

**San Francisco
Local Agency
Formation Commission**

ITEM NO. 2

City Hall
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MINUTES
Special Meeting
Thursday, September 20, 2002, 2:00 p.m.
City Hall, Room 263

Chairperson: Commissioner Gonzalez; Vice Chairperson: Commissioner McGoldrick
Members: Commissioners Ammiano, Hall and Schmeltzer
Alternate: Commissioners Peskin and Fellman

Clerk: Monica Fish

SPECIAL AGENDA

(There will be public comment on each item)

1. Call to Order and Roll Call

The meeting was called to order by Chairperson Gonzalez at 2:04 p.m.

Members Present: Chairperson Commissioner Gonzalez, Commissioners Ammiano, Hall, Schmeltzer and Fellman.

Member Absent: Vice-Chairperson Commissioner McGoldrick.

Gloria L. Young, Executive Officer and Nancy Miller, Esquire were noted as present.

2. Approval of Minutes for the Commission Meeting of August 15, 2002 (Action Item).

Chairperson Gonzalez moved to approve the meeting minutes; duly seconded.

No public comment. Public comment closed.

The August 15, 2002 meeting minutes were approved with no objection.

3. Discussion regarding recommendations on the Final Energy Services Study.

Nancy Miller, Esquire stated that the Commission has before them a draft Resolution intended to make certain findings regarding energy services in the City and County of San Francisco, approving and adopting the Final Report that was commissioned last spring, and then making certain findings regarding the future.

Chairperson Gonzalez asked Mr. Bell if he had any comments to add.

Mr. Bell stated, nothing in addition other than to say on behalf of R. W. Beck, Henwood, and Flynn Resources, we would like to thank you for the opportunity to participate in the process and produce the final report.

Chairperson Gonzalez asked Mr. Bell if he had a chance to review the Resolution.

Mr. Bell stated that he did have a chance to look at the Resolution.

Chairperson Gonzalez asked if Mr. Bell had any thoughts on the language.

Mr. Bell stated that he thinks the language looks fine and accurately represents the content and findings of the report. If the Commission has any questions in their discussion of this material, he would be happy to help out.

Chairperson Gonzalez asked Ms. Miller to walk through the Resolution.

Ms. Miller stated that the Commission conducted a series of hearings from February 2002 through April 2002 where energy consultant experts and public agency officials were invited to testify regarding public power, energy supply, and the current energy market. There were approximately four hearings and over twelve presenters. From those hearings, a Request for Proposal was developed where we solicited public responses from energy consultants and a scope of services was developed, which led to the commissioning of the Energy Services Study. As a result of that study, we had made the following findings: (1) there is limited transmission into the Bay Area and particularly in San Francisco; (2) San Francisco is uniquely at risk with respect to energy supply, cost, and reliability. San Francisco currently has an old inefficient power generation with insufficient capacity for self-sufficiency. The electric industry is changing daily and these changes in regulatory structure will continue and will likely also continue the fluxes in retail pricing.

As a consequence, the Energy Study concluded that there was a need for the City to provide more resources to enhance reliability and self-sufficiency. The study identified three basic governance models to do that as follows: (1) the San Francisco Public Utilities Commission (SFPUC) as an aggregator of retail electrical loads; (2) a separate municipal utility created with an independent governing body; and (3) a separate Municipal Utility District.

In terms of recommendations, the Commission is adopting the Energy Services Study. We are also adopting a future work plan or at least identifying what needs to be done to take the energy issue to the next logical step, which is to pursue the model of governance further. We're basically focusing on the SFPUC as an aggregator or a separate municipal electric utility. There is a need to develop an integrated long-term resources plan and then to confirm or modify your energy supplier role for the SFPUC. In that same vein, we are recommending to either modify or expand the SFPUC's role as an energy supplier, and we are identifying the need to develop a Risk Management Plan in order to determine how to select the means and methods for providing electric service to the City and the cost and the implementation steps that need to be taken. The final recommendation is the consideration of the acquisition of PG&E's energy assets here in the City and County of San Francisco. Coupled with that recommendation is obviously the need for development of a financing plan. That is a short summary of your findings and recommendations.

With each of your findings, we are basically relying on the content that's in the Energy Services Study, which I didn't want to rehash in your Resolution. A lot of the detail for the steps and methods of implementation are in the Energy Services Study, which we are proposing that you adopt today.

Chairperson Gonzalez asked Mr. Bell if he feels that Ms. Miller's summary adequately represents the findings.

Mr. Bell concurred.

