File No. 120467 Committee Item No. 7
Board Item No. 4

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee **Date** May 24, 2012

Board of Supervisors Meeting **Date** 6/12/12

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Completed by: Victor Young **Date** May 18, 2012
Completed by: Victor Young **Date** 5/31/12

An asterisked item represents the cover sheet to a document that exceeds 25 pages.
The complete document can be found in the file.

[Water Revenue Bond Issuance - Not to Exceed $163,400,000]

Ordinance approving the issuance and sale of water revenue bonds by the San Francisco Public Utilities Commission in an aggregate principal amount not to exceed $163,400,000 to finance various capital water projects benefitting the Water Enterprise pursuant to amendments to the Charter of the City and County of San Francisco enacted by the voters on November 5, 2002 as Proposition E; and ratifying previous actions taken in connection therewith.

NOTE: Additions are *single-underline italics Times New Roman*; deletions are ~~*strike-through italics Times New Roman*~~. Board amendment additions are double-underlined; Board amendment deletions are ~~strikethrough normal~~.

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

Section 1. Findings. The Board of Supervisors (the "Board") of the City hereby finds and declares as follows:

A. On November 5, 2002, the voters of the City and County of San Francisco (the "City") approved Proposition E, which among other things, authorized the Commission to issue revenue bonds, including notes, commercial paper or other forms of indebtedness, when authorized by ordinance approved by a two-thirds vote of the Board of Supervisors, for the purpose of reconstructing, replacing, expanding, repairing or improving water facilities or clean water facilities or combinations of water and clean water facilities under the jurisdiction of the Commission; and,

B. The Commission adopted the Amended and Restated Indenture dated as of January 1, 2002, as further amended and supplemented from time to time, between the

Commission and U. S. Bank National Association (the "Indenture") and in connection therewith, has from time to time issued revenue bonds to finance projects benefitting the Water Enterprise; and,

C. By Resolution 12-0026 adopted on February 14, 2012 (the "Commission Resolution") the Commission has determined to issue water revenue bonds in an aggregate principal amount not to exceed $163,400,000 to finance various capital water projects benefitting the Water Enterprise (the "Capital Improvement Projects" such projects being more fully described in the Commission Resolution), pursuant to Section 8B.124 of the Charter, and has formally requested this Board of Supervisors to authorize the issuance and sale of water revenue bonds for such purposes; and,

D. In order to finance the costs of the Capital Improvement Projects, the Board now desires to authorize the issuance and sale of water revenue bonds for such purposes; and,

E. The Board is concurrently considering with this ordinance, supplemental budetary appropriations totaling $171,001,000 for the Water Enterprise for fiscal 2012 through fiscal 2014; and,

Section 2. Approval of the Water Revenue Bonds. The Board hereby approves the issuance and sale of the Water Revenue Bonds from time to time by the Commission pursuant to Proposition E and in accordance with the Commission Resolution in an aggregate principal amount not to exceed $163,400,000 (inclusive of financing costs), at a maximum rate or rates of interest of not to exceed twelve percent (12%) per annum to finance a portion of the design, acquisition and construction of the Capital Improvement Projects. The Commission is hereby authorized to determine the timing, amount and manner of sale of each series of Water Revenue Bonds issued pursuant to this authorization; provided however, the Commission's authorization to issue Water Revenue Bonds is subject to approval by the Commission's Board of the form of offering document

and the filing with its Board and the Clerk of the Board any certifications required by Proposition E prior to the issuance of any bonds herein authorized.

Section 3. General Authority. The Controller, Treasurer, the City Attorney and other officers of the City and their duly authorized deputies and agents are hereby authorized and directed, jointly and severally, to take such actions and to execute and deliver such certificates, agreements, requests or other documents, as they may deem necessary or desirable to facilitate the issuance, sale and delivery of the Water Revenue Bonds, to obtain bond insurance or other credit enhancements with respect to the Water Revenue Bonds, to obtain surety, to obtain title and other insurance with respect to the facilities to be financed, and otherwise to carry out the provisions of this Ordinance.

Section 4. Ratification of Prior Actions. All actions authorized and directed by this Ordinance and heretofore taken are hereby ratified, approved and confirmed by this Board.

Section 5. File Documents. All documents referred to as on file with the Clerk of the Board are in File Nos. 120467.

Section 6. Effective Date. Pursuant to Section 14.102 of the Charter, this Ordinance shall take effect thirty (30) days after its adoption.

APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

By: _____
MARK BLAKE
Deputy City Attorney

Authorize: Adoption of Two-Year Capital Budget
Commission Meeting Date: February 14, 2012

PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO. 12-0026

WHEREAS, The General Manager of the San Francisco Public Utilities Commission (SFPUC) and staff presented tbe proposed 10-Year Capital Plan, the proposed FY 2012-13 and FY 2013-14 Capital Improvement Program (Capital Budget) to the Commission at public hearings held on January 12 and 24, and February 14, 2012, for the Water Enterprise, Wastewater Enterprise, and Hetch-Hetchy Water and Power, including the Power Enterprise; and

WHEREAS, The SFPUC proposed Capital Improvement Program Budget must be submitted to and approved by, Mayor Edwin M. Lee and the Board of Supervisors; and

WHEREAS, The SFPUC General Manager recommends that the SFPUC seek a supplemental appropriation for the capital expenditures presented in the proposed Capital Improvement Pmgram Budgets for the Water Enterprise, Wastewater Enterprise and Hetch Hetchy Water & Power, including the Power Enterprise, to timely implement public repair and improvement projects, including the preparation and consideration of environmental analysis pursuant to the California Environmental Quality Act (CEQA) and Administrative Code Chapter 31, where required; and

WHEREAS, This Commission has considered the proposed Fiscal Years 2012-13 and 2013-14 Capital Improvement Program Budgets for the Water Enterprise, Wastewater Enterprise, and Hetcb Hetchy Water and Power, including the Power Enterprise, which total $403,304,000 for FY 2012-13 and $465,092,000 for FY 2013-14; now, therefore be it

RESOLVED, That this Commission hereby approves the Fiscal Years 2012-13 and FY 2013-14 Capital Improvement Program Budget for each Enterprise as follows:

Capital Improvement Program	FY 2012-13	F¥2013-14
Wastewater Enterprise	$267,908,000	$255,569,000
Water Enterprise	$ 86,958,000	$127,011,000
Hetchy Power	$ 14,809,000	$ 25,021,000
Hetchy Water	$ 33.629.o'OO	$ 57.491,000
Total SFPUC	$403,304,000	$465,092,000

and, be it

FURTHER RESOLVED, That the General Manager of the San Francisco Public Utilities Commission (SFPUC) is authorized to make further technical adjustments to these approved amounts as may be necessary, or upon further direction from the Commission; and, be it

FURTHER RESOLVED, That this Commission hereby adopts the proposed FY 2012-13 and 2013-14 SFPUC Capital [mprovement Program Budgets for the Water Enterprise, the Wastewater Enterprise, and Hetch Hetchy Water and Power, including the Power Enterprise, and authorizes the General M<!-nager to request the Mayor to recommend to the Board of

Supervisors a supplemental appropriation in the amount of $443,888,000 to fund FY 2012-13 and $518,321,000 to fund FY 2013-14 as follows:

FY 2012-13 Projects	Amount	Financing Costs	Total
Wastewater Enterprise	$267,908,000	$31,494,000	$299'402,000
Water Enterprise	$ 86,958,000	$ 6,145,000	$ 93,103,0{}0
Hetchy Power	$ 14,809,000	$ 0	$ 14,809,000
Hetchy Water	$ 33,629,000	$ 2.945.000	$ 36,574,000
Total SFPUC	$403,304,000	$40,584,000	$443,888,000

FY 2013-14 Projects	Amount	Financing Costs	Total
Wastewater Enterprise	$255,569,000	$32,785,000	$288,354,000
Water Enterprise	$127,011,000	$13,168,000	$140,179,000
Hetchy Power	$ 25,021,000	$ 2,300,000	$ 27,321,000
Hetchy Water	$ 57,491.000	$ 4,976,000	$ 62,467,000
Total SFPUC	$465,092,000	$53,229,000	$518,321,000

FURTHER RESOLVED, That this Commission approve the acceptance and expenditures of Proposition IE Grant Funds in the amount of $24,147,000 to fund a like amount of eligible cost, in the Wastewater Capital Improvement Program for FY 2012-13 and be it,

FURTHER RESOLVED, The General Manager is hereby authorized and directed to submit tot he Board proposed Ordinances authorizing the issuance of not to exceed $163,400,000 aggregate principal amount of Water Revenue Bonds and $492,810,000 aggregate principal amount of Wastewater Revenue Bonds under the terms of Proposition E; provided, however, the issuance of such Bonds shall be subject to the terms of Proposition E (approved by the voters November 2002); and $12,300,000 aggregate principal amount of Power Revenue Bonds, subject to the terms of Charter Section 9.107(8). The General Manager shall rettm1 to this Commission and the Board for a subsequent discretionary approval of any disclosure and security documents prepared in connection with the issuance of such Bonds to finance these capital improvement program projects; and be it

FURTHER RESOLVED, The FY 2012-13 to FY 2021-22 Ten-Year Capital Plan is hereby adopted:

10-Year Capital Plan	FYE 2013-2022
Wastewater Enterprise	$5,107,730,000
Water Enterprise	$1,262,452,000
Retch Hetchy Water & Power	$ 638,079.000
Total SFPUC	$7,008,261,000

I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting of February 14, 2012

Secretary, Public Utilities Commission

San Francisco Water Power Sewer

Services of the San Francisco Public Utilities Commission

AGENDA ITEM
Public Utilities Commission
City and County of San Francisco

DEPARTMENT Business Services

AGENDA NO. **15**

MEETING DATE February 14, 2012

Title: Regular Calendar
Manager: Carlos Jacobo

Adoption of the Capital Budget for FY 2012-13 and FY 2013-14 and the SFPUC 10-Year Capital Plan for FY 2012-13 to FY 2021-2022

Summary of Proposed Commission Action:	Public Hearing to consider, and possible action, to **Adopt** the two-year Capital Budget; **Adopt** the SFPUC 10-Year Capital Plan for FY 2012-13 to FY 2021-22; **Authorize** a request for a Supplemental Appropriation for the Enterprises of the San Francisco Public Utilities Commission for FY 2012-13 and FY 2013-14 ; and **Authorize** and directed the General Manager to submit to the Board proposed Ordinances authorizing: 1) the issuance of not to exceed $163,400,000 aggregate principal amount of Water Revenue Bonds and $492,810,000 aggregate principal amount of Wastewater Revenue Bonds under the terms of Proposition E (approved by the voters November 2002) provided, however, the issuance of such Bonds shall be subject to the terms of Proposition E; and 2) the issuance of not to exceed $12,300,000 aggregate principal amount of Power Revenue Bonds, subject to the terms of Charter Section 9.107(8).
Background & Description:	**Background:** The General Manager of the San Francisco Public Utilities Commission (SFPUC) and staff presented the proposed FY 2012-13 and FY 2013-14 Capital Budget and 10-Year Capital Plan to the Commission at duly noticed public meetings held on January 12 and 24, 2012 for the Water Enterprise, Wastewater Enterprise, and Hetch Hetchy Water and Power, including the Power Enterprise. To comply with the City's Budget submittal date staff requests the Commission approve the proposed Capital Budget resolution and related supplemental appropriation request as well as the 10-Year Capital Plan for

APPROVAL:

DEPARTMENT / BUREAU [signature] for TLR

FINANCE pp/ Todd L. Rydstrom

COMMISSION SECRETARY Mike Housh

GENERAL MANAGER Ed Harrington

FY 2012-13 to FY 2021-22.

