SAN FRANCISCO PUBLIC UTILITIES COMMISSION
City and County of San Francisco

Mark Farrell
Mayor

Minutes

SPECIAL MEETING
Budget Hearing #3
Thursday, February 1, 2018
(Approved February 1, 2018)

NOTE DIFFERENT TIME AND LOCATION

9:00 A.M.
525 Golden Gate Avenue, Second Floor
O’Shaughnessy Conference Rooms A, B, and C
San Francisco, CA 94102

Commissioners
Ike Kwon, President
Vince Courtney, Vice President
Ann Moller Caen
Anson Moran
Francesca Vietor

Harlan L. Kelly, Jr.
General Manager

Donna Hood
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 Caen, Budget Hearing Chair, called the meeting to order at 9:06 AM.

2. Roll Call
Present: Caen, Kwon, and Moran
Excused: Courtney

3. Summary of Budget Hearing Questions
Eric Sandler, CFO and Assistant General Manager (AGM) Business Services, presented an updated summary of questions posed by the Commission at the January 18 and 25, 2018 special budget hearings and associated responses. He noted the inclusion of the Technology Policy update.


CFO Sandler recapped the first two budget hearings and noted follow-up meetings as requested have occurred or have been scheduled.

Commissioner Vietor arrived at 9:10 AM.

A. Bureaus and Infrastructure Operating Budget
   i. General Manager (GM)
      Michael Carlin, Deputy General Manager (DGM), presented the GM budget:
      (1) Consolidated uses of funds for FY 2018, FY2019 and FY 2020; (2) Consolidated budget; and (3) Consolidated full-time authorized positions.

      DGM Carlin introduced Cindy Charan, Director, Human Resources Services (HRS), who presented the HRS budget:

      **Human Resources Services**: Director Charan began with a review of the HRS Organizational chart, introduced key staff, and presented on the following:

      **Core Functions**: (1) Attract and engage; (2) On-and-off board employees; (3) Cultivate a skilled and talented workforce; (4) Provide technical management guidance; (5) Prevent workplace illness/injury; (6) Process bi-weekly payroll; and (7) Perform workforce analysis.

      **Accomplishments**: (1) Two-year look-back (assessment, determination, and accomplishments); (2) Successful implementation of 2016 Red Carpet Onboarding pilot; (3) Key staffing hires; (4) Integration of Workforce Planning into HRS; and (5) Workforce development efforts.
**Biennial Budget Priorities:** (1) Building an effective workforce; (2) Modernizing HRS; and (3) Strengthening Business Partner model.

**Challenges:** (1) Inadequate metrics to provide big picture; (2) Antiquated processes; and (3) Maintain SFPUC relevance and competitiveness.

She discussed HRS strategic initiatives that are underway and summarized key budget requests: (1) Efficiency and technology; (2) EWP Consulting, and (3) Health and safety support.

**Operating Budget:** (1) Uses of funds FY 2018, 2019 and FY 2020; (2) Total budget; and (3) Total full-time authorized positions.

Ms. Charan responded to a question from President Kwon regarding succession planning for the pending retirement wave.

Commissioner Vietor thanked Ms. Charan for HRS efforts to ensure greater technological efficiencies. She asked that additional efficiencies be sought to achieve greater savings and asked to hear about those at some point.

Chair Caen commended Ms. Charan and her team for their work.

**Emergency Planning and Security (EPS):** Director Mary Ellen Carroll began with a review of the EPS organizational chart and presented on the following:

**Core Functions:** (1) Emergency plan creation and revisions; (2) Trainings and exercises; (3) Incident response; (4) Security System administration; (5) Vulnerability and risk assessment; and (6) Regulatory compliance.

**Performance Metrics:** (1) Held 12 trainings and exercises; (2) Responded to or supported seven activations of the Incident Command Center (ICS); and (3) Tracked and responded to 97 security-related incidents.

**Accomplishments:** (1) Activated ICS for Mountain Tunnel Shutdown; (2) Revised SFPUC Continuity of Operations Plan; (3) Implemented security system improvements at Wastewater Enterprise (WWE) facilities; (4) Created SFPUC Drone Use Policy; (5) Participated in first successful NERC/WECC audit at HHWP; and (6) Implemented turnstile program at 525 Golden Gate.

**Biennial Budget Priorities:** (1) Update, implement, and exercise emergency plans; (2) Increase emergency response training for field staff; (3) Maintain SFPUC security system and infrastructure; (4) Establish security baseline Level of Service (LOS); (5) Effectively manage contractor assistance to SFPUC facilities; and (6) Support field logistics and construction design for Sewer System Improvement Program (SSIP).
Challenges: (1) Resource availability for emergency planning trainings and exercise execution; (2) WWE security system management, maintenance and improvement; (3) Homeless encampments and increased law enforcement related activities at SFPUC property; (4) FSP execution of contracts for security integrators; (5) WECC/NERC compliance requirements for HHWP security regulations; and (6) Resource availability for implementation of new security systems throughout the Water and Wastewater Enterprises.

