated that the Operating Budget and budget proposals are aligned with the Strategic Plan and that there is significant focus on supporting core operations to ensure reliable service and assets. He continued by discussing the FY 2020-21 to FY 2029-30 10-Year Capital Plan development, which includes a comprehensive forecast of capital investment and new project quality review process.

He continued with a reviewed of the FY 2020-21 to FY 2029-30 10-Year Capital Plan (total \$9.0 billion; 4% change overall); FY 2020-21 to FY 2029-30 10-Year Capital Budget (-30% change overall); and the SFPUC Capital Program.

CFO Sandler reviewed the FY 2020-21 to FY 2029-30 10-Year Capital Plan development and key assumptions (projected sales volumes and projected expenses); Water, Wastewater, and Power historical and projected sales volumes; and 10-Year Financial Plans rate projections (Water, Wastewater, and Power rate changes).

Public Comment

- Francisco DaCosta asked about “customers”, “standards instead of resiliency” and “vision” that is viable and sustainable. He asked what would happen if the system is hacked. He noted the need for attention to the institutional experience of workers.*
- Peter Drekmeier, Tuolumne River Trust, noted the October 22, 2019 meeting and discussion regarding 265 MGD. He noted that BAWSCA is revising demand projections. He discussed discrepancy in demand and the need to pay attention to financial staff.*

- B. Proposed General Manager (GM) and Bureau Operating Budgets for FY 2020-2021 and FY 2021-22**
- i. General Manager/Real Estate Planning/Emergency Security and Planning**

Michael Carlin, Deputy General Manager (DGM), presented the GM Office budget which is guided by the SFPUC Strategic Plan Goals. He noted the GM's office ensures core functions are being delivered by permanent employees. He stated that the GM's Office budget request proposes to add three permanent positions to Real Estate and two permanent positions to Emergency Planning and Security. He noted the work that would be completed by the addition of these positions. He reviewed budget uses of funds for FY 2020 - FY 2022; total budget request FY 2020-21 (11% change), FY 2021-22 request (2% change), and total full-time authorized position request FY 2020-21 (13% change) and FY 2021-22 (7% change).

Brief discussion ensued on Real Estate Services, the valuation of SFPUC property, and asset planning disposal and acquisition.

General Manager/Human Resources Services (HRS)

Justine Hinderliter, Chief People Officer, presented a high-level HRS organization chart. She reviewed HRS Working Groups: (1) Hiring Functions (exams, hiring operations, and employment lifecycle); (2) Equal Employment Opportunity Programs; (3) Health and Safety; (4) Enterprise Workforce Planning; (5) Employee and Labor Relations and Return to Work Programs; (6) Learning and Development; and (7) Payroll. She discussed how the Working Groups support the Strategic Plan and reviewed the evolution of human resources (traditional plus modern demand).

Ms. Hinderliter noted external hiring function challenges (regulation and market conditions) and internal challenges (demand and pace increases, and that current hiring cannot meet basic demand). She discussed the "Silver Tsunami" and reviewed the percentage of employees currently eligible to retire compared to the percentage of employees eligible to retire in the next five years. She continued by noting that current hiring staff cannot meet basic demand (hiring accomplished vs hiring demanded).

She reviewed hiring efficiencies and improvements and noted the staff needed to meet the basic needs of the hiring functions (exams, hiring operations, and employment lifecycle). She discussed resiliency regarding workforce protection challenges (lack of staff to complete required work) in Equal Opportunity Programs, and Health and Safety.

She reviewed budget uses of funds FY 2020 - FY 2022; total budget request FY 2020-21 (10% change), FY 2021-22 request (9% change), and total Full-Time authorized position request FY 2020-21 (13% change) and FY 2021-22 (11% change).

Discussion ensued on the need for diversity in the workplace, hiring outreach to underrepresented communities, Implicit Bias, and why the hiring process takes so long.