The Resolution directs the General Manager to submit to the Mayor and the Board of Supervisors a supplemental appropriation request to fund the two-year Capital Budget for the three Enterprises including financing costs and bond authorization to fund the FY 2012-13 and FY 2013-14 Capital Budget.

The Resolution also authorizes and directs the General Manager to submit to the Board proposed Ordinances authorizing the issuance of not to exceed $163,400,000 aggregate principal amount of Water Revenue Bonds and $492,810,000 aggregate principal amount of Wastewater Revenue Bonds under the terms of Proposition E (approved by the voters November 2002); provided, however, the issuance of such Bonds shall be subject to the terms of Proposition E; and $12,300,000 aggregate principal amount of Power Revenue Bonds, subject to the terms of Charter Section 9.107(8). The General Manager shall return to this Commission and the Board for a subsequent discretionary approval of any disclosure and security documents prepared in connection with the issuance of such Bonds to finance these capital improvement program projects

Result of Inaction:

Not approving this item would delay the Capital Budget and 10-Year Capital Plan submittal to the Controller and Mayor's Office.

Budget & Costs:

Capital Improvement Program

FY 2012-13 Projects	Amount	Financing Costs	Total
Wastewater Enterprise	$267,908,000	$31,494,000	$299,402,000
Water Enterprise	$86,958,000	$6,145,000	$93,103,000
Hetchy Power	$14,809,000	$0	$14,809,000
Hetchy Water	$33,629,000	$2,945,000	$36,574,000
Total SFPUC	**$403,304,000**	**$40,584,000**	**$443,888,000**

FY 2013-14 Projects	Amount	Financing Costs	Total
Wastewater Enterprise	$255,569,000	$32,785,000	$288,354,000
Water Enterprise	$127,011,000	$13,168,000	$140,179,000
Hetchy Power	$25,021,000	$2,300,000	$27,321,000
Hetchy Water	$57,491,000	$4,976,000	$62,467,000
Total SFPUC	**$465,092,000**	**$53,229,000**	**$518,321,000**

Authorize: Adoption of Two-Year Capital Budget
Commission Meeting Date: February 14, 2012

	10-Year Capital Plan	**FY 2013-2022**
	Wastewater Enterprise	$5,107,730,000
	Water Enterprise	$1,262,452,000
	Hetch Hetchy Water & Power	$ 638,079,000
	Total SFPUC	**$7,008,261,000**
Schedule:		
Recommendation:	SFPUC staff recommends that the Commission adopt the attached resolution.	
Attachment:	1. SFPUC Resolution	

Authorize: Adoption of Two-Year Capital Budget
Commission Meeting Date: 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 proposed 10-Year Capital Plan, the proposed FY 2012-13 and FY 2013-14 Capital Improvement Program (Capital Budget) to the Commission at public hearings held on January 12 and 24, and February 14, 2012, for the Water Enterprise, Wastewater Enterprise, and Hetch-Hetchy Water and Power, including the Power Enterprise; and

WHEREAS, The SFPUC proposed Capital Improvement Program Budget must be submitted to, and approved by, Mayor Edwin M. Lee and the Board of Supervisors; and

WHEREAS, The SFPUC General Manager recommends that the SFPUC seek a supplemental appropriation for the capital expenditures presented in the proposed Capital Improvement Program Budgets for the Water Enterprise, Wastewater Enterprise and Hetch Hetchy Water & Power, including the Power Enterprise, to timely implement public repair and improvement projects, including the preparation and consideration of environmental analysis pursuant to the California Environmental Quality Act (CEQA) and Administrative Code Chapter 31, where required; and

WHEREAS, This Commission has considered the proposed Fiscal Years 2012-13 and 2013-14 Capital Improvement Program Budgets for the Water Enterprise, Wastewater Enterprise, and Hetch Hetchy Water and Power, including the Power Enterprise, which total $403,304,000 for FY 2012-13 and $465,092,000 for FY 2013-14; now, therefore be it

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Total SFPUC	**$403,304,000**	**$465,092,000**

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FURTHER RESOLVED, That the General Manager of the San Francisco Public Utilities Commission (SFPUC) is authorized to make further technical adjustments to these approved amounts as may be necessary, or upon further direction from the Commission; and, be it

FURTHER RESOLVED, That this Commission hereby adopts the proposed FY 2012-13 and 2013-14 SFPUC Capital Improvement Program Budgets for the Water Enterprise, the Wastewater Enterprise, and Hetch Hetchy Water and Power, including the Power Enterprise, and authorizes the General Manager to request the Mayor to recommend to the Board of Supervisors a supplemental appropriation in the amount of $443,888,000 to fund FY 2012-13 and $518,321,000 to fund FY 2013-14 as follows:

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FURTHER RESOLVED, The General Manager is hereby authorized and directed to submit to the Board proposed Ordinances authorizing: 1) the issuance of not to exceed $163,400,000 aggregate principal amount of Water Revenue Bonds and $492,810,000 aggregate principal amount of Wastewater Revenue Bonds under the terms of Proposition E (approved by the voters November 2002); provided, however, the issuance of such Bonds shall be subject to the terms of Proposition E; and 2) the issuance of not to exceed $12,300,000 aggregate principal amount of Power Revenue Bonds, subject to the terms of Charter Section 9.107(8). The General Manager shall return to this Commission and the Board for a subsequent discretionary approval of any disclosure and security documents prepared in connection with the issuance of such Bonds to finance these capital improvement program projects; and be it

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Total SFPUC	**$7,008,261,000**

I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting of February 14, 2012

Secretary, Public Utilities Commission

San Francisco Water Power Sewer

SFPUC FY 2012-13 & FY 2013-14 Proposed Budgets

Commission Budget Hearing

February 14, 2012

Todd L. Rydstrom

Assistant General Manager & CFO

Proposed Budget: Up $393M for Capital & Facilities, Up $19M All Other Costs

San Francisco Water Power Sewer

($ Millions)	Operating	Programmatic Projects	Total	Capital Projects	Total
FY 2011-12 Adopted Budget	657	22	679	139	819
FY 2012-13 Adopted Budget	703	29	732	141	873
FY 2012-13 Proposed Budget	692	34	726	403	1,129
FY 2013-14 Proposed Budget	728	37	765	465	1,230

Capital Supplemental

Capital Debt Service	$52M
Personnel Costs	$11M
General Reserves	$ 3M
All Other Costs	$ 5M
Total Change	$71M

Capital - 525 Golden Gate	$13M
Regulatory Compliance Costs	$ 2M
Total Change	$15M

San Francisco Water Power Sewer

Total Budget....Key Changes

($ Millions)		Budget	Change $	Change %
FY 2011-12 Adopted		**$ 819**		
	Capital	2		
	Programmatic	8		
	Debt Service	31		
	General Reserve	3		
	Other	10		
FY 2012-13 Adopted		**$ 873**	**$ 54**	**7%**
	Capital	262		
	Programmatic	5		
	Debt Service	(18)		
	General Reserve	(2)		
	Other	9		
FY 2012-13 Proposed		**$1,129**	**$ 256**	**29%**
	Capital	62		
	Programmatic	2		
	Debt Service	39		
	General Reserve	2		
	All Other	(4)		
FY 2013-14 Proposed		**$1,230**	**$ 101**	**9%**

San Francisco Water Power Sewer

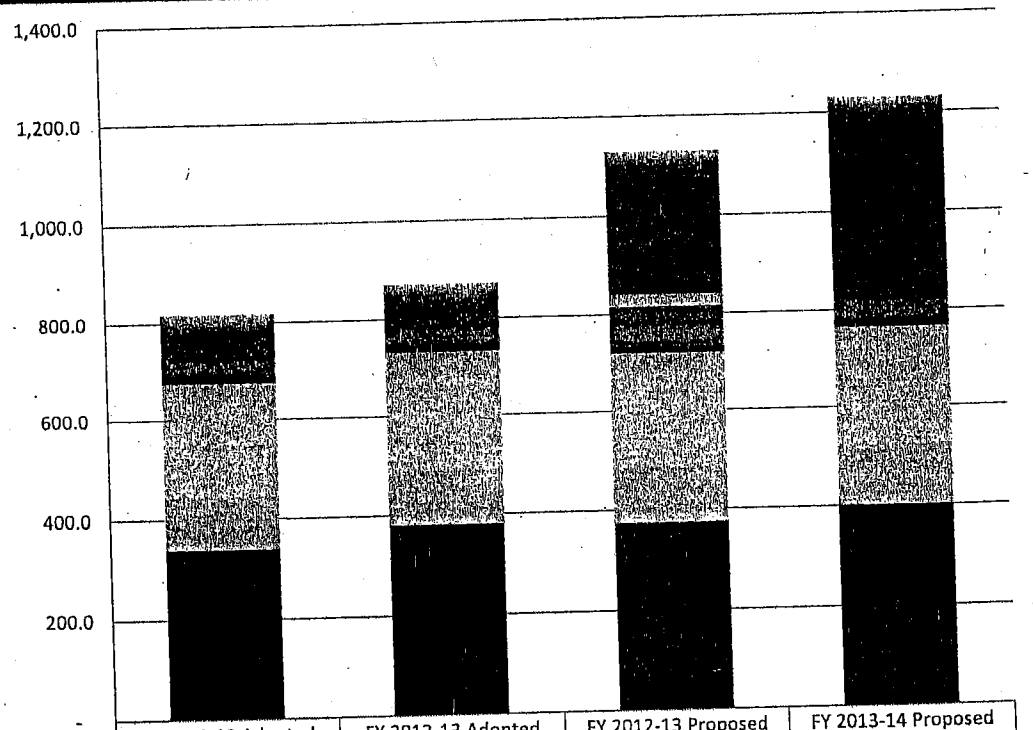
Full-Time Positions - 13 Reassignments

	Operating Budget			Total Authorized		
	Budget	Change	Change %	Authorized	Change	Change %
FY 2011-12 Adopted	**1,978**			**2,360**		
SFGreasecycle Laborers, New	2					
Annualization	7					
FY 2012-13 Adopted	**1,987**	**9**	**0%**	**2,369**	**9**	**0%**
IT Systems Support	2					
Sewer Operations & Repair Support	2					
Salary Savings	(4)					
Transfer Out	(1)					
Transfer In	14					
FY 2012-13 Proposed	**2,000**	**13 ***	**1%**	**2,369**	**0**	**0%**
FY 2013-14 Proposed	**2,000**	**0**	**0%**	**2,369**	**0**	**0%**

*Off-set through the reassignment of 13 authorized positions from Infrastructure into the operating budget: 11 positions to Water Natural Resources; one position to Wastewater and one position to Hetchy Water.

