



AGENDA ITEM

Public Utilities Commission

City and County of San Francisco



DEPARTMENT Business Services AGENDA NO. 13
 MEETING DATE October 23, 2012

Discussion to and possible adoption of the Ratepayer Assurance Policy
Project Manager: Todd L. Rydstrom

<p>Summary of Proposed Commission Action:</p>	<p>Informational discussion and possible adoption of a SFPUC Ratepayer Assurance Policy, a policy statement that would guide SFPUC to ensure accountability to ratepayers in all aspects of SFPUC operations and management.</p>
<p>Background & Description of Scope of Services:</p>	<p>Background: The San Francisco Public Utilities Commission (SFPUC) is a leading water, power, and wastewater utility committed to providing high quality, 24/7 essential service utilities to customers and stakeholders. To help ensure the SFPUC operates and provides utility service in an efficient, reliable manner, while at the same time helping ensure the wise use of ratepayer resources and rate affordability, SFPUC management are guided by voter-mandated policies as well as City and Commission-adopted policies.</p> <p>Voter mandated policies, including the San Francisco Charter Section 8B, encompass ratepayer assurances such as the requirement of an independent rate study at least every 5 years and the establishment of a Rate Fairness Board to review rates.</p> <p>Further, existing Commission-adopted operating policies include the Environmental Justice Policy, the Community Benefits Policy, and the Land Use Framework. The Commission has also adopted financial policies including the Debt Management Policy, the Fund Balance Reserve Policy and the Rates Policy. To complement these existing policies, the Ratepayer Assurance Policy furthers the commitment to ratepayers that the SFPUC employs best management practices and that management is accountable to ratepayers to provide cost-effective, efficient and sustainable utility practices. The proposed Ratepayer Assurance Policy will help ensure that the SFUPC operates efficiently to help keep rates affordable for customers while at the same time be a good steward of the systems and resources under our care.</p>
<p>Result of Inaction:</p>	<p>SFPUC would not have a Ratepayer Assurance Policy to further ensure ratepayers of the wise stewardship of utility and ratepayer resources.</p>

APPROVAL: _____

COMMISSION SECRETARY Donna Hood

Budget & Costs:	There are no direct budgetary impacts although future proposed budgets will need to consider this policy and the associated principles and best practices.
Recommendation:	SFPUC staff recommends that the Commission adopt the attached resolution and policy.
Attachments:	<ol style="list-style-type: none">1. SFPUC Resolution2. Ratepayer Assurance Policy3. Ratepayer Assurance Policy PowerPoint Presentation4. Sample Scorecards5. San Francisco Charter Section 8B6. SFPUC Rates Policy, Adopted February 14, 2012

PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO. _____

WHEREAS, The General Manager of the San Francisco Public Utilities Commission (SFPUC) and staff presented the draft Ratepayer Assurance Policy on October 23, 2012; and

WHEREAS, The draft Ratepayer Assurance Policy was presented to the Revenue Bond Oversight Committee, the Rate Fairness Board and the Citizen’s Advisory Committee and incorporated feedback from these bodies into the draft Ratepayer Assurance Policy along with public comment; and

WHEREAS, This policy shall be revised periodically and implemented through Commission proposals for budgets, rates, fees and charges; now, therefore, be it

RESOLVED, That this Commission adopts the attached Ratepayer Assurance Policy.

I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting of October 23, 2012.

Secretary, Public Utilities Commission

Ratepayer Assurance Policy

PURPOSE

The Ratepayer Assurance Policy provides assurance to ratepayers that their money will be spent wisely, and serves as guidance to the SFPUC General Manager and staff of the Commission's expectations regarding the wise use of ratepayer funds. SFPUC departments are ratepayer, self-supported enterprises that receive no support from San Francisco's General Fund. Our Water, Power & Sewer Enterprises are supported by service-based rates, fees and charges, as well as non-operating revenues such as rental income from land leases. Accountability to ratepayers is a central tenet that guides the management of our self-supported enterprise, a tenet always considered when using any ratepayer monies to support critical stewardship of our utility systems and the management of our resources. Ratepayer-related SFPUC good management practice is guided by two Commission-adopted policy cornerstones: 1) the Rates Policy and 2) this Ratepayer Assurance Policy. We recognize that SFPUC revenue comes from the hard earned money of our ratepayers and that we take seriously our commitment to provide affordable and reliable Water, Power and Sewer services.

