

1 [Audit of the Public Utilities Commission’s Water and Wastewater Enterprises, Rate Setting
2 and Oversight Processes With a Focus on Reducing Rate Increases]

3 **Motion directing the Budget and Legislative Analyst, on a priority basis, to audit the**
4 **Public Utilities Commission’s Water and Wastewater Enterprises, rate setting, and**
5 **contract oversight processes, with a focus on reducing rate increases.**

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7 WHEREAS, Board Rule 3.25.3 states that “it is the policy of the Board that each
8 program of the City...be the subject of a performance or management audit once every eight
9 years;” and

10 WHEREAS, Board Rule 3.25.3 further states that “it shall be the function of these
11 audits to ensure that City departments...make prudent and efficient use of City resources and
12 that the departments...effectively perform the functions assigned to them by the Charter and
13 applicable laws;” and

14 WHEREAS, It appears that the last performance audit of the Public Utilities
15 Commission (PUC) by the Budget and Legislative Analyst occurred in 2005; and

16 WHEREAS, Since that time, the Public Utilities Commission has been subject to
17 reviews by the Controller that have found serious deficiencies in some of its programs and
18 oversight mechanisms; and

19 WHEREAS, The Budget and Legislative Analyst, in its reports about PUC contracting,
20 has raised serious concerns about management and oversight of individual projects, including
21 a finding that performance measures were not routinely included in multimillion dollar
22 professional services contracts; and

23 WHEREAS, The Public Utilities Commission proposes to raise the rates of retail and
24 commercial ratepayers by extraordinary levels; and

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1 WHEREAS, Over 300 protest letters raised serious concerns about flooding in our
2 neighborhoods, ability to pay by low-income ratepayers, lack of serious oversight of spending
3 and much more; and

4 WHEREAS, Much of the rate increase appears to tie to existing capital projects and
5 debt, and only a small portion of the current increase appears to be tied to new projects; and

6 WHEREAS, The Board of Supervisors remains concerned about the lack of oversight
7 at the Public Utilities Commission, the unchecked flooding happening in our neighborhoods,
8 and the fact that ratepayers deserve a seat at the table; and

9 WHEREAS, Only one of four ratepayer seats on the Rate Fairness Board was filled
10 when the rates were recommended to the Public Utilities Commission, and that is
11 unacceptable; and

12 WHEREAS, The Board of Supervisors intends to fill its seats on the Rate Fairness
13 Board and encourages the Mayor to do the same; and

14 WHEREAS, Leading homeowner groups called on City leaders to ensure fiscal
15 responsibility at this multibillion dollar agency and suggest cutting waste, fraud and abuse
16 before raising rates; and

17 WHEREAS, Reforms must be made to this process now to reduce rate increases in the
18 future; now, therefore, be it

19 MOVED, That the Board of Supervisors directs the Budget and Legislative Analyst to
20 conduct a management audit, on a priority basis, of the Public Utilities Commission's Water
21 and Wastewater Enterprises, rate setting, and contract oversight processes, with a focus on
22 reducing rate increases; and, be it

23 FURTHER MOVED, That the Board of Supervisors intends that this management audit
24 would be funded by SFPUC revenues, as allowed, and be part of the Board of Supervisors'
25 authorization to amend the BLA contract consistent with Motion No. M22-114.