San Francisco Water Power Sewer

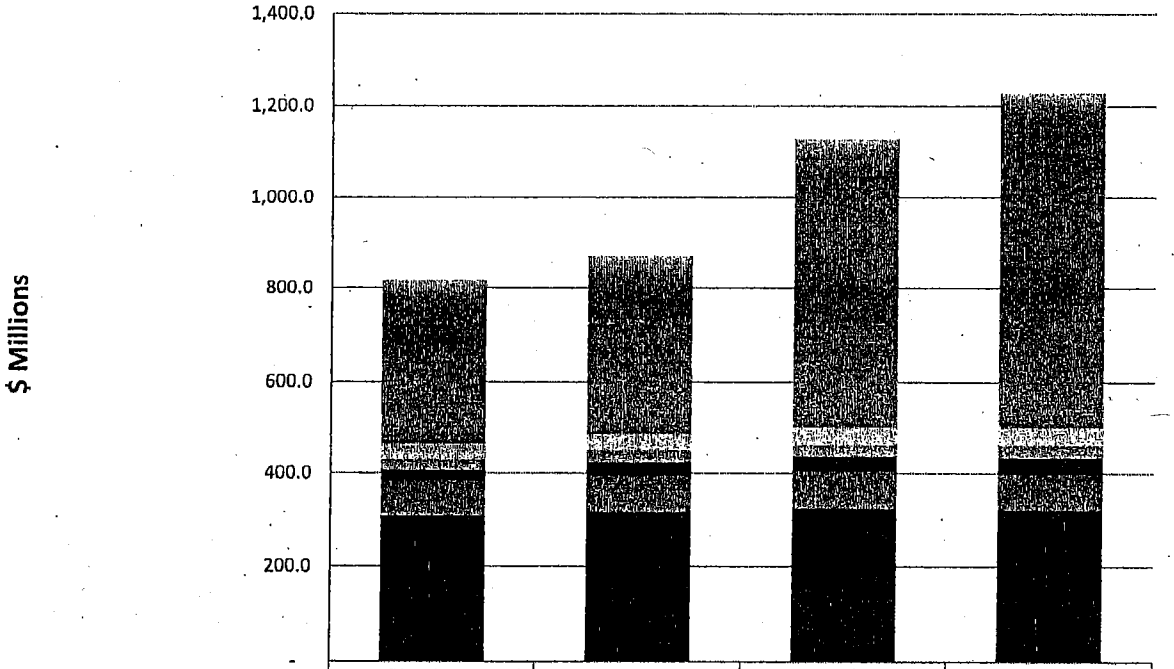
Total Sources of Funds - Bond Sources Up for Capital



	FY 2011-12 Adopted	FY 2012-13 Adopted	FY 2012-13 Proposed	FY 2013-14 Proposed
Proceeds from Debt	51.0	66.4	289.0	348.6
State Grants	-	-	24.1	-
Fund Balance	21.1	-	10.8	33.6
Federal Bond Interest Subsidy	26.0	26.0	30.3	30.3
Other Non-Operating Revenues	27.4	31.7	31.0	33.3
Interest Income	6.0	5.8	12.7	6.4
Sale of Natural Gas & Steam	11.9	12.4	13.3	14.1
Sewer Service Charges	230.8	243.1	233.2	244.8
Sale of Electricity	103.6	106.5	109.4	117.8
Sale of Water	340.8	381.6	375.3	401.3
Total Sources of Funds	$818.6	$873.5	$1,129.1	$1,230.1

San Francisco Water Power Sewer

Total Uses of Funds – Capital, Debt Service Up



	FY 2011-12 Adopted	FY 2012-13 Adopted	FY 2012-13 Proposed	FY 2013-14 Proposed
Capital Projects	139.3	140.6	403.3	465.1
Debt Service	212.9	244.6	224.9	263.9
Purchase of Power	35.0	35.0	35.3	35.3
Natural Gas & Steam Pass Through	11.9	12.4	13.3	14.1
General Reserve	13.4	16.7	14.3	16.0
Programmatic Projects	21.9	29.6	33.8	36.5
Services of SFPUC Bureaus	74.9	76.3	78.1	76.2
Non-Personnel Operating Costs	140.6	139.0	147.3	143.7
Personnel	168.6	179.1	178.8	179.3
Total Uses of Funds	$818.6	$873.5	$1,129.1	$1,230.1

San Francisco Water Power Sewer

Budget Updates & Fiscal Impact

1) Wastewater Consolidation Costs, down $27M

2) Water Main Replacement, down $10M*

3) Treasure Island Water Capital Costs, down $1.5M*

4) Infrastructure Positions, Substitutions Made, No New Positions

---

* Existing Appropriations Adequate to Fund FY 2012-13 Planned Investment

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1150, San Francisco, CA 94102 (415) 552-9292
FAX (415) 252-0461

May 22, 2012

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: Recommendations of the Budget and Legislative Analyst for Amendment of the Mayor's Fiscal Year 2012-2013 to Fiscal Year 2013-2014 Budget.

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Descriptions for Departmental Budget Hearing, May 24, 2012 Meeting, 10:00 a.m.

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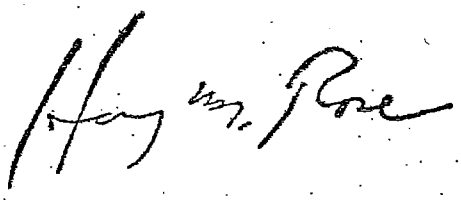

Harvey M. Rose

cc: Supervisor Chu
Supervisor Avalos
Supervisor Kim
Supervisor Cohen
Supervisor Wiener
President Chiu
Supervisor Campos
Supervisor Elsbernd
Supervisor Farrell
Supervisor Mar
Supervisor Olague
Clerk of the Board
Cheryl Adams
Mayor Lee
Controller
Kate Howard

DEPARTMENT: PUC – PUBLIC UTILITIES COMMISSION

BUDGET REVIEW EXECUTIVE SUMMARY
FIXED TWO YEAR BUDGET, FY 2012-13 & FY 2013-14

YEAR ONE (FY 2012-13)

Budget Changes

The department's proposed budget of $704,956,414 for FY 2012-13 is $18,536,224 or 2.6% less than the original budget of $723,492,638 for FY 2011-12.

Personnel Changes

The number of full-time equivalent positions (FTE) budgeted for FY 2012-13 is 1,622 FTEs, which is 6 FTEs more than the 1,616 FTEs in FY 2011-12. This represents 0.4% increase in FTEs from the original budget for FY 2011-12.

Revenue Changes

Department revenues, consistent with expenditures, have decreased by $18,536,224 or 2.6%, from the original FY 2011-12 budget of $723,492,638 to the proposed FY 2012-13 budget of $704,956,414.

YEAR TWO (FY 2013-14)

Budget Changes

The department's proposed budget of $775,739,283 for FY 2013-14 is $70,782,869 or 10.0% more than the proposed budget of $704,956,414 for FY 2012-13.

Personnel Changes

The number of FTEs budgeted for FY 2013-14 is 1,623 FTEs, which is 1 FTE more than the 1,622 FTEs in FY 2012-13.

Revenue Changes

Department revenues, consistent with expenditures, have increased by $70,782,869 or 10.0%, from the proposed FY 2012-13 budget of $704,956,414 to the proposed FY 2013-14 budget of $775,739,283.

RECOMMENDED REDUCTIONS

The Budget and Legislative Analyst's recommended reductions to the proposed budget total $2,576,394 in FY 2012-13 and $2,801,604 in FY 2013-14.

DEPARTMENT: PUC – PUBLIC UTILITIES COMMISSION

SUMMARY OF PROGRAM EXPENDITURES:

	FY 2011-12 Original Budget	FY 2012-13 Proposed Budget	Increase/ (Decrease) from FY 2011-12	FY 2013-14 Proposed Budget	Increase/ (Decrease) from FY 2012-13
PUBLIC UTILITIES COMMISSION					
ADMINISTRATION	$112,184,853	$188,958,806	$76,773,953	$208,772,837	$19,814,031
CUSTOMER SERVICES	11,984,647	12,561,644	576,997	12,975,905	414,261
DEBT SERVICE	212,923,930	232,022,270	19,098,340	274,689,954	42,667,684
ENGINEERING	0	0	0	0	0
FINANCE	10,148,226	10,684,141	535,915	10,958,753	274,612
GENERAL MANAGEMENT	(55,946,417)	(59,207,238)	(3,260,821)	(60,648,302)	(1,441,064)
HETCH HETCHY CAPITAL PROJECTS	73,686,500	2,000,000	(71,686,500)	2,000,000	0
HETCHY WATER OPERATIONS	50,487,873	59,486,896	8,999,023	55,417,772	(4,069,124)
HUMAN RESOURCES	9,581,837	10,135,362	553,525	10,420,474	285,112
MANAGEMENT INFORMATION	19,542,846	20,525,731	982,885	20,746,225	220,494
OPERATING RESERVE	13,434,935	20,798,138	7,363,203	36,122,807	15,324,669
POWER INFRASTRUCTURE DEVELOPMENT	9,316,096	21,721,891	12,405,795	22,297,133	575,242
POWER PURCHASING/ SCHEDULING	44,505,295	45,851,628	1,346,333	45,971,131	119,503
POWER UTILITY SERVICES	11,869,084	342,000	(11,527,084)	357,000	15,000
STRATEGIC PLANNING/ COMPLIANCE	10,596,544	12,785,185	2,188,641	12,881,037	95,852
WASTEWATER CAPITAL PROJECTS	30,652,450	0	(30,652,450)	0	0
WASTEWATER COLLECTION	30,100,426	31,317,585	1,217,159	31,890,746	573,161
WASTEWATER OPERATIONS	6,413,336	3,051,622	(3,361,714)	3,072,021	20,399
WASTEWATER TREATMENT	69,931,755	70,704,830	773,075	72,039,834	1,335,004
WATER CAPITAL PROJECTS	39,270,330	5,001,000	(34,269,330)	5,713,000	712,000
WATER SOURCE OF SUPPLY	20,925,744	20,002,385	(923,359)	21,127,014	1,124,629
WATER TRANSMISSION/ DISTRIBUTION	49,043,342	50,988,696	1,945,354	51,668,436	679,740
WATER TREATMENT	37,910,802	42,618,602	4,707,800	42,882,303	263,701
Subtotal	$818,564,434	$802,351,174	($16,213,260)	$881,356,080	$79,004,906
Less Interdepartmental Recoveries And Transfers	(95,071,796)	(97,394,760)	(2,322,964)	(105,616,797)	(8,222,037)
Net Uses	**$723,492,638**	**$704,956,414**	**($18,536,224)**	**$775,739,283**	**$70,782,869**

DEPARTMENT: PUC – PUBLIC UTILITIES COMMISSION

FY 2012-13

The PUC's proposed budget for FY 2012-13 is $18,536,224 less than the budget for FY 2011-12. The PUC has proposed the following major changes in FY 2012-13:

- Scheduled debt service has increased due to increasing debt payments for outstanding Water Revenue Bonds to fund the Water Systems Improvement Program (WSIP), which began in 2005 and involves the rebuild and retrofit of the Hetch Hetchy Water System.

