

File No. 091490

Committee Item No. 1

Board Item No. \_\_\_\_\_

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee BUDGET AND FINANCE

Date 1/20/10

Board of Supervisors Meeting

Date \_\_\_\_\_

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| <input type="checkbox"/>            | <input type="checkbox"/> | Introduction Form (for hearings)             |
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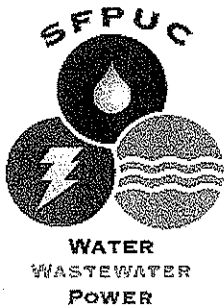
Completed by: Gail Johnson

Date 1/15/10

Completed by: \_\_\_\_\_

Date \_\_\_\_\_

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**SAN FRANCISCO PUBLIC UTILITIES COMMISSION**

1155 Market St., 11th Floor, San Francisco, CA 94103 • Tel. (415) 554-3155 • Fax (415) 554-3161 • TTY (415) 554.3488



December 11, 2009

Angela Calvillo  
Clerk of the Board of Supervisors  
1 Dr. Carlton B. Goodlett Place  
City Hall, Room 244  
San Francisco, CA 94102

**Subject: Water System Improvement Program (WSIP)  
Release of Reserve for \$105,924,871**

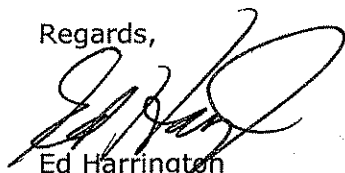
Dear Ms. Calvillo:


I would like to request your assistance to have calendared a release of reserve on the WSIP Project CUW381 – Sunol Valley Water Treatment Plant Expansion and Treated Water Reservoir Project.

As part of the \$1.9 billion WSIP Supplemental Appropriation approved on December 16, 2008, new funding for projects exceeding \$100 million was placed on Board of Supervisors reserve pending California Environmental Quality Act (CEQA) approval. Funding is needed to award the construction contracts for the Sunol Valley Water Treatment Plant Expansion and Treated Water Reservoir Project.

This request accompanies a Board of Supervisor Resolution adopting findings under the California Environmental Quality Act (CEQA) related to the Sunol Valley Water Treatment Plant Expansion and Treated Water Reservoir Project.

Regards,

  
Ed Harrington  
General Manager

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OF SAN FRANCISCO

**BOARD OF SUPERVISORS  
BUDGET AND LEGISLATIVE ANALYST**

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642  
FAX (415) 252-0461

January 14, 2010

**TO:** Budget and Finance Committee  
**FROM:** Budget and Legislative Analyst  
**SUBJECT:** January 20, 2010 Budget and Finance Committee Meeting

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**Items # 1 and 2****Files 09-1490 and 09-1478****Department(s):****Public Utilities Commission (PUC)****EXECUTIVE SUMMARY****Legislative Objectives**

- File 09-1490: Request to release \$105,924,871 of funds previously placed on reserve by the Board of Supervisors for the construction of the Sunol Valley Water Treatment Plant Expansion and Treated Water Reservoir Project, one of 85 projects included in the PUC's Water System Improvement Program (WSIP).
- File 09-1478: Resolution adopting findings under the California Environmental Quality Act (CEQA), CEQA Guidelines and San Francisco Administrative Code Chapter 31, including the adoption of a mitigation monitoring and reporting program, related to the funding of the Sunol Valley Water Treatment Plant Expansion and Treated Water Reservoir Project, and directing the Clerk of the Board of Supervisors to notify the Controller of this action.

**Fiscal Impacts**

- The proposed release of \$105,924,871 on reserve from proceeds from the sale of Water Revenue Bonds, previously appropriated by the Board of Supervisors for PUC WSIP projects totaling \$1,923,629,197.

