

Committee Item No. 12
Board Item No. 4

COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget & Finance Committee

Date July 16, 2014

Board of Supervisors Meeting

Date July 29, 2014

Cmte Board

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OTHER (Use back side if additional space is needed)

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Completed by: Linda Wong Date July 11, 2014
Completed by: L.W. Date 7/17/14

[De-appropriation and Re-appropriation Proceeds from Wastewater Revenue Bonds - North Shore to Channel Force Main Project and Amending Ordinance Nos. 201-09, 95-10, and 108-12 - \$23,000,000 - FY 2014-2015]

Ordinance de-appropriating and re-appropriating \$23,000,000 in Wastewater Revenue Bonds for the Wastewater Enterprises North Shore to Channel Force Main Project, placing \$8,470,000 on Controller's reserve, subject to SFPUC and Board of Supervisors' approval following completion of project-related analysis pursuant to the California Environmental Quality Act, where required, and receipt of proceeds of indebtedness and amending adopted capital appropriation Ordinances 201-09, 95-10, and 108-12 in FY2014-2015.

Note: **Unchanged Code text and uncodified text** are in plain Arial font.
Additions to Codes are in single-underline italics Times New Roman font.
Deletions to Codes are in ~~strikethrough italics Times New Roman font~~.
Board amendment additions are in double underlined Arial font.
Board amendment deletions are in ~~strikethrough Arial font~~.
Asterisks (* * *) indicate the omission of unchanged Code subsections or parts of tables.

Be it ordained by the People of the City and County of San Francisco:

Section 1. The uses of funding outlined below are herein de-appropriated and re-appropriated in Subobject 06700 Buildings Structures and Improvements and reflects the projected uses of funding approved by Ordinance Nos. 201-09, 95-10, and 108-12.

USES De-appropriation

Fund	Index Code / Project Code	Subobject	Description	Amount
5CCPF13A	CWPX5CCPF13A	06700	Biosolids/Digester	\$11,000,000
13B-COMM PAPER FY13	CWWSIPDP01		Project	
CAPITAL PROJECTS				
5CCPF11A	573412	06700	Treasure Island	\$1,530,000
13B-2011A BOND FUND	CWP11001		Capital	
			Improvements	
5CCPF12A	*CWP5CCPF12A	06700	Treasure Island	\$3,000,000
13B-2012A BOND FUND	CWP11001		Capital	
			Improvements	
5CCPF13A	CWPX5CCPF13A	06700	Treasure Island	\$5,470,000
13B-COMM PAPER -	CWP11001		Capital	
FY13 CAPITAL			Improvements	
PROJECTS				
5CCPF10B	*CWP5CCPF10B	06700	Wastewater Interim	\$2,000,000
2010B BOND FUND	CENMSCICSR00		CIP - Sewer	
(TAXABLE BAB)			Replacement	
Total USES De-Appropriation				\$23,000,000

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Office of the Mayor

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USES Re-Appropriation

Fund	Index Code / Project Code	Subobject	Description	Amount
5CCPF13A	CWPX5CCPF13A	06700	Northshore to	\$11,000,000
13B-COMM PAPER FY13	CWWSIPNC01		Channel Force Main	
CAPITAL PROJECTS			Project	
5CCPF11A	CWPX5CCPF11A	06700	Northshore to	\$1,530,000
13B-2011A BOND FUND	CWWSIPNC01		Channel Force Main	
			Project	
5CCFP12A	CWPX5CCPF12A	06700	Northshore to	\$3,000,000
13B-2012A BOND FUND	CWWSIPNC01		Channel Force Main	
			Project	
5CCPF13A	CWPX5CCPF13A	06700	Northshore to	\$5,470,000
13B-COMM PAPER FY13	CWWSIPNC01		Channel Force Main	
CAPITAL PROJECTS			Project	
5CCPF10B	CWPX5CCPF10B	06700	Northshore to	\$2,000,000
2010B BOND FUND	CENMSCIC52		Channel Force Main	
(TAXABLE BAB)			Project	
Total USES Re-Appropriation				<u>\$23,000,000</u>

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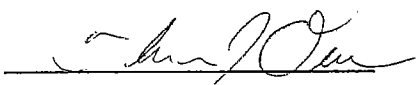
1 Section 2: \$8,470,000 of the total appropriation is hereby placed on Controller's
2 Appropriation Reserve by project. Release of appropriation reserves by the Controller is
3 subject to the prior occurrence of: 1) the SFPUC and the Board of Supervisors discretionary
4 adoption of CEQA findings for projects, following review and consideration of completed
5 project related environmental analysis, where required, pursuant to CEQA, the State CEQA
6 Guidelines, and Chapter 31 of the San Francisco Administrative Code, and 2) the Controller's
7 certification of funds availability, including proceeds of indebtedness including Commercial
8 Paper capacity.