- The department is proposing two new positions: (1) one new 5148 Water Operations Analyst is being requested by the Wastewater Enterprise to help respond to various sewer inquiries from the public and other agencies that have increased as a result of sewer condition assessments; and (2) one new 7246 Sewer Repair Supervisor to support sewer condition assessments and help prioritize sewer replacement for areas with critical needs.

- Professional services contracts in the Wastewater Enterprise have increased to (a) respond to an Environmental Protection Agency inspection of the Southeast Water Pollution Control Plant facility and collection system; (b) examine the unexpected results from acute toxicity tests at the Southeast Water Pollution Control Plant; and (c) enable compliance with new regulatory mandates under the revised National Pollutant Discharge Elimination System Municipal Separate Storm Sewer System (MS4) Phase II General Permit.

- New funding is included in the Hetch Hetchy Water Division for fisheries studies as ordered by the Federal Energy Regulatory Commission (FERC) as part of the requirements under the Turlock and Modesto Irrigation Districts' FERC license to operate the Don Pedro Project.

- The Hetch Hetchy Water Division has negotiated a water transfer with Modesto Irrigation District as anticipated by the WSIP and approved by the Public Utilities Commission in October 2008. This includes funding for a California Environmental Quality Act (CEQA) review of potential water transfer from Modesto Irrigation District.

- New funding is included for the Hetch Hetchy Water Division for Western Electricity Coordinating Council (WECC)/North American Electric Reliability Corporation (NERC) regional standard compliance for owners, operators and users of the Bulk Electric System (BES).

- The Hetch Hetchy Power Division includes new funding for a business and strategic assessment to assist Hetchy Power to better serve an increasing number of retail electric customers and for the Advance Metering Infrastructure (AMI) Master Data Management (MSM) implementation.

- An increase in permanent salaries and mandatory fringe benefits due to Memoranda of Understanding (MOU) changes.

- The Department has prioritized completion of WSIP, resulting in decreased funding for Capital Improvement Projects in the Water Enterprise.

- PUC is proposing reduced administrative costs to the Water, Wastewater, and Hetch Hetchy divisions.

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FY 2013-14

The PUC's proposed budget for FY 2013-14 is $70,782,869 and includes the following major changes:

- Annualization of new positions.
- An increase in scheduled debt service resulting from increasing debt payments for outstanding Water Revenue Bonds to fund WSIP.
- Increases in mandatory fringe benefits for department staff.
- A decrease in the Capital Improvement Projects for the Water Division due to WSIP.

DEPARTMENT PERSONNEL SUMMARY:

The number of FTEs in FY 2012-13 is 1,622 or 6 more than the 1,616 FTEs in FY 2011-12.

The number of FTEs in FY 2013-14 is 1,623 or 1 more than the 1,622 FTEs in FY 2012-13.

The Water Enterprise's FY 2012-13 budget includes 11 positions that are reassigned from the Infrastructure division.

The Wastewater Enterprise's FY 2012-13 budget includes two new positions noted above, annualization of positions approved in FY 2011-12, and budget system adjustments. No positions are proposed for deletion in FY 2012-13 and FY 2013-14.

The PUC Bureaus include increased FTEs from 13 positions that were new in FY 2011-12 and are annualized in the FY 2012-13 budget. The Bureaus budget includes two positions that are new in FY 2012-13.

DEPARTMENT: PUC – PUBLIC UTILITIES COMMISSION

Revenues

The PUC receives operating revenue from utility rates charged to San Francisco individuals and businesses for water and wastewater use; wholesale water rates charged to the PUC's wholesale customers; electricity sales from power generated by Hetch Hetchy, and other sources. Revenues in the proposed FY 2012-13 and FY 2013-14 PUC budgets include:

- Increased revenues from the sale of water to San Francisco consumers based rate increases which are part of the five-year rate plan the PUC implemented in FY 2008-09.[1]
- Increased revenues from the water rate increases for wholesale customers, as part of the five-year rate plan the PUC implemented in FY 2008-09.
- Increased revenues from sewer services to San Francisco consumers based rate increases which are part of the five-year rate plan the PUC implemented in FY 2008-09.[2]

LEGISLATION

Items 4 and 9. Files 12-0428 and 12-0469

File 12-0428 is an ordinance that would appropriate $587,756,000 of proceeds from wastewater revenue bonds, wastewater revenues and interest income in order to finance improvements to the San Francisco City sewer system, renewal and replacement projects for sewer and treatment facilities, the Treasure Island Project, other wastewater capital projects, and City Auditor costs. File 12-0428 would also accept and expend a Department of Water Resources grant in the amount of $24,146,000. **File 12-0469** is an ordinance that would increase the PUC's authority under San Francisco's 2002 Proposition E to issue Water Revenue Bonds by $522,810,000.

In 2002, San Francisco voters approved Proposition E, which allows the PUC to issue debt without further approval of the voters, subject to approval of two-thirds of the Board of Supervisors.

Under File 12-0469, the PUC is requesting Proposition E authority for up to $522,810,000 for (a) various wastewater projects (a list is in Table 3), (b) financing costs (as shown in Table 1, below), and (c) $30,000,000 in water revenue bonds that the Board of Supervisors had previously approved for expenditure in FY 2011-12, as shown in Table 1. According to Mr. Mike Brown, Capital Finance Analyst for the PUC, legislation to issue $30,000,000 in water revenue bonds had not been previously approved by the Board of Supervisors in FY 2011-12 and is being included in File 12-0469 for Board of Supervisors approval.

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[1] In accordance with Charter Section 8B.125, the Board of Supervisors has the authority to reject proposed increases in water rates. Such rate increases were previously presented to the Board of Supervisors.

[2] In accordance with Charter Section 8B.125, the Board of Supervisors has the authority to reject proposed increases in sewer rates. Such rate increases were previously presented to the Board of Supervisors.

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Table 1

Revenue Bond Issuance Authority	Amount
Wastewater Capital Projects	$428,530,000
Financing Costs	63,180,000
City Auditor Costs	1,100,000
Subtotal: Wastewater Revenue Bonds	**$492,810,000**
Previously Approved Water Revenue Bonds in FY 2011-12	30,000,000
Total	**$522,810,000**

Under File 12-0428, the PUC is requesting a supplemental appropriation of $587,756,000 for capital improvement projects in FY 2012-13 through FY 2013-14. The sources of funds, which include proceeds from the issuance of wastewater revenue bonds requested in File 12-0469 above, as well as the use of funds are shown in Tables 2 and 3.

Table 2

Sources	Amount
Proceeds from Sale of Wastewater Revenue Bonds (File 12-0469)	$492,810,000
Wastewater Enterprise Revenue	70,000,000
Department of Water Resources Grant	24,146,000
Interest Income	800,000
Total Sources	**$587,756,000**

Table 3

Uses	Amount
Improvements to San Francisco City Sewer System	$327,654,000
Renewal and Replacement for Sewer and Treatment Facilities	135,706,000
Treasure Island Project	5,470,000
Other Wastewater Capital Projects	54,647,000
Financing Costs	63,183,752
City Auditor Costs	1,095,248
Total Uses	**$587,756,000**

Recommendation: Approve Files 12-0428 and 12-0469.

DEPARTMENT: PUC – PUBLIC UTILITIES COMMISSION

Items 5 and 7. Files 12-0429 and 12-0467

File 12-0429 is an ordinance that would appropriate $171,001,000 of proceeds from revenue bonds, water revenues, and interest income in order to finance improvements to San Francisco City water mains, regional water system improvements, and City Auditor costs. **File 12-0467** is an ordinance that would increase the PUC's authority under San Francisco's 2002 Proposition E to issue Water Revenue Bonds by $163,400,000 to finance improvements to San Francisco City water mains, the PUC's Hetch Hetchy Water and Power System, and City Auditor costs.

In 2002, San Francisco voters approved Proposition E, which allows the PUC to issue debt without further approval of the voters, subject to the approval of two-thirds of the Board of Supervisors. The Board of Supervisors has previously approved two ordinances authorizing the PUC to issue Water Revenue Bonds as shown in Table 4 below.

Table 4

Ordinance	Date	Amount	Projects
189-09	8/4/2009	$1,310,307,119	WSIP
89-10	4/30/2010	1,737,724,038	WSIP Other Water Capital Projects (Local Water Mains) Automated Water Meter Program
100-11	6/20/2011	49,100,000	Water System Improvement Project Other Water Capital Projects (Local Water Mains)
Total		**$3,097,131,157**	

Under **File 12-0467**, the PUC is requesting Proposition E authority for the issuance and sale of up to $163,400,000 in water revenue bonds for two projects and City Auditor costs. According to Mr. Todd Rydstrom, Assistant General Manager and Chief Financial Officer for the PUC, the $163,400,000 in Proposition E authority would be allocated to the following projects as shown in Table 5.

Table 5

Water Revenue Bond Issuance Authority	Project Costs	Financing Costs	Total
Improvements to San Francisco City Water Mains and Regional Water System (File 12-0467)	$96,563,000	$19,009,624	$115,572,624
City Auditor Costs - Water Enterprise	303,376	N/A	303,376
Subtotal: Water Improvements	**$115,876,000**	**$19,009,624**	**$115,876,000**
Hetch Hetchy Water and Power System Improvements	39,602,350	7,841,795	47,444,145
City Auditor Costs – Hetch Hetchy Water	$79,205	N/A	$79,205
Total	**$136,547,931**	**$26,851,419**	**$163,399,350***

* Rounded up to $163,400,000.