Ms. Carroll responded to questions from Chair Caen on how the SFPUC interacts with Urban Areas Security Initiative, and regarding security measures at Moccasin and Hetch Hetchy.

CFO Sandler and Ms. Carroll responded to a question from President Kwon regarding risk management.

Real Estate Services (RES): Assistant Director Tony Bardo began with a review of the RES organizational chart and presented on the following:

Core Functions: (1) Maximize revenues; (2) Serve SFPUC Enterprises; and (3) Safeguard SFUC assets.

Performance Metrics: (1) Generated approximately $13M in real estate lease and license revenue; and (2) Negotiated over 63 new agreements.

Accomplishments: (1) Generated $9,845,000 in proceeds from the sale of underutilized Water Enterprise property; and (2) Completed the $9,100,000 purchase of the Rollins Road property.

Biennial Budget Priorities: (1) Maximize revenues through reassessment of SFPUC real estate fee structure to meet industry standards and recover the cost of SFPUC staff time; (2) Increase efficiency through evaluation and revising policies to streamline review and approval of new proposals and make use of limited resources; (3) Serve enterprise and capital programs; and (4) Implement workforce succession planning.

Challenges: (1) Increased volume and complexity of third-party proposals for use of SFPUC pipeline right-of-way property outside of San Francisco; (2) Increased development activity near SFPUC property has increased unauthorized encroachments on SFPUC property; (3) Increases in property value has caused deep resistance by SFPUC tenants against paying fair market rates, causing longer lease negotiations; and; (4) Limited staff resources impede the ability to update existing expired and below market agreements.
Mr. Bardo responded to a question from Commissioner Vietor regarding the core function and a budget priority of maximizing revenues, versus generating revenue.

Mr. Bardo responded to a question from Commissioner Vietor regarding underutilized property. GM Kelly provided additional response. Brief discussion ensued.

Public Comment
- Mr. David Pilpel provided thoughts on the HRS presentation. He stated he understands the need for upgrade in systems but is not sold on the technology. He discussed types of risks that need to be addressed; workforce development; and the need to manage issues.

The Commissioner recessed at 10:27 AM and at 10:38 AM.

ii. Business Services: CFO Sandler reviewed: (1) Mission and Vision; (2) Functional areas (Customer Service; Financial Services; Fleet Management; Information Technology (IT) Services and Internal Controls; and (3) Organizational chart. Members of the management team (Marge Vizcarra, Ken Salmon, Nancy Hom, and Charles Perl) introduced themselves and summarized their functions. He presented on the following:

Performance Targets in the areas of: (1) Customer Service; (2) IT Systems; (3) Financial Services; and (4) Assurance and Internal Controls (AIC).

Accomplishments – Customer Service: (1) Billed and collected over $855 in revenues; (2) Responded to over 127K customer calls; (3) Implemented fractional billing; (4) Implemented and upgraded key technology; (5) Continued employee development; and 6) Supported key SFPUC projects and programs.

Priorities – Customer Service: (1) Meet critical service level targets; (2) Continued employee development; (3) Meet needs of growing power customer base; and (4) Support key SFPUC projects and programs.

Ms. Vizcarra responded to a question from President Kwon as to whether there is utilization of “live chat” for the Power Enterprise (CleanPowerSF).

Accomplishments – IT: (1) Achieved high customer satisfaction (93%); (2) Supported and maintained extensive system inventory; (3) Enhanced IT security; (4) Focused on disaster recovery and business continuity; and (5) Deployed valuable new solutions to customers.

Priorities - IT: (1) Continue to meet critical service levels; (2) Focus on information security and continuity of operations; (3) Allocate resources to
deliver more value to the organization; (4) Effective deployment of critical new systems/upgrades; and (5) Maximo enhancements.

Accomplishments – Financial Services: (1) Achieve engagement in citywide financial system replacement; (2) Clean annual financial audits for all three enterprises; (3) Managed high level of capital financing activities; (4) Managed high level of rate and budget activities; and (5) Managed and staffed oversight activities.

Priorities – Financial Services: (1) Ensure continuity of accounting operations and financial reporting with transition to PeopleSoft financials; (2) Manage and execute capital financing activities; (3) Manage rate and charge activities; and (4) Support CleanPowerSF citywide rollout.