Ratepayer resources pay for: 1) what we do, i.e. our essential-service water, power and sewer utilities, 2) when we do it, i.e. ensuring our 24/7 reliability, and 3) how we do it, through our commitment to sustainability and adherence to the Commission's Environmental Justice and Community Benefits policies. Some of these factors are mandated by federal, state or local law; others are guided by local policies established through San Francisco's public process and reflect our commitments to environmental and sustainability best practices. Some factors are also the product of managerial decision making and their recommendations to prioritization and timing of key capital improvements, to ensure reliability, and financial impacts, to ensure ratepayer affordability. This policy is particularly focused toward the latter, discretionary factors and is intended to provide ratepayers with the assurance that management recommendations and Commission decisions are and will be made in the ratepayers' best interest. This policy promotes accountability and transparency by requiring a biannual, independently developed report card through which ratepayers and the Commission can see verifiable results that the ratepayer safeguards and policies are being implemented and yielding successful outcomes. The report card shall address the following:

Mission Management

The SFPUC must comply with all San Francisco Charter requirements, including the development of our budget, as well as our long-term capital, financial and strategic plans. This includes mission-driven budgets for SFPUC Enterprises which are timely considered, adopted and published. It is the policy of the Commission that the mission statement is reviewed early in the budget process and that any changes to the mission are adopted by the Commission prior to the cost of such changes being budgeted. It is further the policy of the Commission that each budget presented to the Commission contain an analysis of mission changes, in both function and degree, funded by the proposed budget.

Personnel Management

Personal costs are driven by how we staff our operations and organize our workforce; this includes the number of staff and the position classifications we hire. Compensation and benefit rates are determined by labor agreements, the Civil Service Commission, the City's Retirement Board and the City's Health Service System. Position classifications and hiring authorizations

include a review process that is governed by the Civil Service Commission as well as the City's Human Resources Department to ensure our hiring is appropriate for the work assigned.

In order to adjust to changing needs, and in order to capture productivity savings made possible by technology advances consistent with the Commission's Technology Policy, it is the policy of the Commission to meet new position needs by reassignment of existing positions or substituting new positions for existing wherever possible. The Commission will also review all proposed position changes in every budget it considers in order to assure compliance with this policy.

In order to encourage high quality, high morale, high satisfaction and economic fairness in the workforce, it is the policy of the Commission to structure its workforce to ensure that customer service is both effectively and efficiently achieved, while at the same time job content is fulfilling and compensation is just.

Asset Management

As a utility, a good portion of the SFPUC budget is allocated for the acquisition, construction, repair and replacement of critical, physical assets. Purchasing, construction and the contracting for repair services are subject to extensive legal and administrative regulation. Asset costs are ultimately driven by the assets acquired and the way in which they are maintained. In order to minimize the utility cost of service over time, it is the policy of the Commission to acquire, design, construct, repair and replace assets such that their life cycle cost is minimized, and to fund such activities accordingly.

It is the policy of the Commission to utilize vehicle pools and public transit wherever feasible and to acquire energy efficient and Green House Gas-free vehicles whenever practicable to do so. All vehicle purchases should be reviewed and approved through the budget process and be consistent with City policies as well as best practices promulgated by the General Manager.

It is the policy of the Commission, and promulgated by the General Manager, to assure that assets (including, but not limited to, vehicles, computers and other electronic devices) assigned to individuals are selected and assigned to meet utility needs in a cost effective manner and that they are used for business purposes that benefit the ratepayers.

It is the policy of the Commission to support the development of promising technologies, including the consideration of prudent demonstration projects, and to implement proved technologies that will ensure utility reliability, performance effectiveness, cost minimization, and strive toward continued environmental impact improvements and the sustainability of our utility operations.

Sustainability

It is the policy of the Commission to provide workplaces that are functional, economical, safe, secure, efficient and environmentally sustainable. Workspaces should be designed to facilitate the efficient use of our utility resources, including water, power and wastewater, as well as encourage recycling of waste products, and the promotion of environmentally sustainability practices such as ride-sharing and the use of public transportation.

Report Card

The elements noted above shall be reviewed at least biannually as part of the budget cycle and recorded in an independently verified Ratepayer Assurance Report Card.



Services of the San Francisco Public Utilities Commission

Ratepayer Assurance Policy

Todd L. Rydstrom
Asst. General Manager & CFO

October 23, 2012

Ratepayer Assurance Policy

- Consistent with and furthers the SF Charter provisions, Rate Fairness Board process and SFPUC Rates Policy;
- Assures auditable, wise use of ratepayer resources; and
- Continues to promote and ensure SFPUC track record of cost effective operations and adoption of best management practices.