DEPARTMENT: PUC – PUBLIC UTILITIES COMMISSION

Under File 12-0429, the PUC is requesting a supplemental appropriation of $171,001,000 for capital improvement projects in FY 2012-13 through FY 2013-14. The sources of funds, which include proceeds from the issuance and sale of water revenue bonds requested in File 12-0467 above, as well as the use of funds are shown in Tables 6 and 7.

Table 6

Sources	Amount
Proceeds from Sale of Water Revenue Bonds (File 12-0467)	$115,876,000
Water Enterprise Revenue	49,125,000
Interest Income	6,000,000
Total Sources	**$171,001,000**

Table 7

Uses	Amount
Improvements to City Water Mains and Regional Water System	$151,688,000
Financing Costs	19,009,624
City Auditor Costs	303,376
Total Uses	**$171,001,000**

Recommendations: Approve Files 12-0429 and 12-0467.

Item 6. File 12-0430

File 12-0430 is an ordinance that would appropriate $141,171,000 for the Hetch Hetchy Water and Power Enterprise's Capital Improvement Program in FY 2012-13 and FY 2013-14. The ordinance would place applicable appropriations by project on Controller's Reserve subject to California Environmental Quality Act (CEQA) approval, where required, as well as receipt of proceeds on indebtedness and loan funds.

Under File 12-0430, $141,171,000 is a proposed appropriation to be funded by Hetchy revenue, a Californian Energy Commission (CEC) loan, and PUC Power Revenue bonds (File 12-0468) and Water Revenue bonds (File 12-0467) as shown in Table 8 below.

DEPARTMENT: PUC – PUBLIC UTILITIES COMMISSION

Table 8

Sources	Amount
Hetch Hetchy Revenue, Continuing Capital Project Fund	$78,347,650
Californian Energy Commission Loan Fund	3,000,000
Hetchy Power Division Revenue Bonds (File 12-0468 – see below)	12,300,000
Water Enterprise Revenue Bonds (File 12-0467)	47,523,350
Total	**$141,171,000**

Under File 12-0430, the $141,171,000 proposed appropriation would be appropriated for Hetch Hetchy Water and Power Enterprise's Capital Improvement Program projects and for financing and City Auditor costs, as shown in Table 9.

Table 9

Uses	Amount
Hetch Hetchy Power Division Projects	$91,347,650
Hetch Hetchy Water Division Projects	39,602,350
Hetchy Power Enterprise Revenue Bond Financing Costs (File 12-0468)	9,959,100
City Auditor Costs	261,900
Total	**$141,171,000**

With the approval of the Board of Supervisors, the proposed appropriations are effective July 1, 2012. The bond-funded portion shall be placed on Controller's Reserve pending the availability of funds. Additionally, the portion of the appropriation funded by FY 2013-14 operating revenues would be placed on Controller's Reserve until July 1, 2013.

Recommendation: Approve File 12-0430.

Item 8. File 12-0468

File 12-0468 is an ordinance that would approve the issuance and sale of power revenue bonds of an amount not to exceed $12,300,000 by the PUC to fund Hetchy Power Division capital projects, pursuant to City Charter Section 9.107(8).

Under File 12-0468, the PUC is requesting authority to issue up to $12,300,000 for various capital improvement projects in the Hetch Hetchy Enterprise. According to Mr. Rydstrom, of the $12,300,000

not to exceed amount, an estimated $10,000,000 would be allocated to the projects proposed under File 12-0430 noted above, and $2,300,000 would be used for financing and City Auditor costs.

Recommendation. Approve File 12-0468.

Item 10. File 12-0544

File 12-0544 is a requested release of $20.0 million on reserve to implement, advance, promote or enhance policies and projects consistent with City Energy Policies. The funds were placed on reserve by the Board of Supervisors on August 7, 2007 (File 07-0315). The source of funds is a $20.0 million payment from Trans Bay Cable LLC to the PUC (the SF Electricity Reliability Payment), for Trans Bay Cable LLC's construction on and use of Port property.

Under File 07-0315, as previously approved by the Board of Supervisors, the PUC was required to consult with the Department of the Environment, the Department of Public Health (DPH), and the community in spending the $20.0 million SF Electricity Reliability Payment on renewable energy, conservation, and environmental health programs benefiting low income, at-risk, and environmentally disadvantaged communities. On April 24, 2012, the PUC submitted a $20.0 million spending plan, attached to this report, including (a) energy retrofits at the Human Services Agency and DPH; (b) air quality and energy retrofits at various City locations; (c) other energy projects, including energy efficiency projects with SFUSD; (d) renewable energy projects; (e) implementation of new programs, including environmental justice and education programs; and (f) green jobs training and placement. According to Mr. Carlos Jacobo, PUC Budget Manager, the PUC consulted with the Department of Environment, DPH, and the community in the development of this spending plan.

The PUC's proposed FY 2012-13 budget includes $3.6 million of the reserved funds and the proposed FY 2013-14 budget includes an additional $3.3 million of the reserved funds, for a total of $6.9 million. The attached budget shows that the remaining $13.1 million would be in FY 2014-15 through 2020-21, subject to Board of Supervisors approval.

Recommendation: Approve File 12-0544.

COMMENTS:

The Budget and Legislative Analyst's recommended reductions to the proposed budget total $2,576,394 in FY 2012-13 and $2,801,604 in FY 2013-14.

Proposed uses of SF Electric Reliability Payment: FY 2012-2021 (Project costs tentative, pending detailed site evaluations)
March 30, 2012

Energy Efficiency / Environmental Health	FY2011-12	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21	TOTAL
	$0	$1,785,000	$1,715,000	$1,100,000	$900,000	$900,000	$900,000	$900,000	$900,000	$900,000	$9,825,000
Energy Retrofits at Human Services Agency:	$0	$1,085,000	$715,000	$0	$0	$0	$0	$0	$0	$0	$1,800,000
		$1,085,000	$715,000								$1,800,000
Project locations selected according to established location criteria:											
Career Link Center - 3120 Mission St											
Earl P. Mills Community Center - 100 Whitney Young Cir											
Human Services Agency - 170 Otis St											
Independent Living Skills Program - 225 Valencia St											
Family & Children's Svcs. / Southeast Community Services - 3801 3rd St											
Mission Neighborhood Resource Center - 165 Capp St											
MLK Childcare Center - 200 Cashmere St											
Sojourner Truth Child Center - 1 Cashmere St											
1440 Harrison (MediCal / CAPI) - 1440 Harrison St											
160 South Van Ness (Investigations) - 160 South Van Ness Ave											
Energy Retrofits at Department of Public Health:	$0	$0	$450,000	$1,250,000	$0	$0	$0	$0	$0	$0	$1,700,000
			$450,000	$1,250,000							$1,700,000
Project locations to be finalized in consultation with DPH, based on facility condition and energy use, according to established location criteria:											
**Caleb Clark/Potrero Health Center - 1050 Wisconsin St*											
**Chinatown / North Beach Mental Health Services - 729 Filbert St*											
**Chinatown Child Development Center -720 Sacramento St*											
**CHN Headquarters - 2789 25th St*											
**Curry Senior Service Center - 933 Turk St*											
**San Francisco City Clinic (VD Control Center) - 356 07th St*											
**SE Child/Family Therapy Center - 100 Blanken Ave*											
**Silver Avenue Health Center - 1525 Silver Ave*											
**South of Market Mental Health Services - 760 Harrison St*											
Air Quality / Energy Retrofits to Reduce Polluting Emissions:	$0	$300,000	$300,000	$0	$0	$0	$0	$0	$0	$0	$600,000
		$300,000	$300,000								$600,000
Project locations to be finalized based on boiler condition upon detailed site inspection, according to established location criteria:											
**Retrofit/replace non-compliant boiler at Coffman (McLaren) Community Pool - 136 Hahn St*											
**Retrofit/replace non-compliant boiler at Garfield Square Pool - 25th St & Harrison St*											
**Retrofit/replace non-compliant boiler at Potrero Hill Rec Center - 22nd St & Arkansas St*											
**Retrofit/replace non-compliant boiler at St. Mary's Park Rec Center - 300 Murray St*											
Other Projects and Project Development	$0	$225,000	$50,000	$50,000	$900,000	$900,000	$900,000	$900,000	$900,000	$900,000	$5,775,000
Energy audit of greenhouses and urban agriculture nursery complex - 1150 Phelps St		$90,000									$90,000
**Energy audit of Southeast Community Facility - 1800 Oakdale Ave*		$85,000									$85,000
School energy audits and commissioning, with locations to be finalized in consultation with SFUSD. Assistance will leverage SFUSD bond funding in order to integrate energy efficiency measures at planned school improvement sites:											
**Cesar Chavez Elementary School - 825 Shotwell St*											
**Daniel Webster Elementary & CDC - 465 Missouri St*											
**Longfellow Elementary - 755 Morse St*											
**Starr King Elementary - 1215 Carolina St*											
**Willie Brown Alternative School - 2055 Silver Ave*											
Project development, as well as other projects to be selected for consideration in future years based on facility condition and energy use, according to established location criteria.		$50,000	$50,000	$50,000	$900,000	$900,000	$900,000	$900,000	$900,000	$900,000	$5,550,000