Accomplishments – AIC: (1) Managed all SFPUC activities for Financial System (F$P) Replacement Project; (2) Managed and facilitated extensive Annual Audit Plan; (3) Recovered additional $1.7M in Rim Fire property insurance reimbursement; (4) Enterprise Risk Management implementations for Power Enterprise and Managed high level of rate and budget activities; and (5) CleanPowerSF.

Priorities – AIC: (1) Manage SFPUC efforts in the citywide F$P Project; (2) Additional resources for IT address increased software licensing cost and Maximo/asset management; and (3) Additional resources for financial advisory services.

CFO Sandler provided a summary of the FY 2019 and FY 2020 budget request, and reviewed: (1) Uses of Funds (FY 2018, FY 2019 and FY2020); (2) Total Budget (FY 2018, FY 2019 and FY2020); and (3) Total authorized full-time positions.

Commissioner Vietor expressed appreciation for Business Services work and for efforts toward clean energy financing programs.

CFO Sandler responded to a question from Chair Caen regarding position reassignments.

Chair Caen commented on bonding efforts and congratulated CFO Sandler. She also indicated that SFPUC customer service staff is excellent and very responsive.

Public Comment
- David Pilpel congratulated customer service for their excellent work. He requested that field staff visit customers on a periodic basis to provide information regarding available services. He discussed IT procurement, security, and citywide relationships.
External Affairs (EA): Juliet Ellis, AGM External Affairs, began with a review of the EA’s Mission and Core Values (collaboration, leadership and innovation, accountability, and impact). She discussed the reach of EA functions throughout the SFPUC system and provided highlights of certain outreach efforts, and reviewed:

Core Business Lines: (1) Policy and Government Affairs (PGA); (2) Community Benefits; (3) Communications; and (4) Strategic Initiatives. She reviewed EA’s organizational chart and outlined the following:

Performance Metrics: (1) PGA (took action on 30 State bills and protected SFPUC’s interests; and 73 legislation items approved by the Board of Supervisors and Mayor); (2) Community Benefits (1,475 Workforce Development Program Participants; and 500 unique eco-literacy lessons taught to 6,900 students); (3) Communications (1,500 drains adopted via “Adopt a Drain” campaign; and 4,000 media mentions); and (4) Strategic Initiatives (47 sustainability metrics reported to the Controller).

Accomplishments – PGA: (1) SB 649 vetoed by Governor; (2) CCA legislative strategy and coalition building; (3) WALA and Federal Water Workforce Grant Program; and (4) SSIP legislation and biosolids.

Accomplishments – Community Benefits: (1) Hummingbird Garden opened; (2) Jewish Vocational Services/Baywork report; (3) Story of Poo; and (4) Biodigesters Environmental Justice analysis.

President Kwon commented on the collaboration with the California Academy of Sciences on the “Story of Poo”. Commissioner Vietor provided additional comments on the success of EA’s educational efforts.

Accomplishments – Communications: (1) Adopt a Drain; (2) Annual financial reporting; (3) CleanPowerSF; and (4) One Water documentary.

AGM Ellis reviewed: (1) Earned media; (2) Strategic initiatives accomplishments (Strategic Plan implementation and Golden Pride awards); and (3) FY 2019 and FY2020 priorities for PGA, Community Benefits, Communications, and Strategic Initiatives.

AGM Ellis touched on challenges and continued with a review of the operating budget request: (1) Budget request summary; (2) Use of Funds (FY 2018, FY 2019, and FY 2020); (3) Total Budget (FY 2018, FY 2019 and FY2020); and (4) Total authorized full-time positions.
Commissioner Vietor asked that a qualitative aspect be added to the educational efforts. She discussed the challenges to reach staff not located at the SFPC headquarters.

Chair Caen requested that renderings the Arts Master Plan be presented to the Commission prior to any decisions. She congratulated AGM Ellis on the scope of work of and services of EA.

Public Comment:
• David Pilpel noted there has large numbers of staff turnover in the past few years and expressed concern with the ability to retain staff in legislative affairs and communications.

The Commission recessed for lunch at 12:17 PM and reconvened at 12:25 PM.

iii. Infrastructure: Kathy How, AGM Infrastructure, began with a discussion of Infrastructure’s Mission, and roles and responsibilities. She outlined the 10-year capital and two-year budget approval process for on-going capital work; discussed the organizational chart; and introduced management staff. She covered direct vs. indirect staff charges; current workload; and workload comparison.

She reviewed the Capital Improvement Project (CIP) cost, duration, start and end date, and completion status, and offered a staffing plan. She indicated for the WSIP there are 87 projects in seven counties; $4.8B; with completion August 2021.