**Key Points**

- The Sunol Valley Water Treatment Plant Expansion and Treated Water Reservoir Project, located in Alameda County, will increase the sustainable water capacity of the existing Sunol Valley Water Treatment Plant (SVWTP) by 33 percent, and construct a new 17.5 million gallon reservoir at the plant to store treated water, providing increased sustainable water treatment capacity to meet the demands of the PUC's water system.
- Since the funds were originally appropriated and placed on reserve by the Board of Supervisors approximately one year ago, the total estimated cost of the Sunol Valley Water Treatment Plant Expansion and Treated Water Reservoir Project has decreased by \$4,997,136, or 3.3 percent, from \$149,869,511 to \$144,872,375, and the Project is scheduled to be completed by January of 2013, or approximately six months ahead of the previous estimated completion date of July of 2013.

**Recommendations**

- Approve the requested release of reserved funds (File 09-1490).
- Approve the proposed resolution adopting the findings under the California Environmental Quality Act (CEQA) (File 09-1478).

## BACKGROUND

According to Mr. Carlos Jacobo, Budget Director at the PUC, the Sunol Valley Water Treatment Plant Expansion and Treated Water Reservoir Project is one of 85 projects included in the PUC's Water System Improvement Program (WSIP)<sup>1</sup>. The Sunol Valley Water Treatment Plant Expansion and Treated Water Reservoir Project will (a) increase the sustainable capacity of the Sunol Valley Water Treatment Plant (SVWTP) by 40 million gallons of water per day, from 120 to 160 million gallons of water per day, an increase of 33 percent, to meet the average daily customer demand during an outage of the Hetch Hetchy water supply and (b) create a 17.5 million gallon reservoir to store treated potable water in order to comply with an order from the California Department of Public Health. Mr. Jacobo advised that in 1996, the California Department of Public Health ordered the PUC to increase treated water storage capacity to serve as a backup source for treated potable water in case of potential treatment operating failures at the SVWTP.

The current total estimated cost of the Sunol Valley Water Treatment Plant Expansion and Treated Water Reservoir Project is \$144,872,375. Construction of the Project is anticipated to begin in April of 2010 and be completed by approximately January of 2013. Table 1 below summarizes the Project's funding plan, based on data provided by Mr. Jacobo.

**Table 1: Sunol Valley Water Treatment Plant Expansion and Treated Water Reservoir Project Funding Plan Financed From Water Revenue Bonds**

All Appropriations Approved by the Board of Supervisors Prior to December 16, 2008	\$14,762,380
Appropriated and Reserved on December 16, 2008 by the Board of Supervisors (File 08-1453)	111,831,674
Anticipated March, 2010 Appropriation Request, Subject to Future Board of Supervisors Approval	18,278,321
<b>Total Current Estimated Project Cost</b>	<b>\$144,872,375</b>

As shown in Table 1 above, on December 16, 2008, the Board of Supervisors appropriated and placed on reserve \$111,831,674 (File 08-1453) for the Sunol Valley Water Treatment Plant Expansion and Treated Water Reservoir Project.

On January 28, 2009, the Budget and Finance Committee released \$5,906,803 of the previously appropriated and reserved \$111,831,674, (File 08-1222), to fund initial costs including (a) design consultants, (b) environmental compliance consultants, (c) construction management consultants, and (d) in-house PUC staff costs, such that \$105,924,871 (the subject of this request) remains on reserve (\$111,831,674 less \$5,906,803) for this Project.

<sup>1</sup> Propositions A and E, which were approved by the San Francisco voters on November 4, 2002, authorized the issuance of Water Revenue Bonds to finance the PUC's \$4,585,556,000 WSIP, consisting of 85 separate projects designed to provide increased water delivery and seismic reliability throughout the Hetch Hetchy water system.

As also shown in Table 1 above, Mr. Jacobo anticipates that in March of 2010 the PUC will request an appropriation for the remaining \$18,278,321 needed to complete the construction funding for the Sunol Valley Water Treatment Plant Expansion and Treated Water Reservoir Project.

## DETAILS OF PROPOSED LEGISLATION

The PUC is requesting that the Budget and Finance Committee release the remaining \$105,924,871 currently held on reserve (File 09-1490) to partially fund the construction of the Sunol Valley Water Treatment Plant Expansion and Treated Water Reservoir Project. Table 2 below shows the PUC's anticipated expenditure plan for the \$105,924,871 being requested for release from reserve and the \$18,278,321 in anticipated future Water Revenue Bond appropriations needed to complete the construction funding.