Commissioner Schmeltzer thanked Ms. Miller for preparing the Resolution, that it is a good representation of what was in the Energy Services Study, and gives the LAFCo a blueprint of items for this particular area.

Ms. Miller stated that Don Maynor, Esquire reviewed the Resolution and concurred with the text. In addition, AB 117 is still on the governor's desk as of today.

Public Comment

Sylvia Johnson made a statement during public comment.

Public Comment closed.

A question was raised as to whether action could be taken on the Resolution at this meeting as it was noticed as a discussion item only.

Ms. Miller asked if an action could be taken under Future Agenda Items.

Commissioner Ammiano stated that items are introduced under Future Agenda Items.

Commissioner Schmeltzer stated that the items are introduced and then are placed on the agenda for future hearings.

Ms. Young stated, the reason we advertised this item in this manner is to allow the Commission an opportunity to discuss the items. If you look at the Resolution with respect to the Final Energy Services Study recommendations that Ms. Miller spoke to, there are a number of recommendations that could be folded into the Commission's work plan. If you adopt the Resolution, what you are indicating is a desire to look at those recommendations as part of your future work plan. Then there is the other information under Item 4 that you had also requested in terms of looking at your future work plan. We put these two issues on as discussion items to allow you an opportunity to determine whether you want to fold those in. We can bring them back at your next meeting for adoption.

Chairperson Gonzalez stated that the agenda, rather than saying "discussion regarding" or "action item regarding," should have the topic that we're on. On a particular item as this, we probably should have calendared it as a Resolution. Then all of the things that you are indicating could have been done under that as well.

Ms. Young stated that in order for the Resolution to be adopted, we should have listed the Resolution's title as well.

Ms. Miller apologized. It should have been an action item.

Ms. Fellman stated that the agenda should say "adoption of the report" because we deferred adoption of the report until we had the Resolution. That way everyone will have notice of what we are doing.

4. Discussion regarding the San Francisco Local Agency Commission's Future Work Plan.

Ms. Young stated that at the last meeting, there was a determination by the Commission that they be provided with the Cortese-Knox-Hertzberg legal references, as well as what kind of service studies the LAFCo Commission could undertake in addition to looking into what was being done by other agencies. I will defer to our legal counsel, who prepared the report after contacting other Local Agency Formation Commissions in the state to determine what other areas the Commission could be reviewing other than the formation or annexation of districts.

Ms. Miller stated that this is a short memo to give the Commission ideas of what is happening around the state with LAFCO's and the special studies that they are doing. SF LAFCo is in a unique situation being a consolidated City and County. You don't have special districts or other independent cities, but that does not preclude you from looking at municipal services and studying governmental services. The potential range of studies is fairly broad. It includes water studies,

infrastructure studies, fire studies, a number of studies regarding growth and where to grow, and how to provide transportation and that kind of thing.

The studies that I am most familiar with are ones that I am working on right now. In Sacramento County, we are looking at regional wastewater issues. They are doing a joint study with Yolo County on trying to regionalize some of the services instead of each municipality in each county providing their own. Some services are best provided from a regional standpoint. Waste water and sewage treatment is one of those. In San Luis Obispo, they are looking at infrastructure needs. The geography of that county is a lot different than what you have here. They are also looking at issues having to do with consolidating some services to try to get some economies of scale. In Nevada LAFCo, they are looking at water, which is a particular concern to the south slope of the Sierras. That is going to be a joint city and multi-county study. They are actually going beyond their boundaries in terms of looking at some of those issues with other LAFCo's. Santa Cruz LAFCo is studying water, another large issue for them. They have actually completed their study regarding water supply and growth issues.

A lot of these studies are looking out into the future with regards to service needs, growth, and infrastructure. In Riverside County, where they have had fairly large growth, their issues are basically municipal services and how to provide them, including parks, recreation, animal control, and electricity. Napa LAFCo has fairly stringent anti-growth policies so they are looking at the issue of municipal services being provided on smaller scales within the small cities, small towns, and even small developments where a development provides some of its own municipal services rather than a city or the county.

In Santa Barbara, they have revenue issues and a city that hasn't enlarged its borders in quite some time. There they have a lot of municipal service reviews going on and discussions going on with their county.

Municipal service reviews are always helpful, and it would be something that is germane here. That is where you go in and take a look at a particular service, take an inventory of it, and decide whether it is providing the service efficiently, economically, and meeting the needs of your citizens. San Diego is looking at fire protection. The City is quite large geographically and they have fire issues due to lack of sufficient water in some parts of the community. Orange County has a number of special districts, probably exceeding any other county in the state. They are looking at consolidating a number of their districts. In Sacramento, I talked a little bit about waste water and sewage. They are also looking at fire protection. They have probably twenty-three different fire districts, and they are looking at consolidating those.

