File No. 121013

Committee Item No. 5
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee **Date** 10/24/2012

Board of Supervisors Meeting **Date** _____

Cmte	Board	
☐	☐	Motion
☐	☐	Resolution
☐	☐	Ordinance
☐	☐	Legislative Digest
☒	☐	Budget and Legislative Analyst Report
☐	☐	Legislative Analyst Report
☐	☐	Youth Commission Report
☐	☐	Introduction Form (for hearings)
☒	☐	Department/Agency Cover Letter and/or Report
☐	☐	MOU
☐	☐	Grant Information Form
☐	☐	Grant Budget
☐	☐	Subcontract Budget
☐	☐	Contract/Agreement
☐	☐	Form 126 – Ethics Commission
☐	☐	Award Letter
☐	☐	Application
☐	☐	Public Correspondence

OTHER **(Use back side if additional space is needed)**

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Completed by: Victor Young **Date** October 19, 2012
Completed by: Victor Young **Date** _____

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Services of the San Francisco Public Utilities Commission

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October 10, 2012

Subject: Water System Improvement Program (WSIP) Release of Reserves Requests for CUW392 Program Management $34,897,331 and CUW395 Program Reserve $27,356,361

Dear Ms. Calvillo:

I would like to request your assistance to have calendared the release of reserves for WSIP Projects CUW392 Program Management and CUW395 Program Reserve.

The release of reserved funding from Project CUW392 Program Management is now needed as planned to continue WSIP Program management, Program Construction Management and Communications.

I'm also requesting the release of reserved funding of $27,356,361 from Project CUW395 Program Reserve and the reallocation of these funds to Projects CUW373 San Joaquin Pipeline System, CUW384 Tesla Treatment Facility, CUW359 New Irvington Tunnel, CUW382 Habitat Reserve Program to fund Vegetation Restoration of WSIP Construction Sites, and CUW392 Program Management.

Regards,

Harlan L. Kelly, Jr.
General Manager

Attached: Release of Reserve Summary by Project

Edwin M. Lee
Mayor

Anson Moran
President

Art Torres
Vice President

Ann Moller Caen
Commissioner

Francesca Vietor
Commissioner

Vince Courtney
Commissioner

Harlan L. Kelly, Jr.
General Manager

Summary of the WSIP Release of Reserves & Allocation Request

CUW392 Program Management Project	$34,897,331
CUW395 WSIP Program Reserve for:	
San Joaquin Pipeline System:	
1. San Joaquin Pipeline	$12,557,134
3. Tesla Treatment Facility	$2,042,227
New Irvington Tunnel:	
1. New Irvington Tunnel	$6,500,000
2. Alameda Siphon No. 4	$1,600,000
Vegetation Restoration of WSIP Construction Sites	$2,200,000
Program Management	$2,457,000
CUW395 Total	$27,356,361

Items 5 and 6 Files 12-1013 and 12-0985	Department: Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objective

- File 12-1013: Request to (a) release $34,897,331 reserved by the Budget and Finance Committee to fund Public Utilities Commission (PUC) Water System Improvement Program (WSIP) program management services, and (b) reallocate $27,356,361, as previously approved by the Board of Supervisors, from the WSIP Program Reserve to six WSIP projects.
- File 12-0985: Resolution adopting findings under the California Environmental Quality Act (CEQA), including the adoption of a mitigation monitoring and reporting program and a statement of overriding considerations, for the San Antonio Backup Pipeline Project, and directing the Clerk of the Board of Supervisors to notify the Controller of this action.

Key Points

- On April 20, 2010, the Board of Supervisors placed $34,897,331 for WSIP program management services on Budget and Finance Committee reserve, pending the PUC submitting detailed WSIP expenditure plans to the Budget and Finance Committee (File 10-0337).
- On November 21, 2011, the Board of Supervisors approved the creation of a WSIP Program Reserve, with an initial appropriation of $144,459,649 (File 11-1031), to provide funds for any WSIP project that exceeds the June 2011 Revised WSIP project budgets. Funds from the WSIP Program Reserve can only be released after the PUC submits detailed expenditure plans to the Budget and Finance Committee.
- The PUC is now requesting that $27,356,361 be reallocated from the $144,459,649 WSIP Program Reserve to six WSIP projects that have exceeded their previously approved budgets: (1) San Joaquin Pipeline, (2) Tesla Treatment Facility, (3) New Irvington Tunnel, (4) Alameda Siphon No. 4, (5) Vegetation Restoration of WSIP Construction Sites, and (6) WSIP Program Management. Explanations for these specific project requests are included in the Attachment to this report.
- The objectives of the San Antonio Backup Pipeline Project are (a) to provide reliable conveyance capacity for Hetch Hetchy, and (b) to increase operational flexibility and delivery reliability. The final Environmental Impact Report (EIR) for the San Antonio Backup Pipeline Project was certified by the San Francisco Planning Commission on September 20, 2012, and adopted by the PUC Commission on September 25, 2012. The PUC is not requesting additional funding to comply with this EIR.