**Table 2: Sunol Valley Water Treatment Plant Expansion and Treated Water Reservoir Project Expenditure Plan**

<b>Cost Category</b>	<b>Subject Requested Release of Reserve</b>	<b>Future Needed Appropriations</b>
Construction Management		\$9,875,399
Construction	105,924,871	7,731,656
Construction Close-Out		104,764
Construction Support City Staff		566,502
<b>Total</b>	<b>\$105,924,871</b>	<b>\$18,278,321*</b>

*\*See Table 1 above.*

The PUC (a) issued a competitive request for construction bids on December 18, 2009, with bids due by February 11, 2009, and (b) anticipates awarding a construction contract, in the estimated amount of \$113,656,527 (\$105,924,871 from the subject requested release of reserved funds plus \$7,731,656 from a future appropriation, as shown in Table 2 above), by April of 2010. The Budget Analyst notes that this construction contract would not be subject to Board of Supervisors approval because the PUC is authorized to award construction contracts, using the City's competitive bidding procedures, without subsequent Board of Supervisors approval, pursuant to Section 9.118(b) of the San Francisco Charter.

The PUC is also requesting the Board of Supervisors approval of the proposed resolution to adopt the findings included in the CEQA-required environmental report for the Sunol Valley Water Treatment Plant Expansion and Treated Water Reservoir Project (File 09-1478). According to Mr. Jacobo, the San Francisco Planning Commission approved the CEQA required environmental report on December 3, 2009, which identifies project modifications necessary to mitigate the environmental impact of the subject Project.

Mr. Jacobo advises that environmental mitigation work and project modifications required by the environmental permits are not anticipated to alter the total current estimated total project cost of \$144,872,375 (see Table 1 above) or the estimated project completion date of January of 2013. The proposed CEQA resolution would also require the Clerk of the Board to notify the Controller that the Board of Supervisors approved the proposed resolution because the WSIP project funds previously appropriated for the Sunol Valley Water Treatment Plant Expansion and Treated Water Reservoir Project were placed on Controller's reserve, pending the Board of Supervisors' adoption of the relevant CEQA report.

## FISCAL IMPACTS

The proposed request would release \$105,924,871 of reserved funds in proceeds from the sale of Water Revenue Bonds, previously appropriated for the PUC on December 11, 2008 by the Board of Supervisors in the total amount of \$1,923,629,197. Of that amount, \$111,831,674 was allocated to the Sunol Valley Water Treatment Plant Expansion and Treated Water Reservoir Project and placed on reserve. The Budget Analyst notes that funding for all WSIP projects with appropriations greater than \$100,000,000 were placed on reserve by the Board of Supervisors on December 16, 2008 (File 08-1453). On January 28, 2009, the Board of Supervisors released \$5,906,803 from that reserve, such that the \$105,924,871, which is the subject of this request for release, currently remains on reserve.

## OTHER CONSIDERATIONS

### **The Budget and Finance Committee did not specify criteria for the release of the subject funds when they were placed on reserve.**

The Budget Analyst notes that when the subject funds were placed on reserve approximately one year ago, (a) the required CEQA reports were not completed, (b) the Sunol Valley Water Treatment Plant Expansion and Treated Water Reservoir Project was estimated to cost a total of \$149,869,511, and (c) the Project was anticipated to be completed by July of 2013. As discussed above, (a) approval of the proposed resolution (File 09-1478) would adopt environmental findings required by CEQA, (b) the Project is currently estimated to cost \$144,872,375, a decrease of \$4,997,136, or 3.3 percent, from the originally estimated cost of \$149,869,511, and (c) the Project is scheduled to be completed by January of 2013, or approximately six months ahead of the previously estimated construction completion date of July of 2013.

## RECOMMENDATIONS

1. Approve the requested release of reserved funds (File 09-1490).
2. Approve the proposed resolution adopting the findings under the California Environmental Quality Act (CEQA) (File 09-1478).