9
10 Section 3: PUC shall report back to the Board of Supervisors on the status of efforts
11 regarding recovery from PG&E of \$2,700,000 in costs to redesign sewer lines to avoid
12 existing PG&E facilities.

13
14
15 APPROVED AS TO FORM:
16 DENNIS J. HERRERA, City Attorney

FUNDS AVAILABLE
BEN ROSENFELD, Controller

17
18 By:


THOMAS OWEN
Deputy City Attorney

By:


BEN ROSENFELD
Controller

Item 12
File 14-0726

Department:
Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objectives

The proposed ordinance would (a) de-appropriate \$23,000,000, which include \$11,000,000 from the Biosolids/Digester Project, \$10,000,000 from Treasure Island Capital Improvements, and \$2,000,000 from the Wastewater Enterprise Interim Capital Improvement Project (CIP) – Sewer Replacement, and (b) re-appropriate \$23,000,000 to the North Shore Force Main Project. The North Shore Force Main Project will provide an auxiliary force main consisting of the installation of 3,000 feet of pipe which will serve as a redundant line to prevent future service interruptions.

Key Points

- The North Shore Force Main is a 36-inch diameter sewer pipe that carries approximately 20% of the City's sewer flow from the North Shore Drainage Basin in the northeast portion of San Francisco to the Southeast Water Pollution Control Plant for wastewater treatment. On March 20, 2012, the North Shore Force Main failed, causing sewage to flow onto the roadway surface requiring the North Shore Force Main to be operated at a substantially reduced capacity. The North Shore Force Main Project will provide an auxiliary sewer force main for a portion of the North Shore Force Main and will allow the existing North Shore Force Main to return to operation at full capacity.
- The requested supplemental appropriation will increase the North Shore Force Main Project budget by \$23,000,000 or 55%, from \$41,860,800 to \$64,860,800. Construction contract costs of \$45,087,100 comprise approximately 70% of the total Project budget.
- \$2,700,000 of the requested \$23,000,000 in the proposed supplemental appropriation will be used to redesign the underground sewer lines to avoid existing PG&E facilities. PUC was unable to reach agreement with PG&E on reimbursement for these costs.

Fiscal Impact

- The source of funds for the Project includes de-appropriating \$23,000,000 from (1) Southeast Plant Biosolids Digester Facilities Project, (2) Treasure Island Capital Improvements, and (3) Wastewater Enterprise Interim Capital Improvement Project, and re-appropriating \$23,000,000 to the North Shore Force Main Project.
- Of the \$23,000,000, \$8,470,000 will be placed on Controller's Reserve pending PUC and Board of Supervisors adoption of CEQA findings and Controller's certification of funds availability.

Recommendations

- Amend the proposed resolution to request PUC to report back to the Board of Supervisors on the status of efforts regarding recovery from PG&E of \$2,700,000 in costs to redesign sewer lines to avoid existing PG&E facilities.
- Approve the proposed resolution as amended.