Fiscal Impacts

- Water Revenue Bond proceeds previously approved by the Board of Supervisors are the source of funds for the $34,897,331 release of reserves and for the $27,356,361 reallocation. These Water Revenue Bonds are repaid from water rate revenues paid by the PUC's water customers.

Recommendations

- Approve the requested release of reserved funds and the reallocation of funds (File 12-1013).
- Approve the proposed resolution (File 12-0985).

MANDATE STATEMENT / BACKGROUND

Mandate Statement

Section 3.3 of the City's Administrative Code provides that the committee of the Board of Supervisors that has jurisdiction over the budget (i.e., Budget and Finance Committee) may place requested expenditures on reserve which are then subject to release by the Budget and Finance Committee.

In accordance with the California Environmental Quality Act (CEQA), any public agency, that makes a discretionary decision to approve a project that has a potential to result in a direct physical change in the environment, must comply with CEQA by having the legislative body adopt specific findings prior to the approval of the project.

Background

The San Francisco Public Utilities Commission (PUC)'s Water System Improvement Program (WSIP) consists of 86 projects organized into 11 project regions to repair, replace, and seismically upgrade the Hetch Hetchy water system's aging pipelines, tunnels, pumps, tanks, reservoirs and dams. PUC commenced the WSIP in FY 2002-2003 and is scheduled to complete all projects by the end of July 2016. The approved WSIP project budget is $4,113,856,261. WSIP is funded with PUC Water Revenue Bonds, which will be repaid from water rate revenues paid by PUC water customers.

On November 21, 2011, the Board of Supervisors approved the creation of a WSIP Program Reserve, with an initial appropriation of $144,459,649 from then-existing WSIP project surpluses (File 11-1031). The purpose of the WSIP Program Reserve is to provide funds for any WSIP project costs that exceed the June 2011 Revised WSIP project budgets. Funds from the WSIP Program Reserve can only be released by the Budget and Finance Committee, after the PUC submits detailed expenditure plans to the Budget and Finance Committee. The current balance in the WSIP Program Reserve is $144,459,649.

The San Antonio Backup Pipeline Project is one of 86 separate capital improvement projects included in WSIP. The objectives of the San Antonio Backup Pipeline Project are (a) to provide reliable conveyance capacity for emergency discharges of Hetch Hetchy water supplies during events that impair water quality or during facility outages, and (b) to increase operational flexibility and delivery reliability during emergencies and planned maintenance. The San Antonio Backup Pipeline Project consists of approximately 1.3 miles of steel pipeline extending from the Alameda Siphons to a quarry near San Antonio Creek. All project components are located in the Sunol Valley, an unincorporated area of Alameda County, on Alameda watershed lands owned by the City and County of San Francisco and managed by the PUC. The project is anticipated to be completed in March 2015. As of April 20, 2010, the Board of Supervisors had appropriated a total of $54,867,000 for the San Antonio Backup Pipeline Project (File 10-0337), which is still the current estimated project cost.

The final Environmental Impact Report (EIR) required under CEQA for the San Antonio Backup Pipeline Project was certified by the San Francisco Planning Commission on September 20, 2012, and adopted by the PUC Commission on September 25, 2012.

DETAILS OF PROPOSED LEGISLATION

File 12-1013

The Public Utilities Commission (PUC) is requesting (a) the release of $34,897,331 previously reserved by the Budget and Finance Committee to fund Public Utilities Commission (PUC) Water System Improvement Program (WSIP) program management services, and (b) the reallocation of $27,356,361 from the WSIP Program Reserve for six WSIP projects.

The Board of Supervisors placed $34,897,331 on Budget and Finance Committee reserve on April 20, 2010, pending submission of PUC's detailed expenditure plans to the Budget and Finance Committee (File 10-0337). The PUC is now requesting the release of the entire $34,897,331 reserved for WSIP program management services, as shown in Table 1, below.

Table 1: WSIP Program Management Services Expenditure Plan October 2012 through June 2016

Use	Amount
Professional Services	$ 8,521,759
Labor Other City Departments	1,176,616
Labor Other Direct Charges	31,636
Professional Services Right-of-Way Costs	500,000
Construction Management	9,968,603
Labor	14,698,717
Total	**$34,897,331**

In addition to the requested release of $34,897,331, presently on reserve, the PUC is also requesting the reallocation of the $27,356,361 from the WSIP Program Reserve for six WSIP projects that have exceeded their previously approved budgets. The reallocation amounts are summarized in Table 2 below. As noted in the Background section above, funds from the Program Reserve can only be released by the Budget and Finance Committee, after the PUC submits detailed expenditure plans to the Budget and Finance Committee. The Attachment to this report, provided by the PUC, details the PUC's six project budgets and expenditure requests.