	FY2011-12	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21	TOTAL
Renewable Energy	$0	$1,300,000	$1,100,000	$500,000	$500,000	$500,000	$0	$0	$0	$0	$3,900,000
Project locations to be finalized based on facility condition and energy use, according to established location criteria. Feasibility studies underway at:		$1,300,000	$1,100,000								$2,400,000
**Southeast Community Facility - 1800 Oakdale Ave*											
**Earl P. Mills Community Center - 100 Whitney Young Cir*											
**Bayview Opera House - 4705 3rd St*											
**Southeast Health Ctr. - 2401 Keith St or Silver Avenue Health Ctr. - 1525 Silver Ave*											
**School sites TBD in consultation with SFUSD, according to established location criteria.*											
Other projects to be selected for consideration in future years based on facility condition and energy use, according to established location criteria.				$500,000	$500,000	$500,000					$1,500,000
Implementation of New Programs	$0	$475,000	$475,000	$475,000	$475,000	$475,000	$475,000	$475,000	$475,000	$475,000	$4,275,000
Development and implementation of SFPUC Environmental Justice programs		$120,000	$120,000	$120,000	$120,000	$120,000	$120,000	$120,000	$120,000	$120,000	$1,080,000
Development and implementation of Environmental Education Shuttle project and other SFPUC environmental education programs		$200,000	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000	$1,800,000
Development and implementation of SF green test bed program and other emerging technology initiatives		$75,000	$75,000	$75,000	$75,000	$75,000	$75,000	$75,000	$75,000	$75,000	$675,000
Implementation of San Francisco's 2011 Updated Electricity Resource Plan		$80,000	$80,000	$80,000	$80,000	$80,000	$80,000	$80,000	$80,000	$80,000	$720,000
Green Jobs Training and Placement	$0	$200,000	$225,000	$225,000	$225,000	$225,000	$225,000	$225,000	$225,000	$225,000	$2,000,000
In collaboration with OEWD, development and implementation of programs based on findings and recommendations of energy efficiency jobs strategy currently in development.	$0	$200,000	$225,000	$225,000	$225,000	$225,000	$225,000	$225,000	$225,000	$225,000	$2,000,000
SF Electric Reliability Payment - Total Funds Encumbered	$0	$3,585,000	$3,315,000	$3,500,000	$2,100,000	$2,400,000	$1,600,000	$1,600,000	$1,600,000	$1,600,000	$20,000,000
Cumulative Funds Encumbered	$0	$3,585,000	$6,900,000	$9,400,000	$11,500,000	$13,600,000	$15,200,000	$16,800,000	$18,400,000	$20,000,000	
**Cumulative Funds Deposited by Licensee by Beginning of Fiscal Year	$2,000,000	$4,000,000	$6,000,000	$8,000,000	$10,000,000	$12,000,000	$14,000,000	$16,000,000	$18,000,000	$20,000,000	
**Cumulative Funds Deposited by Licensee by Midpoint of Fiscal Year	$4,000,000	$6,000,000	$8,000,000	$10,000,000	$12,000,000	$14,000,000	$16,000,000	$18,000,000	$20,000,000	$20,000,000	

*Indicates tentative project. As projects are developed, exact list of projects and budgets may change based on site conditions.

** Annual payments are subject to increases in the Consumer Price Index (Base year: 2010). Amounts shown are nominal.

PUC - Public Utility Commission Bureaus

Object Title	FY 2012-13 FTE From	FTE To	Amount From	Amount To	Savings	GF	1T	FY 2013-14 FTE From	FTE To	Amount From	Amount To	Savings	GF	1T
BCR - General Management														
Attrition Savings	(0.11)	(0.21)	($12,585)	($23,914)	$11,329		x							
Mandatory Fringe Benefits			($4,731)	($8,990)	$4,259		x							
			Total Savings	*$15,588*										
	The Assurance and Internal Controls unit has two vacant 1824 positions, only one of which it plans on having filled by July 1, 2012. An increase in attrition savings of $11,329 will allow for sufficient salaries in FY 2012-13.							Rationale						
Step Adjustments			$58	($18,688)	$18,746					$58	($18,688)	$18,746		
Mandatory Fringe Benefits			$14	($4,511)	$4,497					$14	($4,511)	$4,497		
			Total Savings	*$23,243*						*Total Savings*	*$23,243*			
	The Assurance and Internal Controls unit has yet to fill two vacant 1824 positions. An increaed step adjustment of $18,746 will allow the department to fill these positions at the mid-step, on average.							Ongoing savings						
Air Travel			$1,500	$350	$1,150					$1,500	$350	$1,150		
Air Travel			$8,953	$5,953	$3,000					$8,953	$5,953	$3,000		
			Total Savings	*$4,150*						*Total Savings*	*$4,150*			
	Department budgeted $1,500 for flight costs for one staff member to San Diego. A reduction of $1,150 will leave sufficient funding for this flight. Department budgeted $8,953 for multiple additional flights for training; a reduction of $3,000 will allow sufficient funds for these flights.							Ongoing savings.						
Rent & Leases										$7,500	$4,500	$3,000		
								Budget inadvertantly included $3,000 for water purification at 1155 Market Street, however the Department will have moved out of 1155 Market Street by FY 2013-14.						
	BCS - Management Information													
Equipment										$1,752,499	$1,749,447	$3,052		x
								Reduce requested amount by $3,052 to reflect vendor quote.						
	BCT - Finance													
Air Travel			$5,450	$4,100	$1,350					$5,450	$4,100	$1,350		
	A reduction of $1,350 in air travel costs will allow for sufficient funding for air travel to conferences identified by the department.							A reduction of $1,350 in air travel costs will allow for sufficient funding for air travel to conferences identified by the department.						

PUC - Public Utility Commission Bureaus

Object Title	FY 2012-13 FTE From	FTE To	Amount From	Amount To	Savings	GF	1T	FY 2013-14 FTE From	FTE To	Amount From	Amount To	Savings	GF	1T
Principal Administrative Analyst II	1.00	0.00	$121,212	$0	$121,212			1.00	0.00	$121,212	$0	$121,212		
Mandatory Fringe Benefits			$44,015	$0	$44,015					$49,402	$0	$49,402		
Principal Administrative Analyst	0.00	1.00	$0	$110,708	($110,708)			0.00	1.00	$0	$110,708	($110,708)		
Mandatory Fringe Benefits			$0	$41,924	($41,924)					$0	$46,914	($46,914)		
			Total Savings	*$12,595*						*Total Savings*	*$12,992*			
	Disapprove upward substitution. Position does not serve in supervisorial role.							Ongoing savings						
	BCV - External Affairs													
Attrition Savings	(0.81)	(1.75)	($85,593)	($135,258)	$49,665		x							
Mandatory Fringe Benefits			($33,265)	($52,567)	$19,302		x							
			Total Savings	*$68,967*										
	External Affairs Unit has 7 FTE vacancies it plans to fill in the first quarter of FY 2012-13. A one-time increase in attrition savings will still allow for full-staffing of the unit as scheduled.													
Manager IV	1.00	0.00	$137,904	$0	$137,904			1.00	0.00	$137,904	$0	$137,904		
Mandatory Fringe Benefits			$51,014	$0	$51,014					$57,147	$0	$57,147		
Government and Public Affairs Manager	1.00	2.00	$114,938	$229,875	($114,937)			1.00	2.00	$114,938	$229,875	($114,937)		
Mandatory Fringe Benefits			$46,555	$93,111	($46,556)					$51,820	$103,639	($51,819)		
			Total Savings	*$27,425*						*Total Savings*	*$28,295*			
	Disapprove upward substitution. Unit already has 3 Managers FTEs and 1 Deputy Director FTE.							Ongoing savings						
Professional Services			$415,000	$365,000	$50,000		x							
	The Department is requesting an increase in its Professional Services budget $150,000 above the previously approved amount for a new Education Initiative with a $100,000 budget. Reduce by $50,000 to match the budget.													
	BDA - Hetchy Hetchy Administration (5T-AAA-AAA)													
Non-Air Travel			$20,546	$19,046	$1,500					$20,446	$18,946	$1,500		
	Reduce to reflect projected expenditures in FY 2011-12.							Ongoing reduction.						
Air Travel			$14,074	$12,974	$1,100					$14,174	$13,074	$1,100		
	Reduce to reflect projected expenditures in FY 2011-12.							Ongoing reduction.						
Training			$71,926	$63,926	$8,000					$71,926	$63,926	$8,000		
	Reduce to reflect projected expenditures in FY 2011-12.							Ongoing reduction.						

PUC - Public Utility Commission Bureaus

Object Title	FY 2012-13 FTE From	FTE To	Amount From	Amount To	Savings	GF	1T	FY 2013-14 FTE From	FTE To	Amount From	Amount To	Savings	GF	1T
BDA - Water Administration (5W-AAA-AAA)														
Training			$253,184	$214,809	$38,375					$253,184	$214,809	$38,375		
	The Department is requesting an increase in expenditures for training in FY 2012-13. However, based on projected actual expenditures in FY 2011-12, as well as actual expenditures in previous years, $214,809 is sufficient for training needs.							Ongoing reduction.						
BDC - Wastewater Treatment (5C-AAA-AAA)														
Attrition Savings	(2.68)	(3.09)	($293,463)	($338,573)	$45,110		x							
Mandatory Fringe Benefits			($109,907)	($126,801)	$16,894		x							
	Total Savings		*$62,004*											
	Increase attrition savings to reflect actual hire date for one vacant 5366 Engineering Associate II position that has been vacant since 2010.													
Premium Pay			$1,093,328	$1,043,328	$50,000					$1,093,328	$1,043,328	$50,000		
Mandatory Fringe Benefits			$86,372	$82,422	$3,950					$86,372	$82,422	$3,950		
	Total Savings		*$53,950*					*Total Savings*		*$53,950*				
	Reduce Premium Pay to reflect projected actual expenditures in FY 2011-12.							Ongoing reduction.						
Maintenance Services - Equipment			$607,500	$207,500	$400,000					$601,220	$201,220	$400,000		
			$705,225	$305,225	$400,000					$705,225	$305,225	$400,000		
	Total Savings		*$800,000*					*Total Savings*		*$800,000*				
	Reduce to reflect projected expenditures in FY 2011-12.							Ongoing reduction.						
Equipment Purchase										$265,039	$130,000	$135,039		x
								The Department has not provided sufficient justification for new equipment purchases in FY 2013-14.						
BDE - Wastewater Collection (5C-AAA-AAA)														
Maintenance Services - Buildings and Structures			$1,210,496	$1,040,496	$170,000					$1,134,701	$964,701	$170,000		
	Reduce to reflect projected expenditures in FY 2011-12.							Ongoing reduction.						

PUC - Public Utility Commission Bureaus

Object Title	FY 2012-13 FTE From	FTE To	Amount From	Amount To	Savings	GF	1T	FY 2013-14 FTE From	FTE To	Amount From	Amount To	Savings	GF	1T
Equipment Purchase			$102,538	$94,892	$7,646		x			$102,538	$0	$102,538		x
										$75,400	$0	$75,400		x
										$55,552	$0	$55,552		x
										$386,582	$260,710	$125,872		x
	Based on vendor quote.							*Total Savings*		$359,362				
								The Department has not provided sufficient justification for new equipment purchases in FY 2013-14. Additionally, the Department is requesting to replace a 2003 vehicle in FY 2013-14 (WP1415R) which has not been adequately justified.						
	BDG Hetch Hetchy Power Purchasing/Scheduling (5T-AAA-AAA)													
Professional & Specialized Services			$3,327,606	$3,227,606	$100,000					$3,497,606	$3,397,606	$100,000		
	Reduce to reflect prior year expenditures in FY 2011-12 and considering average expenditure since FY 2007-08 (4 years).							Ongoing reduction.						
	BDJ - Water Source of Supply (5W-AAA-AAA)													
Attrition Savings	(4.61)	(4.92)	($414,542)	($442,542)	$28,000		x							
Mandatory Fringe Benefits			($170,729)	($182,261)	$11,532		x							
	Total Savings		$39,532											
	Increase attrition savings to reflect actual hire date for one 0922 Manager I.													
Maintenance Services - Buildings and Structures			$404,394	$184,394	$220,000					$404,394	$184,394	$220,000		
	Reduce to reflect projected expenditures in FY 2011-12.							Ongoing reduction.						
Equipment Purchase			$188,000	$171,556	$16,444		x			$188,000	$173,056	$14,944		x
	Reduce Equipment Purchase to reflect vendor quotes.							Reduce Equipment Purchase to reflect vendor quotes.						
	BDK - Water Transmission/Distribution (5W-AAA-AAA)													
Attrition Savings			($1,833,242)	($1,923,242)	$90,000					($1,833,242)	($1,923,242)	$90,000		
Mandatory Fringe Benefits			($792,747)	($831,666)	$38,919					($879,892)	($923,089)	$43,197		
	Total Savings		$128,919					*Total Savings*		$133,197				
	Increase Attrition Savings to reflect projected salary surplus in FY 2011-12.							Ongoing reduction.						