Complements Existing Policies

Adopted by Commission, Board, Voters

- SF Charter
- Budget Law & Policies
- Debt Law & Policies
- Environmental Justice Policy
- Community Benefits Policy
- Fund Balance Reserves Policy
- Rates Policy
- Land Use Framework



Ensuring Transparency & Assurance

- Mayor's Office, Board of Supervisor's Oversight
- Commission Oversight
- Rate Fairness Board
- Citizen Advisory Committee
- Revenue & GO Bond Oversight Committees
- Independent Financial Auditors
- IRS Audit Oversight for any Bond Funds
- Controller's Office Oversight
- City Services Auditor Oversight

Biannual Report Card Proposed



CAC – Stakeholder Input, Sept. 25th

- Report Card ... put Accountability & Assurance measures into an auditable, independent report card, like the City Services Auditor does now for San Francisco streets and parks
- Present rates in a meaningful way
 - ◆ \$ daily/monthly change
 - ◆ % change
 - ◆ Pennies per gallon
 - ◆ % of household income
 - ◆ Comparisons to Bay Area, CA and other US cities
- Present rates to school children to test accessibility and clarity as well as information sharing benefits for parents
- Incorporate affordability impacts, outreach and monitoring



CAC – Affordability Impacts & Ideas

- Note Level of Service Goal: Combined Sewer and Water Bill will be less than 2.5% of average household income for a single family residence
- San Francisco average helpful, but some accounts will exceed, so target low-income assistance outreach and program design
- Maintain tiered rate structure, lifeline rates affordability and identify funding streams for low-income hardship assistance
- Consider rate alternatives for large households with many occupants, e.g. water budget-based rates
- Provide further outreach and incentives on wastewater flow factors, low impact design, permeable surfaces/pavement
- Employ multi-lingual YouTube-style messaging for programs and rates, including how to help keep monthly bills affordable through conservation, wise water use and other programs



Revenue Bond Oversight Cte. Input, Aug. 20th

SFPUC should / continue to ...

- Pursue potential ratepayer benefits from CA's Cap & Trade market for carbon and greenhouse gas mitigation
- Pursue potential further Natural Resources Asset Valuation reporting and impacts
- Maintain mostly flat costs, including operating costs, maintenance, labor, etc.
- Invest rate/bill changes principally in capital projects
- Consider pricing signals related to water consumption



Rate Fairness Board Input, Sep. 7th

SFPUC should / continue to ...

- Incorporate recommendations from audits, including the City Services Auditor
- Ensure continuous improvement and efficiencies

Next Steps

Commission Consideration, and if adopted ...

- Implementation
- Biannual Report Card by Independent Body (CSA)
- Biannual Updates During the Budget Cycle

Questions

Sample Scorecards



City and County of San Francisco

Office of the Controller - City Services Auditor

Parks Standards Annual Report FY 2009-10

November 3, 2010

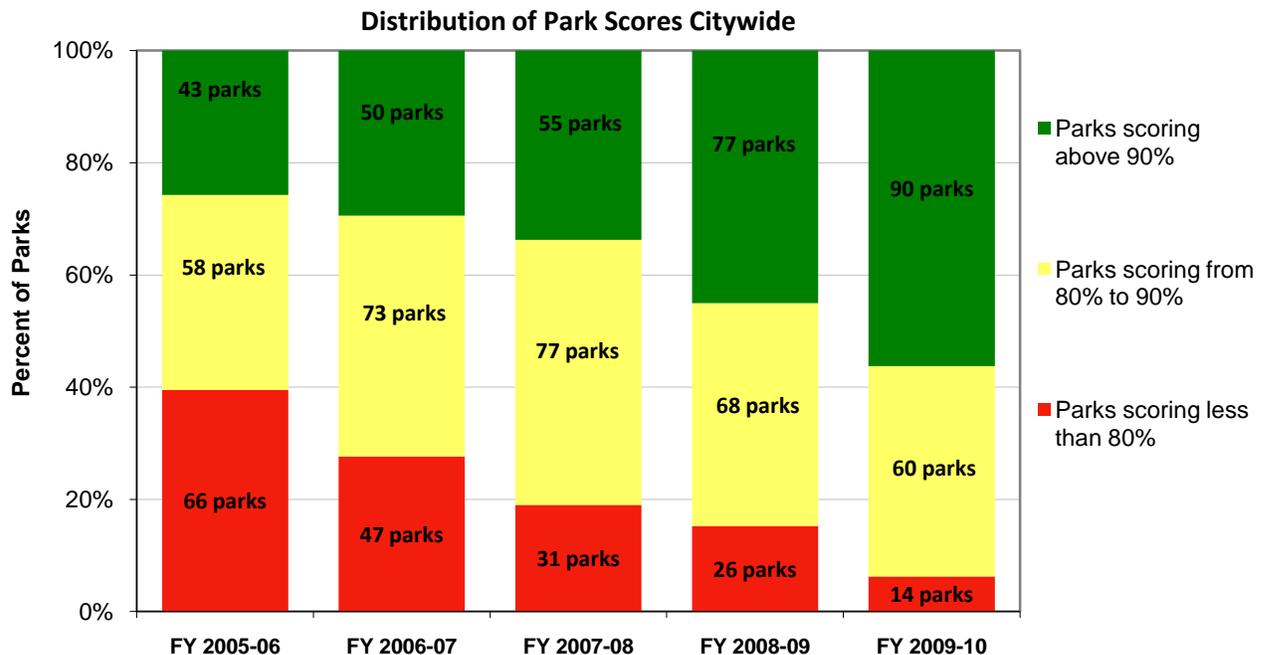
Park increase scores citywide for fifth year, but disparities remain between districts