Public Comment

- *Francisco DaCosta stated SFPUC history is missing in the discussion. He noted past hiring practices and the lengthy timeline for filling positions.*

The Commission took a break at 11:17 am and reconvened at 11:34 am.

ii. Infrastructure

Kathy How, AGM Infrastructure, started with a review of the Infrastructure Division's Mission, Roles and Responsibilities. She indicated their budget proposal guided is by the SFPUC Strategic Plan. She reviewed the Infrastructure Division's organizational chart, introduced project managers, and outlined the Infrastructure Division's Project Team Matrix.

AGM How reviewed the Division's direct versus indirect staff charges. She continued with a review of overhead (indirect costs related to performing direct labor services on projects). She indicated overhead expenditures are recovered as a multiplier to direct labor hours charged to the SFPUC Capital Programs and Projects.

AGM How reviewed specific overhead components (direct and indirect labor, paid time off, mandatory fringe benefits, operating expenses, and work orders). She presented the formula used to calculate the overhead rate and formula to calculate the multiplier for projects. She showed a multiplier comparison for FY 18-19 for the SFPUC, Public Works, Airport and private. AGM How presented a chart showing the Infrastructure Division's workload for 2019, and reviewed Capital Improvement Programs.

She reviewed budget uses of funds FY 2020 - FY 2022; total budget FY 2020-21 request (4% change), FY 2021-22 (4% change), and total Full-Time authorized position request FY 2020-21 (-1% change). AGM How discussed reassignment of current positions.

Discussion ensued in response to a question from Commission Maxwell as to what a "Utility of the Future" looks like.

Public Comment

- *Francisco DaCosta noted that Commissioner Paulson was missing and he deals with workforce issues. He discussed the adverse impacts of the Southeast Facility on the community.*

iii. Business Services

Eric Sandler, CFO and AGM Business Services, reviewed functions of the Business Service Bureau: Customer Service, Financial Services, Information Technology Services (ITS), and Strategy, Innovation and Change. He presented the organizational chart and introduced divisional managers. He indicated that Business Services advances the SFPUC Strategic Plan. He reviewed Business Service's vision of impeccable stewardship, excellent service, financial sustainability, and culture of excellence.

CFO Sandler discussed Business Services efficiencies and risk management, and challenges including meeting the demands of increasingly complex agency and developing a team to meet those demands.

He emphasized the three budget themes of People, Resiliency, and Utility of the Future, now. He reviewed the new budget proposal request by bureau: IT equipment and 2 FTE, Customer Service 3 FTE, and Financial Services 2 FTE.

He reviewed budget uses of funds FY 2020 - FY 2022; total budget request FY 2020-21 (8% change), FY 2021-22 request (4% change), and total Full-Time authorized position request FY 2020-21 (2% change) and FY 2021-22 (1% change).

Public Comment

- *Francisco DaCosta stated the Raker Act needs to be read and that attention must be paid to Climate Change for the importance of water resources. He stated potable water shouldn't be used for flushing, and that leeching water due to old infrastructure must be monitored.*

iv. External Affairs (EA)

Juliet Ellis, AGM External Affairs, reviewed EA's service functions: Policy and Government Affairs, Community Benefits and Environmental Justice, Media Relations and Communications, and Strategic Initiatives. She presented the organizational chart and introduced divisional managers. She noted External Affairs' budget theme of focusing on People and the Utility of the Future, now. She stated that their budget proposal request includes institutionalizing core operations, evolving the function of external affairs, and new facilities (College Hill Learning Garden Staff).

AGM Ellis reviewed budget uses of funds FY 2020 - FY 2022; total budget request FY 2020-21 (10% change), FY 2021-22 request (5% change), and total Full-Time authorized position request FY 2020-21 (23% change) and FY 2021-22 (9% change).

Brief discussion ensued in response to Commissioner Moran's questions as to how to build public support for the Sewer System

Improvement Program, how best to inform the public about the SSIP, and at what point does public get tired of rate increases.

No public comment.

AGM Sandler noted that budget staff is recording Commissioner's questions and that responses to questions will be provided.

4. Motion to continue the meeting to a Special Meeting noticed for Thursday, January 16, 2020.
On Motion to continue the meeting to a Special Meeting noticed for Thursday January 16, 2020:
Ayes: Caen, Vietor, Moran, and Maxwell

Meeting continued at 1:15 pm.