Table 2: Summary of Proposed Uses for Reallocated Program Reserve Funds

WSIP Project	Amount
San Joaquin Pipeline	$12,557,135
Tesla Treatment Facility	2,042,226
New Irvington Tunnel	6,500,000
Alameda Siphon No. 4	1,600,000
Vegetation Restoration of WSIP Construction Sites	2,200,000
WSIP Program Management Services	2,457,000
Total	**$27,356,361**

File 12-0985

The proposed resolution would (a) adopt findings under the California Environmental Quality Act (CEQA) for the San Antonio Backup Pipeline Project, including the adoption of a mitigation monitoring and reporting program and a statement of overriding considerations, and (b) direct the Clerk of the Board of Supervisors to notify the Controller of this action. The final Environmental Impact Report (EIR) for the San Antonio Backup Pipeline Project was certified by the San Francisco Planning Commission on September 20, 2012, and adopted by the PUC Commission on September 25, 2012.

FISCAL IMPACT

File 12-1013

The PUC is requesting (a) the release of $34,897,331, previously appropriated and reserved by the Budget and Finance Committee to fund WSIP program management services, and (b) the reallocation of $27,356,361 from the WSIP Program Reserve for six WSIP projects, for a total of $62,253,692. The proposed expenditures of these funds are shown in Tables 1 and 2, above. Further detail on the requested reallocation of the $27,356,361 is shown in the Attachment to this report, provided by the PUC.

Water Revenue Bond proceeds are the source of funds for the total request of $62,253,692, including the $34,897,331 appropriation previously placed on reserve and the $27,356,361 requested reallocation. Water Revenue Bonds are funded with revenues received from the PUC's water ratepayers. The $34,897,331 requested release of reserves was previously appropriated to WSIP program management services and placed on Budget and Finance Committee reserve by the Board of Supervisors.The $ 27,356,361 would be reallocated from the PUC's WSIP Program Reserve for the six WSIP projects listed in Table 2 above. The requested additional funding is needed in addition to the previously approved budgets for these six projects.

The WSIP Program Reserve currently has a balance of $144,459,649. A reallocation of the requested $27,356,361 from the WSIP Program Reserve to the six WSIP projects shown in Table 2 above would result in a new WSIP Program Reserve balance of $117,103,288.

File 12-0985

The proposed resolution would adopt the findings detailed in the project environmental impact report (EIR) in accordance with CEQA for the San Antonio Backup Pipeline Project, and directing the Clerk of the Board of Supervisors to notify the Controller of this action. According to PUC Project Permitting Manager Mr. Jonathan Mates-Muchin, the environmental mitigation required under CEQA is estimated to cost $254,170. According to PUC Budget Director Mr. Carlos Jacobo, these environmental mitigation costs were previously included in the San Antonio Creek Bioregional Habitat Restoration Project budget.

RECOMMENDATIONS

1. Approve the requested release of reserved funds and the reallocation of funds (File 12-1013).
2. Approve the proposed resolution (File 12-0985).

Detailed Program Budgets

San Joaquin Pipeline

Approved Change Orders (COs) are changes that have received all required approvals; Pending COs are changes approved by the SFPUC that have yet to be authorized by the City Controller's Office; Potential COs are changes still being negotiated with the Contractor; and Trends are issues likely to result in future change orders but that have yet to be officially submitted and entered into the WSIP Construction Management Information System (CMIS) as a Proposed Change Order (PCO) or Change Order Request (COR).	
Change Description	**Amount**
Approved Change Orders (August 2012)	$2,983,291
Pending Change Orders	2,964,541
Potential Change Orders	437,442
Trends	2,251,315
10% Contingency of Work Not Yet Performed	1,682,601
Subtotal Change Orders, Trends & Contingency	**$10,319,190**
An increase in the project budget is needed to account for additional costs associated with (1) a required schedule extension to address design and constructability issues, and outstanding disputes (Crossovers contract); (2) the need for additional pipe support at the crossing of the California Aqueduct (West Segment contract); and (3) access restriction due to bird nesting, unanticipated subsurface conditions, and the need to accelerate work so it can be completed within the allowable window imposed by resource agencies for the protection of California Tiger Salamander (East Segment contract). Project management, engineering and operations support, and construction management resources must be extended to support the project through its completion, resulting in increased delivery costs. The construction adjustments that had to be made to address the very challenging and unforeseen permit requirements for working in California Tiger Salamander habitat have also significantly increased the project's construction costs. The proposed budget revisions take into account the costs estimated to address all currently known developing changes and disputed issues on the 3 contracts and any remaining work required to provide the functional integrity of the new SJPL facilities that are being provided by this project.	
Delivery	$4,961,990
Construction	1,100,000
Other	708,895
Subtotal: Additional Project Costs	**$6,770,885**
Less Previously Authorized 10% Pre-Approved Contract Contingency	**$(4,532,942)**
Total Requested Increase	**$12,557,135**