Purpose of the Report

The City Services Auditor Charter Amendment requires that standards be established for park maintenance, and that the City Services Auditor (CSA) issue an annual report on performance under these standards. This report provides the results from evaluations of all open City parks in the fiscal year (FY) 2009-10.

Highlights

Park scores increased for the fifth consecutive year. The citywide average for park scores increased over the previous year from 87.3 percent to 89.7 percent. A score above 85 percent would generally indicate that a park is well maintained and that its features are in good condition.



Citywide results

- Over half of all parks score above 90 percent, while in FY 2005-06, only a quarter of all parks scored above 90 percent.
- Children's Play Areas all score above 80 percent according to both the San Francisco park standards evaluation criteria and the Neighborhood Parks Council Playground Initiative survey.

FY 2006-07 TO FY 2009-10 RESULTS SUMMARY

EXHIBIT 2 Average Inspection Scores from FY 2006-07 to FY 2009-10					
Criteria	n=44	n=393	n=428	n=383	Trend
	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	
1.0 Street Cleanliness					
1.1 Litter (1 = acceptably clean to 3 = very dirty)	n/a	2.07	2.37	1.97	Positive
2.0 Sidewalk Cleanliness					
2.1 Litter (1 = acceptably clean to 3 = very dirty)	1.76	1.83	2.07	1.89	Positive
2.2 Grime, leaks, spills (% of sidewalk free)	97.4%	96.6%	96.7%	96.8%	Positive
2.3 Graffiti (# on sidewalk)	0.3	0.3	0.1	0.3	Negative
2.4 Percentage of inspections with no illegal dumping	61.4%	39.7%	60.0%	84.3%	Positive
2.5 Percentage of inspections with no feces, needles, broken glass and condoms	34.1%	16.5%	29.2%	55.4%	Positive
3.0 Graffiti - Average number of incidents per block					
3.1 DPW	0.9	0.5	0.2	0.3	Negative
3.2 Non-DPW public	4.1	6.5	11.3	8.9	Positive
3.3 Private	4.2	14.6	15.3	15.4	Negative
4.0 Trash Receptacles – Percent that meet the standard					
4.1 Fullness	89.4%	94.2%	95.3%	98.9%	Positive
4.2 Cleanliness of trash receptacles	89.5%	93.6%	95.7%	97.7%	Positive
4.3 Cleanliness around trash receptacles	81.9%	82.1%	85.2%	95.9%	Positive
4.4 Painting	90.0%	99.5%	98.8%	99.2%	Positive
4.5 Structural integrity and function	91.9%	97.0%	96.5%	99.6%	Positive
4.6 Doors	90.9%	99.5%	99.4%	99.5%	Positive
5.0 Trees and Landscaping - Percent that meet the standard					
5.1 Cleanliness	54.9%	71.5%	78.8%	90.9%	Positive
5.2 Appearance	94.6%	77.4%	82.8%	98.9%	Positive
5.3 Weediness	68.3%	91.8%	96.3%	93.7%	Negative
5.4 Clearance	92.7%	96.0%	98.4%	98.0%	Negative
Positive 1-year trend (Getting Cleaner)		Negative 1-year trend (Getting Dirtier)		Neutral 1-year trend (No Change)	

Data reported in FY 2006-07 through FY 2008-09 may vary slightly from prior Street and Sidewalk Maintenance Standards reports due to data corrections made during FY 2009-10.