PUC - Public Utility Commission Bureaus

Object Title	FY 2012-13 FTE From	FTE To	Amount From	Amount To	Savings	GF	1T	FY 2013-14 FTE From	FTE To	Amount From	Amount To	Savings	GF	1T
Maintenance Services - Buildings and Structures			$1,100,000	$670,000	$430,000					$1,100,000	$670,000	$430,000		
	Reduce to reflect projected expenditures in FY 2011-12.							Ongoing reduction.						
Equipment Purchase										$242,486	$240,431	$2,055		x
	BDM - Water Treatment (5W-AAA-AAA)							Reduce Equipment Purchase to reflect vendor quotes.						
Equipment Purchase			$180,214	$164,285	$15,929		x							
			$44,500	$39,823	$4,677		x							
			Total Savings		$20,606									
	Reduce Equipment Purchase to reflect vendor quotes.													
	BDO - Hetchy Hetchy Water Operations (5T-AAA-AAA)													
Non-Air Travel			$43,506	$41,506	$2,000					$43,506	$41,506	$2,000		
	Reduce to reflect projected expenditures in FY 2011-12.							Ongoing reduction.						
Training			$62,822	$58,822	$4,000					$62,822	$58,822	$4,000		
	Reduce to reflect projected expenditures in FY 2011-12.							Ongoing reduction.						
Professional & Specialized Services			$1,332,360	$1,132,360	$200,000					$967,360	$767,360	$200,000		
	Reduce to reflect prior year expenditures in FY 2011-12 and considering average expenditure since FY 2007-08 (4 years).							Ongoing reduction.						
Maintenance Services - Buildings and Structures			$198,000	$168,000	$30,000					$198,000	$168,000	$30,000		
	Reduce to reflect projected expenditures in FY 2011-12.							Ongoing reduction.						
Facilitities Maintenance			$3,294,000	$3,255,000	$39,000					$2,194,000	$2,172,000	$22,000		
	Reduce projected budget to reflect actual salary costs.							Ongoing reduction.						

FY 2012-13
Total Recommended Reductions

	One-Time	Ongoing	Total
General Fund	$0	$0	$0
Non-General Fund	$280,787	$2,295,607	$2,576,394
Total	$280,787	$2,295,607	$2,576,394

FY 2013-14
Total Recommended Reductions

	One-Time	Ongoing	Total
General Fund	$0	$0	$0
Non-General Fund	$514,452	$2,287,152	$2,801,604
Total	$514,452	$2,287,152	$2,801,604

DEPARTMENT: ENV - ENVIRONMENT

BUDGET REVIEW EXECUTIVE SUMMARY
TWO YEAR ROLLING BUDGET, FY 2012-13 & FY 2013-14

YEAR ONE (FY 2012-13)

Expenditure Changes

The Department of the Environment's proposed expenditures of $18,016,350 for FY 2012-13 is $419,604 or 2.38% more than the original budget of $17,596,746 for FY 2011-12.

Personnel Changes

The number of full-time equivalent positions (FTE) budgeted for FY 2012-13 is 72.93 FTEs, which is 14.38 FTEs more than the 58.55 FTEs in FY 2011-12. This represents a 24.56% increase in FTEs from the original budget for FY 2011-12.

Revenue Changes

Department revenues, consistent with expenditures, have increased by $419,604 or 2.38%, from the original FY 2011-12 budget of $17,596,746 to the proposed FY 2012-13 budget of $18,016,350.

YEAR TWO (FY 2013-14)

Expenditure Changes

The Department of the Environment's proposed expenditures of $14,824,114 for FY 2013-14 is $3,192,236 or 17.72% less than the proposed budget of $18,016,350 for FY 2012-13.

Personnel Changes

The number of FTEs budgeted for FY 2013-14 is 72.75 FTEs, which is .18 FTEs less than the 72.93 FTEs proposed for FY 2012-13.

Revenue Changes

Department revenues, consistent with expenditures, would decrease by $3,192,236 or 17.72% from the proposed FY 2012-13 budget of $18,016,350 to the proposed FY 2013-14 budget of $14,824,114.

RECOMMENDED REDUCTIONS

The Budget and Legislative Analyst's recommended reductions to the proposed budget total $127,806 in FY 2012-13 and $95,423 in FY 2013-14. These reductions would still allow an increase of $291,798 or 1.7% in the Department's FY 2012-13 budget.

DEPARTMENT: ENV – ENVIRONMENT

SUMMARY OF PROGRAM EXPENDITURES:

	FY 2011-12 Original	FY 2012-13 Proposed	Increase/ (Decrease) from FY 2011-12	FY 2013-14 Proposed	Increase/ (Decrease) from FY 2012-13
Clean Air	$972,716	$781,857	($190,859)	$801,290	$19,433
Climate Change/Energy	1,586,521	2,954,097	1,367,576	467,556	(2,486,541)
Environment	7,280,462	7,257,325	(23,137)	6,392,110	(865,215)
Environment-Outreach	219,328	219,521	193	224,868	5,347
Environmental Justice/Youth Employment	499,505	173,709	(325,796)	180,097	6,388
Green Building	416,919	383,130	(33,789)	397,347	14,217
Recycling	4,404,837	4,708,172	303,335	4,779,479	71,307
Solid Waste Management	272,162	0	(272,162)	0	0
Toxics	1,908,354	1,500,874	(407,480)	1,542,283	41,409
Urban Forestry	35,942	37,665	1,723	39,084	1,419
Total	**$17,596,746**	**$18,016,350**	**$419,604**	**$14,824,114**	**($3,192,236)**

FY 2012-13

The Department of the Environment's proposed budget for FY 2012-13 is $419,604 more than the original budget for FY 2011-12, largely due to:

- The Department is planning to conduct a Refuse Rate Review process for the refuse system, based on an anticipated application from Recology, the current refuse hauler, to be funded by Solid Waste Impound Fees. This Refuse Rate Review process typically occurs every five years and results in the setting of new residential refuse rates for the following five years. The last Refuse Rate Review was in 2006, six years ago. Solid Waste Impound Fees were originally budgeted in FY 2011-12 for this Review and will be carried forward to FY 2012-13 for the anticipated Refuse Rate Review process.

- The Department is launching a City-wide Zero Waste campaign in its efforts to meet the goal of achieving Zero Waste by 2020 and to support residential compliance with the City's Mandatory Recycling and Composting Ordinance.

- The Department is continuing to devote resources to the Environment Now Program, which commenced in FY 2011-12, funded by Solid Waste Impound fees, which includes an extensive education and outreach campaign in neighborhoods with the goal of increased participation in the City's waste diversion and toxics reduction programs.

- The Department currently receives approximately $4,500,000 in grants from the Federal government, with approximately $3,500,000 from the American Recovery and Reinvestment Act of 2009 (ARRA). Many of these grants terminate in FY 2011-12 and other grants will terminate in FY 2012-13, primarily impacting the Department's Energy and Clean Transportation

programs. The Department is increasing its fundraising efforts to secure other ongoing funding for these programs.

FY 2013-14

The Department of the Environment's proposed budget for FY 2013-14 is $3,192,236 less than the proposed budget for FY 2012-13, largely due to:

- Termination of approximately $1 million in Federal grants in FY 2012-13.

- Reduced funding for the Climate Change/Energy Program in FY 2013-14. However, the Department anticipates actions being taken by the State in FY 2012-13 to implement the State's cap-and-trade program which could potentially create a major local revenue stream for the Department.

- Inability to predict grant funding 18-24 months ahead of time, as the Department typically receives notice of grant awards only two to six months prior to commencement of new grants, such that the Department cannot accurately budget new grant funds for the second year of the City's two-year budget cycle. In addition, the Department advises that grant periods often do not coincide with the City's fiscal year, such that these grant funds are not included in the Department's annual budget. The Department will separately request authorization to accept and expend grant funds from the Board of Supervisors, as future year grant funding is received.

- The Department also anticipates continuing the six-year planning for a new processing facility, which would allow processing and recycling of current landfill waste.

DEPARTMENT PERSONNEL SUMMARY:

The number of FTEs in FY 2012-13 is 72.93 or 14.38 more than the 58.55 FTEs in FY 2011-12.

The number of FTEs in FY 2013-14 is 72.75 or .18 less than the 72.93 FTEs in FY 2012-13.

The Department of the Environment's FY 2012-13 budget includes an additional 14.38 FTEs, due to an increase of 14.5 FTEs in Temporary Salaries, for the Environment Now Program, which provides education and outreach on waste diversion and toxics reduction. The Education Now Program funds were previously approved in the FY 2011-12 budget, but were not designated as FTEs at that time because all funds for the new Environment Now Program were allocated in one line-item of the budget, without any specification on the use of those funds for positions. The Department has now budgeted those funds specifically in the FY 2012-13 and FY 2013-14 budgets.

DEPARTMENT REVENUES:

The Department of the Environment receives the following revenues:

- Approximately $8 million annually of Solid Waste Impound Fees collected from San Francisco's refuse customers by Recology are used to support 68 FTE positions providing related services;

- Approximately $6 million annually of Public Goods charges collected from San Francisco rate payers by PG&E are used to support 15 FTE positions that provide Energy Efficiency programs;
- Approximately $1.3 million annually of workorder funds from other City departments are used to support 9 FTE positions for Commuter Benefits, Climate and Green Building services;
- Approximately $850,000 annually from other recurring grants support 7.5 FTE positions providing Clean Air and Oil Recycling programs; and
- Approximately $4,500,000 of grant funds from the Federal government over the past two fiscal years, including approximately $3,500,000 from the American Recovery and Reinvestment Act of 2009 (ARRA), will terminate in FY 2011-12 and FY 2012-13. As discussed above, although additional grant funds are anticipated for FY 2013-14, the sources and amounts of such grants cannot be fully determined at this time.