MANDATE STATEMENT

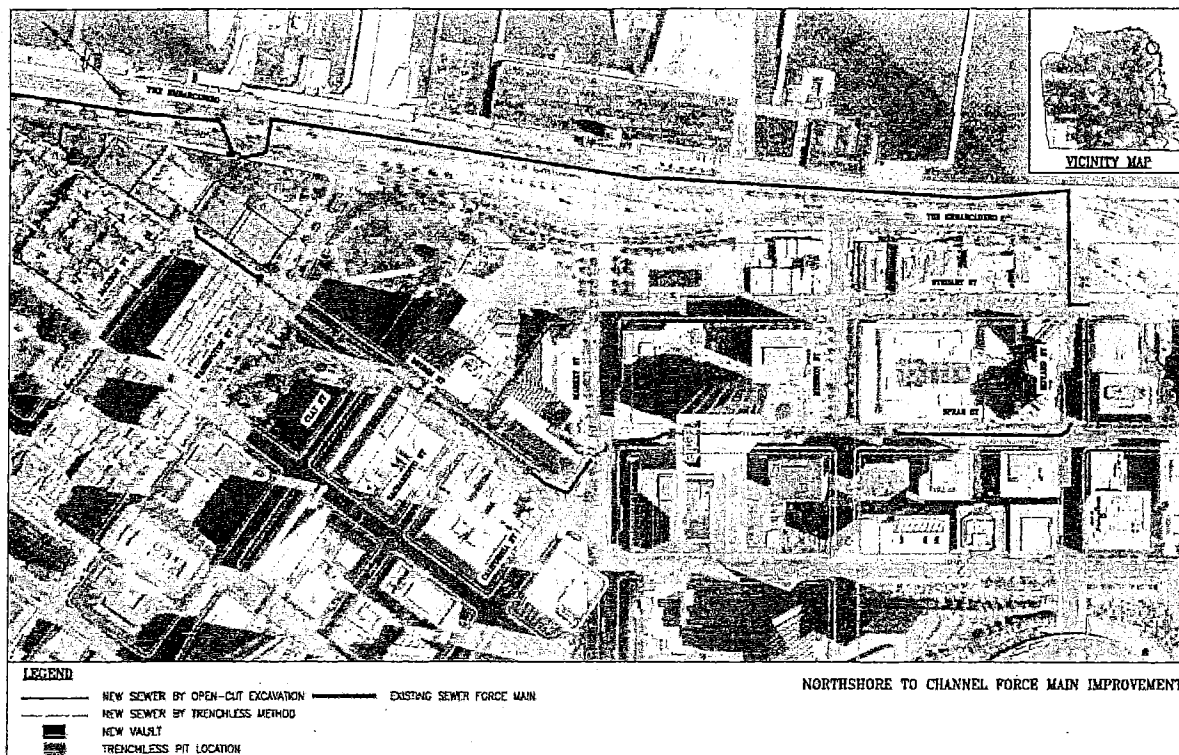
Charter Section 9.105 provides that amendments to the Annual Appropriation Ordinance, as finally adopted, may be initiated by the Mayor or a member of the Board of Supervisors and adopted in the same manner as other ordinances. No amendment to the appropriations ordinance may be adopted unless the Controller certifies availability of funds.

BACKGROUND

San Francisco has three major force mains:¹ North Shore, Channel, and Westside. The North Shore Force Main is a 36-inch diameter sewer pipe that carries approximately 20% of the City's sewer flow from the North Shore Drainage Basin in the northeast portion of San Francisco to the Southeast Water Pollution Control Plant for wastewater treatment. The North Shore Force Main ends at the intersection of Stuart and Howard Streets and is 7,700 feet long. None of the three major force mains currently have redundancies.² Thus, if any force main is taken out of service for an extended period of time, untreated sewage could overflow into the San Francisco Bay. Figure 1 below provides a map of the project area.

¹ A Force Main is a pressurized main pipe that can carry water, sewage, and other materials.

² Prior to the subject emergency, PUC initiated a new capital project to provide redundancy to the North Shore Force Main. On April 24, 2012, the PUC approved the award of a \$15,488,000 contract to KJ Woods Construction, Inc. to build a redundant force main to the North Shore Force Main, which is expected to be completed at the end of 2013 or early 2014. After the redundant force main is completed, flow can be diverted to the new force main and the existing force main can be taken out of service for complete inspections and repairs.

Figure 1: Map of North Shore Force Main Project Area

Failure of North Shore Force Main

On March 20, 2012, the North Shore Force Main failed due to corrosion and joint separation,³ causing sewage to flow onto the roadway surface near The Embarcadero and Mission Street intersection and requiring the North Shore Force Main to be operated at a substantially reduced capacity. Emergency repairs of the existing North Shore Force Main have been completed under separate emergency contracts. The North Shore Force Main Project (the Project) was initiated because of these failures and will provide an auxiliary sewer force main for a portion of the North Shore Force Main and will allow the existing North Shore Force Main to return to operation at full capacity.