WSIP Accomplishments: (1) Over 95% completion; (2) Completed 96% shutdowns with no loss of water service; (3) Achieved 93% LOS goals; Created jobs and provided jobs training; (4) Exemplary safety record; and (5) No outstanding litigation. She noted the Calaveras Dam Replacement and the Regional Groundwater Storage and Recovery Projects.

WSIP Priorities: (1) Completed construction (Calaveras Dam Replacement; Regional Groundwater Storage and Recovery; Alameda Creek Fish Passage Facilities; Bioregional Habitat Restoration; and JOC closeout projects); and (2) Complete environmental approval process for the Alameda Creek Recapture Project.

Hetchy Capital Accomplishments: (1) Seven of 22 Hetchy CIP completed; (2) Successful Mountain Tunnel shutdown; and (3) Continued Rim Fire cost reimbursement efforts with insurance, FEMA, and Cal OES. She noted the Mountain Tunnel Access Improvement and interim repairs.
**Hetchy Capital Priorities:** (1) Implement HHWP’s priorities for improvements to existing infrastructure and assets including: Mountain Tunnel interim repair; Cherry Dam Outlet works rehabilitation; O’Shaughnessy Dam Outlet work; San Joaquin Pipeline (SJPL) rehabilitation; SJPL valve and safe entry improvement; and Priest and Moccasin water transmission line.

**Water Capital Accomplishments:** (1) Nine of 34 Water CIP completed; (2) Completed construction of four San Francisco ground wells; (3) Completed water storage tanks in the Town of Sunol; (4) Awarded second construction contract for Westside Recycled Water (WRW); (5) Approval of the State Revolving Fund for WRW; (6) 80% construction completion of Peninsula Pipeline Seismic Upgrade Phase III; and (7) Steady progress on construction of the Sunol Long Term Improvements. She noted the Westside Well Station and Water Storage Tanks in the Town of Sunol.

**Water Capital Priorities:** (1) Completion of construction of Sunol Yard Improvements and Peninsula Pipeline Seismic Upgrade Phase III; (2) Advertise for third construction contract for Westside Recycled Water; and (3) Improvements at the Sunol Valley Water Treatment Plant to manage taste and odor issues and disinfection by products (short and long-term).

**AWSS Accomplishments:** Started in 2011. Completed 16 projects including: Candlestick Point Pipeline; Jones Street Valves Pipeline; Cisterns A, B, C, D, and E; Ashbury Heights Tank; Twin Peaks Reservoir; Jones Street Valves; and Pipeline repairs. She noted the Pump Station #1 new pump engine and the Laguna Hospital Cistern.

**AWSS Priorities:** (1) Complete construction of Cistern F and Pump Station HQ building; (2) Start construction of Pump Station 2; (3) Complete design of several pipeline projects; and (4) Bid/award 19th Avenue AWSS pipeline and street valves motorization projects.

**AGM How reviewed SSIP Phase I projects; Cost summary; project locations; accomplishments; and major Southeast Plant (SEP) projects.**

**AGM How discussed the SEP Biosolids Digester Facilities budget ($1.2B) and current status and showed renderings. She then reviewed:**

**SSIP Priorities:** (1) SEP New Headworks Replacement Project; (2) Completion of EIR process and design for Biosolids Digester Facilities Project; (3) Complete 35% design for the Central Bayside System Project; and (4) Complete construction of additional green infrastructure projects.

**Bay Corridor Transmission Distribution (BCTD) Accomplishments:** Started in November 2015. As of June 2017 created overall distribution system alignment plan; investigated geotechnical conditions; investigated HDPE duct
bank under ISLAS Creek; awarded design-build contract for new electrical duct bank; and planned electrical duct bank. AGM How described the BCTD area map.

(BCTD) Priorities: (1) Complete design and construction for vaults and duct banks; (2) Bid, award and construct electrical duct bank; and (3) Install conductors and equipment to serve initial BCTD customers.

Infrastructure Division Organizational Priorities: (1) Project Management; (2) Engineering Management; (3) Project Administration; (4) Construction Management; and (5) Program and project controls.

Infrastructure Division Organizational Challenges: (1) Interagency Coordination of In-City projects; and (2) Reconciliation of costs and quarterly reporting.

AGM How reviewed the operating budget request: (1) Total Infrastructure Budget; (2) Use of Funds (FY 2018, FY 2019, and FY 2020); and total authorized full-time positions.

Public Comment:
• David Pilpel commented on the work of the Infrastructure Division and thanked staff for their work.

5. Follow-up discussion from the January 18 and 25, 2018 Budget Hearings
None.

6. Adjournment
Chair Caen adjourned the meeting at 1:05 PM.