San Francisco is unique, so in terms of your future work plan, some of these studies I have mentioned don't obviously fit. But in the issue of infrastructure and municipal services, you just tailor the studies to fit your needs. That is what every other

LAFCo does. They take their own unique circumstances and then decide to solve whatever unique problem is facing them.

Commissioner Hall stated there is a great variety here. As Ms. Miller has pointed out, most of these are a result of the City and County being separate. When you look down the line here, Ms. Miller mentions that in most of the LAFCo's, with the exception of water supply, the infrastructure needs is a big one. There is a great array of things that we could look at. Before we dedicate the efforts of this committee, I would want to really take our time in deciding what to embark on. In the City and County of San Francisco, infrastructure needs have been dominantly present here for thirty years that I know of. There has been study after study done, and I would like to find out why some things have not been implemented. Are we on a particular time limit? Do we have to decide what we are going to look at next?

Ms. Young stated no, you don't have a timeframe. You could decide which of these areas you would like to look at and have a discussion amongst yourselves in terms of whether or not you wanted to do service reviews of any other areas that have been delineated by Ms. Miller.

Commissioner Hall stated, I would imagine we would want to wait until after the November ballot to really start looking at what transpires.

Ms. Young stated once you have the opportunity to adopt your Resolution at the next meeting, the other items could be folded into your planning process as well.

Chairperson Gonzalez asked if for the next meeting Ms. Young might ask the various Board and Commission members whether they would want to make a proposal related to what area of inquiry the LAFCo might go into.

Ms. Young stated she would be available to do that.

Commissioner Schmeltzer asked what SFLAFCo's budget year looks like.

Ms. Young stated, \$449,000. There are some discrepancies between the fact that our project budget may have been continued over as opposed to adopting the new budget. She has been looking into that issue for the last couple of days. What the Commission has adopted as of this year, June, was \$458,450 for the fiscal year. That includes ongoing salary, attorney fees, as well as stipend fees. There is probably \$250,000 that is discretionary.

Commissioner Schmeltzer asked if the Commission were to adopt this Resolution at the next meeting and wanted to move forward on some of the studies recommended and the Resolution and or looking at other work plans or service studies available, if it would be out of that budget.

Ms. Young stated there would be funds available.

Commissioner Hall stated, so we have \$449,000 that we know of.

Ms. Young stated, during the budget process earlier this year, and that is the discrepancy that we are working with, it was my understanding in working with the Mayor's and the Controller's Office, that what we have still in reserve would be allocated towards this year's budget. This year we were separating ourselves from the Board of Supervisors in having a complete budget, and that would be rolled into the amount that would make up the \$458,00 or \$450,000. What we see now in our budget is about \$716,000. The concern I have is to make sure what our actual budget is. Did they not reduce the budget accordingly? We are working to make sure we are operating with the exact amount of money that the LAFCo Commission has available to it.

Commissioner Hall stated that the Commission can do serious inquiry with that.

Commissioner Fellman asked, in terms of our future work plan, as I understand it, we will put forth proposals for the next meeting regarding what should be emphasized. I do want to say that I think we've done a really good job in distilling a lot of information and coming up with these recommendations. It will be useful, whatever the direction the City and County takes after November, to look at our recommendations and not lose the momentum we have on power, so our study doesn't become another study without any implementation factors.

Chairperson Gonzalez asked if we could set up another meeting in two weeks?

Ms. Young discussed possible meeting dates. See Future Agenda Items.

Ms. Young stated that the Commission received information about the annual CALAFCo conference from November 13 - 15 in Santa Barbara in which all LAFCO's will be present. We do have about \$3,000 available and recommended that one or two Commissioners attend the conference. You may contact staff if interested in attending for further information about the conference.

No Public Comment

5. Future Agenda Items.

Public Comment

Sylvia Johnson stated that she would like to be more informed about the ideas that are being presented.

Public comment closed.

Ms. Young stated that the issue is whether the Commission would want to meet on October 11th. Ms. Miller would not be available.

Commissioner Schmeltzer stated she would be available the following week, October 18th.

Ms. Young stated she would not be available on October 4. She would check with Mr. Maynor to see if he would be available for a meeting on the 11th, since Ms. Miller would not be able to attend.

Ms. Young stated she would check everybody's schedule and set up a meeting.

6. Public Comment on Items not on the Agenda.

No public comment. Public comment closed.

7. Adjournment.

The meeting of the San Francisco Local Agency Formation Commission adjourned at 2:35 p.m.