³ Pipes are installed in sections and joined together. For example, a pipeline that is 1,000-feet long is made up of 50-foot pieces. Each 50-foot piece is joined together at “joint” locations. Joint separations are separations at the joints between each section of pipe, which would allow the material inside the pipe to leak out.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would (a) de-appropriate \$23,000,000, which include \$11,000,000 from the Biosolids/Digester Project, \$10,000,000 from Treasure Island Capital Improvements, and \$2,000,000 from the Wastewater Enterprise Interim Capital Improvement Project (CIP) – Sewer Replacement, and (b) re-appropriate \$23,000,000 to the North Shore Force Main Project. The North Shore Force Main Project will provide an auxiliary force main consisting of the installation of 3,000 feet of pipe which will serve as a redundant line to prevent future service interruptions.

North Shore Force Main Project Budget

The requested supplemental appropriation will increase the North Shore Force Main Project budget by \$23,000,000 or 55 percent, from \$41,860,800 to \$64,860,800, as shown in Table 1 below.

Table 1: North Shore Force Main Project Budget

	Existing Budget	Proposed Supplemental Appropriation	Total Budget
Public Utilities Commission (PUC) ¹	\$3,300,000	\$2,073,700	\$5,373,700
Department of Public Works (DPW) ²	3,700,000	2,400,000	6,100,000
Other City Staff and Consultants ³	2,500,000	5,800,000	8,300,000
City and Consultants Subtotal	9,500,000	10,273,700	19,773,700
Construction	32,360,800	12,726,300	45,087,100
Total	\$41,860,800	\$23,000,000	\$64,860,800

Source: PUC

¹ PUC costs include project management, project controls, contract administration and formation, commissioning and oversight of compliance with California Environmental Quality Act (CEQA) requirements.

² DPW costs include design development, design support during construction and construction management.

³ Other City and consultant costs include San Francisco Municipal Transportation Agency (SFMTA) costs for rerouting transit and consultant costs for underground storage tank removal and construction monitoring.

Construction Contract

Construction contract costs of \$45,087,100 comprise approximately 70% of the total Project budget of \$64,860,880. PUC awarded a construction contract to KJ Woods Construction to construct the Project through a competitive bid process. The scope of the work for the contract includes (1) installation of a valve-vault in the Embarcadero sidewalk and roadway; (2)

construction of approximately 3,000 feet of new sewer force main; (3) replacement or relocation of approximately 2,070 feet of water mains along the project alignment; and (4) pavement and curb ramp renovation.

The increase of \$12,726,300 from the existing the construction contract budget is for:

- Construction changes due to design modifications required to address unforeseen site conditions, including removal of abandoned timber piles, utility duct banks, abandoned reinforced concrete slabs, pile foundations and footings;
- Additional cost for removal and disposal of seven abandoned underground storage tanks and remediation of contaminated soil;
- Construction changes due to design modifications to reroute sewer lines around existing Pacific Gas and Electric (PG&E) underground facilities (see below); and
- Construction changes to avoid existing public and private utilities not previously identified.

Redesigning of Underground Sewer Lines to Avoid PG&E Facilities

The North Shore Force Main is located in close proximity to some underground facilities owned by Pacific Gas & Electric Company (PG&E). When the Board of Supervisors approved the prior supplemental appropriation for the North Shore Force Main Project in March 2013 (File 13-0367), PUC anticipated entering into a reimbursement agreement with PG&E for \$2,700,000 to pay for PUC costs of redesigning the underground sewer lines to avoid existing PG&E facilities.⁴ According to the May 27, 2014 staff report to the Public Utilities Commission, PG&E has refused to sign a reimbursement agreement with the City to pay the \$2,700,000. According to the staff report, in order to prevent further project delays, the PUC is requesting \$2,700,000 in the proposed supplemental appropriation and is working with the City Attorney's Office to pursue all remedies against PG&E. The requested \$2,700,000 in the proposed supplemental appropriation would be allocated to the \$45,087,100 construction contract, which includes \$2,100,000 to PUC and \$600,000 to DPW.

Environmental Review

On March 21, 2012 the Planning Department adopted a Mitigated Negative Declaration (MND) for the Project. On April 24, 2012 per Resolution No. 12-0065 the PUC adopted the MND, California Environmental Quality Act (CEQA) findings and a Mitigation Monitoring and Reporting Program as required by CEQA and approved the Project and the award of Construction Contract No. WW-483RR in the amount of \$15,488,000.