SFPUC Report Card – Ensuring Accountability to Ratepayers & Stakeholders

ATTRIBUTES	KEY ATTRIBUTE COMPONENTS	WATER Enterprise	POWER Enterprise	SEWER Enterprise
Product Quality (PQ)	<ul style="list-style-type: none"> Complies with regulatory and reliability requirements. Consistent with customer, public health, and ecological needs. 			
Customer Satisfaction (CS)	<ul style="list-style-type: none"> Provides reliable, responsive, and affordable services. Receives timely customer feedback. Responsive to customer needs and emergencies. 			
Employee and Leadership Development (ED)	<ul style="list-style-type: none"> Recruits and retains competent workforce Collaborative organization dedicated to continual learning and improvement Employee institutional knowledge retained and improved. Opportunities for professional and leadership development. Integrated and well-coordinated senior leadership team. 			
Operational Optimization (OO)	<ul style="list-style-type: none"> Ongoing performance improvements. Minimizes resource use and loss from day-to-day operations. Awareness and timely adoption of operational and technology improvements. 			
Financial Viability (FV)	<ul style="list-style-type: none"> Understands full life-cycle cost of utility Effective balance between long-term debt, asset values, operations and maintenance expenditures, and operating revenues. Predictable and adequate rates. 			
Infrastructure Stability (IS)	<ul style="list-style-type: none"> Understands the condition of and costs associated with critical infrastructure assets. Maintains and enhances assets over the long-term at the lowest possible life-cycle cost and acceptable risk. Repair efforts are coordinated within the community to minimize disruptions. 			
Operational Resiliency (OR)	<ul style="list-style-type: none"> Staff work together to anticipate and avoid problems. Proactively establishes tolerance levels and effectively manages risks, (including legal, regulatory, financial environmental, safety, security, and natural disaster-related). 			
Community Sustainability (SU)	<ul style="list-style-type: none"> Attentive to impacts on community and watershed health and welfare. Operations enhance natural environment. Efficiently use water and energy resources; promote economic vitality; and engender overall community improvement. Maintain and enhance ecological and community sustainability including pollution prevention, watershed, and source water protection. 			
Water Resource Adequacy (WA)	<ul style="list-style-type: none"> Ensures water availability through long-term resource supply and demand analysis, conservation, and public education. Manages operations to provide for long-term aquifer and surface water sustainability and replenishment. 			
Stakeholder Understanding and Support (SS)	<ul style="list-style-type: none"> Engenders understanding and support from oversight bodies, community and watershed interests, and regulatory bodies for service levels, rate structures, operating budgets, capital improvement programs, and risk management. 			

- 1- Exceeds Industry Benchmark
- 2- Meets Industry Benchmark
- 3- Below Industry Benchmark

San Francisco Charter Section 8B.125. RATES.

Notwithstanding Charter sections 2.109, 3.100 and 4.102 or any ordinance (including, without limitation, Administrative Code Appendix 39), the Public Utilities Commission shall set rates, fees and other charges in connection with providing the utility services under its jurisdiction, subject to rejection – within 30 days of submission – by resolution of the Board of Supervisors. If the Board of Supervisors fails to act within 30 days the rates shall become effective without further action.

In setting retail rates, fees and charges the Commission shall:

1. Establish rates, fees and charges at levels sufficient to improve or maintain financial condition and bond ratings at or above levels equivalent to highly rated utilities of each enterprise under its jurisdiction, meet requirements and covenants under all bond resolutions and indentures, (including, without limitation, increases necessary to pay for the retail water customers' share of the debt service on bonds and operating expenses of any state financing authority such as the Regional Water System Financing Authority), and provide sufficient resources for the continued financial health (including appropriate reserves), operation, maintenance and repair of each enterprise, consistent with good utility practice;
2. Retain an independent rate consultant to conduct rate and cost of service studies for each utility at least every five years;
3. Set retail rates, fees and charges based on the cost of service;
4. Conduct all studies mandated by applicable state and federal law to consider implementing connection fees for water and clean water facilities servicing new development;
5. Conduct studies of rate-based conservation incentives and/or lifeline rates and similar rate structures to provide assistance to low income users, and take the results of such studies into account when establishing rates, fees and charges, in accordance with applicable state and federal laws;
6. Adopt annually a rolling 5-year forecast of rates, fees and other charges; and
7. Establish a Rate Fairness Board consisting of seven members: the City Administrator or his or her designee; the Controller or his or her designee; the Director of the Mayor's Office of Public Finance or his or her designee; two residential City retail customers, consisting of one appointed by the Mayor and one by the Board of Supervisors; and two City retail business customers, consisting of a large business customer appointed by the Mayor and a small business customer appointed by the Board of Supervisors.