Tesla Treatment Facility

An increase in the project budget is needed to account for additional costs associated with (1) higher than expected costs for staff and professional services contracts to supervise the construction contractor in completing various construction items and to comply with environmental requirements for water discharges, and incorporation of renewable energy technology into the water treatment facility (Tesla Treatment Facility contract); and (2) a required schedule extension to address various facility conflicts and the need for lead abatement, and unanticipated corrosion of the piping manifold at Tesla Portal (Tesla Portal Protection contract). Project management, engineering and operations support, and construction management resources must be extended to support the project through its completion, resulting in increased delivery costs. The construction adjustments that had to be made to address the unforeseen special conflicts of utilities, structures and equipment and the adjustments needed to address the unanticipated conditions of existing piping at the Tesla Portal piping manifold have significantly increased the engineering and construction management workload. The proposed budget revisions take into account the costs estimated to address all currently known developing changes to both contracts. The following table shows the proposed budget changes to the project's major cost categories:

Change Category	Amount
Delivery	$1,085,732
Construction	459,178
Other	497,316
Total Requested Increase	**$2,042,226**

New Irvington Tunnel

Revisions to the schedule and budget of the New Irvington Tunnel project are needed as a result of the construction adjustment necessary to address very challenging and unforeseen site conditions and the tunnel's reclassification from Potentially Gassy to Fully Gassy by the California Occupations Safety and Health Administration (Cal-OSHA), resulting in a 447 calendar day extension to the project schedule. The schedule extension will result in additional costs for the project. The following table shows the proposed budget changes to the project's major cost categories:

Change Description	Amount
Project management and construction management resources must be extended to support the project through its completion, resulting in increased delivery costs.	$1,800,000
The construction adjustments that had to be made to address the very challenging and unforeseen site conditions and Cal-OSHA's reclassification of the tunnel, have significantly increased the projects construction costs. Construction Increase	4,700,000
Total Increase	**$6,500,000**

Alameda Siphon No. 4

Additional contingency in the amount of $1,600,000 is being requested due to unanticipated field changes in Contract No. WD-2552 - Alameda Siphon No. 4. These changes include:
• New scope items requested by SFPUC lease holders and the Water Enterprise Operations Division;
• Changes due to differing geotechnical conditions and differing as-built conditions of the existing siphons and appurtenances from that known at the time of design, including the tie-ins to the mixing chamber piping, soil nail wall, various valve vaults, and tunnel shafts; and
• Changes to resolve conflicts between new and existing electrical, mechanical, and controls equipment.

Change Descriptions	Amount
Potential Change Orders – changes that are still being negotiated with the Contractor	$1,030,145
Trends – forecasted changes that have been entered into the WSIP Construciton Management System as place holders and not yet negotiated with the Contractor.	569,855
Total	**$1,600,000**

Vegetation Restoration of WSIP Construction Sites

This is a new project to provide maintenance, monitoring and reporting of onsite mitigation installed at the various WSIP construction sites. These activities, which are necessary to satisfy the California Environmental Quality Act (CEQA) and resource agencies' requirements, typically must extend for 5 years following construction completion and in some cases up to 10 years. The costs for those activities were not included in the WSIP budget because it was assumed that they would be covered in the Water Enterprise operating budget but due to the immediate need to fund these activities, the WSIP will cover the cost of that work through October 2013. The Water Enterprise will provide the funding needed for all required vegetation restoration work at WSIP construction sites following October 2013.

The proposed Vegetation Restoration project will handle permit-required and CEQA-required maintenance and performance obligations for onsite landscaping and habitat installed by 14 WSIP projects that have either recently finished, have partially finished or will finish within the next year. Maintenance may include watering, weeding, or replacement of any dead plants to meet performance criteria, as well as erosion control where needed. Assessment, monitoring, inspection and reporting costs are included.

The following table shows the proposed budget for the new project's major cost categories:

Change Description	Amount
Delivery	$200,000
Construction	2,000,000
Total Requested Increase	**$2,200,000**

WSIP Program Management

An increase to the program management budget is needed to fund the additional real estate acquisitions required to convert temporary rights acquired to allow construction to proceed on many projects into permanent rights for the long-term operation of the system

Change Description	Amount
Appraisal Costs	$512,000
Acquisition Consultant Service Costs	212,000
Property Purchase Costs	596,000
Attorney's Fees for Property Purchases	704,000
Staff Costs	433,000
Total Cost	**$2,457,000**