Subsequently the Planning Department reviewed project modifications, evaluated and compared the potential environmental effects of the proposed modifications to the impacts identified in the MND, and determined that the proposed modifications would not result in any new significant environmental impacts or substantial increases in the severity of previously

⁴ According to the March 12, 2013 staff report to the Public Utilities Commission, the redesign from an open-cut to a trenchless pipe installation would increase PUC staff and construction contract costs by \$2,700,000.

identified environmental effects and would not require any new mitigation measures. The proposed work to be conducted under the supplemental appropriation would not require further environmental review by the Planning Department.

FISCAL IMPACT

Table 2 below shows the proposed de-appropriation and re-appropriation of \$23,000,000 for the North Shore Force Main Project.

Table 2: Proposed Sources and Uses for the North Shore Force Main Project

Source of Funds	De-appropriation
Southeast Plant Biosolids Digester Facilities Project	\$11,000,000
Treasure Island Project	10,000,000
Wastewater Enterprise Interim Capital Improvement Project (CIP)	2,000,000
Total De-appropriation	\$23,000,000
Uses of Funds	Re-appropriation
PUC	\$2,073,700
Department of Public Works	2,400,000
Other City Staff and Consultants	5,800,000
City and Consultants Subtotal	10,273,700
KJ Woods Construction Contract	12,726,300
Total Re-appropriation	\$23,000,000

Source: PUC

Status of projects being de-appropriated

- Southeast Plant Biosolids Digester Facilities Project

This project includes the planning, design, construction of new digestion and solids handling processes, which would replace the existing aged failing systems at the Southeast Wastewater Treatment Plant. Funds for this project are unencumbered funds that will be requested in future years to maintain the overall approved budget.

- Treasure Island Project

The objective of this project is to improve the reliability of the existing collection system and treatment facility at Treasure Island. The project is currently on hold and has unencumbered funds available to re-appropriate to the North Shore Force Main Project. The re-appropriated funds will be requested in future budget requests to maintain overall approved budget.

- Wastewater Interim CIP

This project addresses immediate wastewater needs in the areas of flood control, odor control, and aging facilities. Funds from the Wastewater Enterprise Interim CIP are unused balances

from projects that completed construction. Therefore, these funds can be reallocated for other project needs and will not require further appropriations to complete the project.

Funds to be Placed on Controller's Reserve

Of the \$23,000,000 in funds being re-appropriated for the subject contract, \$8,470,000 is being placed on Controller's Reserve. Release of these funds are subject to (1) the PUC and the Board of Supervisors adoption of CEQA findings for the project, following review of completed project-related environmental analysis pursuant to CEQA, the State CEQA Guidelines and Chapter 31 of the Administrative Code, and (2) the Controller's certification of funds availability, including proceeds of indebtedness including Commercial Paper capacity.

RECOMMENDATIONS

1. Amend the proposed resolution to request PUC to report back to the Board of Supervisors on the status of efforts regarding recovery from PG&E of \$2,700,000 in costs to redesign sewer lines to avoid existing PG&E facilities.
2. Approve the proposed resolution as amended.

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Mayor Edwin M. Lee *EML*
RE: Appropriation – De-appropriating and Re-appropriating Proceeds from Wastewater Revenue Bonds, \$23,000,000, for the North Shore to Channel Force Main Project and Amending Ordinance Nos. 201-09, 95-10, and 108-12 - FY 2014-2015
DATE: June 24, 2014

Attached for introduction to the Board of Supervisors is the ordinance de-appropriating and re-appropriating \$23,000,000 in Wastewater Revenue Bonds for the Wastewater Enterprises North Shore to Channel Force Main Project, placing \$8,470,000 on Controller's reserve, subject to SFPUC and Board of Supervisors' approval following completion of project-related analysis pursuant to the California Environmental Quality Act, where required, and receipt of proceeds of indebtedness and amending adopted capital appropriation Ordinances 201-09, 95-10, and 108-12 in FY2014-2015.

I request that this item be calendared in Budget and Finance Committee.

I further request a waiver of the 30-day rule.

Should you have any questions, please contact Jason Elliott (415) 554-5105.

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SAN FRANCISCO

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