The Rate Fairness Board may:

- i. Review the five-year rate forecast;
- ii. Hold one or more public hearings on annual rate recommendations before the Public Utilities Commission adopts rates;
- iii. Provide a report and recommendations to the Public Utilities Commission on the rate proposal; and
- iv. In connection with periodic rate studies, submit to the Public Utilities Commission rate policy recommendations for the Commission's consideration, including recommendations to reallocate costs among various retail utility customer classifications, subject to any outstanding bond requirements.

These provisions shall be effective January 3, 2003 for the setting of retail rates, fees and charges related to the clean water system. If the voters approve bonds for the Public Utilities Commission's Capital Improvement Program at the November 5, 2002 election then the provisions of this section shall take effect on July 2, 2006 for the setting of retail rates, fees and charges related to the water system. If the voters do not approve such bonds then this section will take effect on January 3, 2003.

(Added November 2002)

SFPUC Rates Policy

The San Francisco Public Utilities Commission (SFPUC) is an enterprise department of the City and County of San Francisco. Our department receives no support from the San Francisco General Fund. Our cost of providing utility service is covered by ratepaying customers through:

- service based rates;
- fees and charges; and
- non-operating revenues (i.e. land leases)

Rates are set by the SFPUC Commission (Commission) pursuant to the authority and provisions set forth by the San Francisco Charter (Section 8B.125) and the Water Supply Agreement with our wholesale water customers.

All budgets, rates, fees, and charges presented by SFPUC staff to the Commission will conform to the SFPUC Rates Policy. Any deviations from this policy will be reported to the Commission along with their impact to ratepayers and departmental operations.

The four key principles of the SFPUC Rates Policy are:

- 1. Affordability**
- 2. Compliance**
- 3. Sufficiency**
- 4. Transparency**

1. Affordability – In order to keep rates affordable to the SFPUC’s retail and wholesale customers:

- Rates will be set such that retail and wholesale customers pay for benefits and services that they receive;
- Budgets will provide for fund balance reserves to mitigate cost and revenue uncertainties and stabilize rates to minimize large rate changes;
- Rate setting will include comparative information of neighboring and other California utilities;
- Capital and program decision making will be based on both annual and total life-cycle costs;
- Rate setting will include consideration of affordability for low-income customers.

2. Compliance – Rate-funded budgets will comply with:

- All applicable State and Federal laws;
- San Francisco Charter, ordinances, resolutions and other policy directives;
- Regulations and permits;
- Contract commitments;
- Bond covenants; and
- Other laws as well as Commission policies and objectives including, but not limited to:
 - Budget Law and Policies

- Debt Law and Policies
- Ratepayer Accountability
- Community Benefits Policy
- Environmental Justice Policy
- Sustainability and Resource Conservation
- Land Use Policy
- Local Hire Ordinance
- Electric Resource Plan
- Technology Adoption & Implementation Best Practices
- Asset Management Best Practices

3. Sufficiency - Rates will be sufficient to recover the full cost of providing the SFPUC's essential utility services and mission, including:

- Adopted levels of service for Water, Power and Sewer;
- Adopted and best practice levels of service for asset Repair and Replacement to ensure the maintenance of assets in a state of good repair;
- All anticipated operating and capital costs, including personnel costs changes and other operating cost inflation; and
- Funding to carry out adopted Commission policies, including prudent reserves sufficient to mitigate unplanned rate changes, revenue uncertainty and operating contingencies for the duration of the rate adoption period.

4. Transparency – Rate making will be transparent and include:

- Open and timely public meetings and review of rate setting alternatives and timing;
- Public information designed to provide clear explanation of rate changes and trends, including average bill impact illustrations;
- A description of both operating and capital costs to ensure that ratepayers know the component costs of their utility service and related programs;
- Rate-setting Oversight, including communications with the:
 - Customers, Retail and Wholesale,
 - Citizens' Advisory Committee,
 - Rate Fairness Board,
 - Revenue Bond Oversight Committee,
 - San Francisco Public Utilities Commission,
 - Board of Supervisors,
 - Mayor's Office.