ITEM 11– FILE 12-0454:

The proposed resolution would authorize the City, as lessee, to enter into a new lease for 24,440 square feet of space on the 12th floor at 1455 Market Street with Hudson 1455 Market, LLC (Hudson 1455 Market), as lessor, for a seven-year term from October 1, 2012 through September 30, 2019, with one option to extend the lease by an additional five years, or through September 30, 2024.

Current Department of Environment Leases

The Department of the Environment is currently housed in two separate locations, (a) the Department's main offices at 11 Grove Street, which includes basement storage space, and (b) a satellite office located at 401 Van Ness Avenue in the War Memorial building. The Department's existing 15,419 square foot lease at 11 Grove Street expires on May 31, 2012. On April 3, 2012, Mr. John Updike, Director of Real Estate, signed a 5-month Holdover Notice with the lessor at 11 Grove Street, the Yully Company, which stipulates that the Department will continue to occupy the 15,419 square feet of space at 11 Grove Street on a month-to-month basis at the current monthly rent of $37,001, or an average of $2.40 per square foot per month ($28.80 per square foot annually) for the 24,440 square feet of space, until October 31, 2012. Mr. Updike advises that if the Department needs to occupy the space at 11 Grove Street past October 31, 2012, the terms and rent would need to be renegotiated at that time.

In addition, the Department's existing 3,816 square foot lease for the War Memorial Building space at 401 Van Ness Avenue expires on December 31, 2012 but allows for 60 days' notice to terminate at any point prior to its expiration. Due to pending seismic renovations at the War Memorial Building, the Department will not be able to occupy their War Memorial space past the expiration of the existing lease. As shown in Table 1 below, the Department currently leases this 3,816 square feet of space in the War Memorial Building for $48,840 annually, or an average of $12.80 per square foot annually. Table 1 below summarizes the total square feet, the rate per square foot, and rent paid under the Department's existing leases and the proposed lease at 1455 Market Street.

DEPARTMENT: ENV – ENVIRONMENT

Table 1: Summary of Current Lease Square Footage, Annual Rates Per Square Foot, and Total Rent Paid Under Both the Existing Leases and the Proposed Lease at 1455 Market Street

	11 Grove Street Offices	11 Grove Street Basement	401 Van Ness Avenue	Total Under Existing Leases	Proposed Lease at 1455 Market Street
Total Square Feet	14,472	947	3,816	19,235	24,440
Annual Rate Per Square Foot	$29.52	$17.52	$12.80	$25.62	$28.00
Annual Rent	$427,213	$16,800	$48,840	$492,853	$684,324
Monthly Rent	$35,601	$1,400	$4,070	$41,071	$57,027

Based on a review of the Department's prior year budgets, the Department has grown from 57 FTE positions in 2006 to 119 FTE positions in 2012, an increase of 62 FTE positions, or approximately 109 percent over six years. In addition, Mr. David Assmann, Deputy Director for the Department of the Environment advises that the Department has approximately 30 Interns who work and/or volunteer for the Department, such that the current offices are over-crowded and additional square footage is needed to accommodate the current size of the Department staff. Based on the 119 FTE staff, the proposed 24,440 square feet of space will provide an average of 205 square feet per staff position.

According to Mr. Assmann, the Department has been investigating multiple space location alternatives over the past 14 months before deciding on the proposed 24,440 square foot space at 1455 Market Street, which will allow for consolidation of the Department's two existing office spaces into one centralized facility. In addition, Mr. Assmann advises that leasing multiple office locations is inefficient for the Department, requiring frequent trips between the two locations on a daily basis, which hampers staff collaboration. Furthermore, Mr. Assmann notes that the Department would need to find additional office space to replace the office space currently leased at 401 Van Ness Avenue, once the seismic renovations commence in December of 2012.

Fiscal Impacts

As summarized in Table 1 above, the proposed lease would increase the Department's space from 19,235 total square feet to 24,440 total square feet, an increase of 5,205 square feet, or 27 percent. In addition, as shown in Table 1 above, the proposed lease would increase the total annual rental cost for the Department from $492,853 to $684,324, an increase of $191,471 or approximately 39 percent. According to Mr. Josh Keene, Project Manager for the Real Estate Division, the initial annual rate per square foot of $28 under the proposed lease is below market rate, with other recent leases of similar spaces in the Civic Center area ranging from $29 to $41.05 per square feet annually. Mr. Assmann advises that both the existing and proposed rental costs are allocated to the Department's various

funding sources, including the Solid Waste Impound Fees, Public Goods charges, workorders and ongoing grant funds. These annual rental costs are included in the Department's proposed FY 2012-13 and FY 2013-14 budgets.

As shown in Table 2 below, the rent under the proposed seven-year lease would increase by $1 per square foot per year, ranging from $513,243 in the first year, after accounting for a three-month rent credit included in the proposed first year of the lease, to $830,964 annually in the seventh year of the proposed lease.

Table 2: Rent Increases Under Proposed Lease at 1455 Market Street

Year Under Lease	Time Period	Monthly Rent	Annual Rent	Rate Per Square Foot
1	10/1/2012 - 9/30/2013	$57,027	$513,243*	$28
2	10/1/2013 - 9/30/2014	59,063	708,756	29
3	10/1/2014 - 9/30/2015	61,100	733,200	30
4	10/1/2015 - 9/30/2016	63,137	757,644	31
5	10/1/2016 - 9/30/2017	65,173	782,076	32
6	10/1/2017 - 9/30/2018	67,210	806,520	33
7	10/1/2018 - 9/30/2019	$69,247	$830,964	$34

* Year 1 results in $513,243 in annual rent due to the first three months' rent of $171,081 being credited by Hudson 1455 Market, such that the first year's total rent would be $684,324.

Mr. Assmann advises that, as shown in Table 3 below, the Department estimates one-time relocation, potential double rent, furniture, and wiring and related data installation costs from the existing two locations to the proposed 1455 Market Street location at $417,080. The Department anticipates funding the estimated $417,080 in relocation costs with one-time savings from FY 2011-12 and budgeted Solid Waste Impound Fees and workorder funds in FY 2012-13.

Table 3: Estimated One-time Costs

Moving/Relocation	$75,000
Potential Double Rent Prior to Moving to New Location	15,000
Furniture Budget	152,080
Wiring and Data Installation	175,000
Total Estimated Relocation Expenses	**$417,080**

In addition to a three-month rent credit, the proposed lease also provides for Hudson 1455 Market to provide $1,490,840, or $61 per square foot for tenant improvements. According to Mr. Keene, in addition to the above-noted one-time costs of $417,080, the Real Estate Division estimates that the Department of the Environment's tenant improvements will cost a total of $1,833,000, or $75 per square

foot based on 24,440 square feet, leaving an additional balance of $342,160 ($1,833,000 total tenant improvement costs less $1,490,840 lessor contribution), or $14 per square foot in funding needed. The Budget and Legislative Analyst notes that the current total tenant improvement estimated cost is not based on actual bids, but rather on the Department of Real Estate's preliminary estimates based on discussions with Hudson 1455 Market.

According to Mr. Keene, there are three possibilities for funding the $342,160 difference for tenant improvements, or $14 per square foot, shortfall: (1) the Department raises in-kind donations, grants, or reductions in construction cost through the donation of needed materials, (2) Hudson 1455 Market pays up to an additional $244,400, or $10 per square foot, of the $342,160 needed, such that the Department amortizes the lessor's additional contribution at an eight percent interest rate and repays those monies to Hudson 1455 Market by paying an increase in rent per square foot over the seven-year term of the proposed lease and the City pays the remaining shortfall, not to exceed $97,760 ($342,160 less $244,400) which would be funded from the Department of the Environment's FY 2012-13 budget, or (3) some combination of the above.

Table 3 below summarizes the costs if the Department were to borrow and amortize between $244,400 and $50,000 of additional tenant improvement funding by the lessor.

Table 3: Estimated Increased Rent If up to $244,400 in Tenant Improvements are Borrowed and Amortized at 8% Annually Over the 7-Year Term of the Proposed Lease

	Total Annual Increased Expense Over 7 Years of the Loan	Rate Increase Per square Foot Annually	Monthly Rate Increase Per Square Foot	Total Monthly Increased Expense Over 7 Years	Total Increased Expense Over 7 Years of the Loan
$244,400 Borrowed and Amortized	$46,942	$1.92	$0.16	$3,912	$328,597
$200,000 Borrowed and Amortized	38,414	1.57	0.13	3,201	268,901
$150,000 Borrowed and Amortized	28,811	1.18	0.10	2,401	201,674
$100,000 Borrowed and Amortized	19,207	0.79	0.07	1,601	134,451
$50,000 Borrowed and Amortized	$9,604	$0.39	$0.03	$800	$67,225

DEPARTMENT: ENV – ENVIRONMENT

According to Mr. Assmann, the Department is planning to launch a capital campaign to focus on securing funding, as well as donated products and services, to cover the estimated shortfall for tenant improvements of up to $342,160. Mr. Assmann advises that the Department has already received in-kind engineering technical assistance of $800 and architectural assistance of $2,000 and will begin meeting in the next two to three weeks with other potential donors.

Policy Considerations

As of the writing of this report, the Budget and Legislative Analyst notes that a final lease has not been approved by the lessor and the City. Mr. Updike advises that Real Estate is still negotiating some minor provisions, which will not significantly change the major fiscal provisions of the proposed lease. However, given that a final lease has not yet been approved by the Real Estate Division or the lessor, the Budget and Legislative Analyst recommends that the proposed resolution be continued to the Call of the Chair pending a final lease agreement.

In addition, the Budget and Legislative Analyst questions approving the proposed lease, given that the Department of the Environment has not yet secured the balance of up to $342,160 ($1,833,000 total tenant improvement costs less $1,490,840 lessor contribution), or $14 per square foot based on 24,440 square feet in funding needed for the estimated tenant improvements. Given that the Department has not identified sufficient revenues to fund the proposed tenant improvements, the Budget and Legislative Analyst further recommends that the proposed resolution be continued to the Call of the Chair.

Recommendation: Continue the proposed resolution pending (a) a final lease agreement and (b) identification of the specific funding sources for completing the required tenant improvements.

COMMENTS:

The Budget and Legislative Analyst's recommended reductions to the proposed budget total $127,806 in FY 2012-13 and $95,423 in FY 2013-14. These reductions would still allow an increase of $291,798 or 1.7% in the Department's budget for FY 2012-13.

ENV - Environment

Object Title	FY 2012-13 FTE From	FTE To	Amount From	Amount To	Savings	GF	1T	FY 2013-14 FTE From	FTE To	Amount From	Amount To	Savings	GF	1T
	CIS-Recycling													
Temporary - Miscellaneous	16.72	16.55	$1,376,229	$1,361,859	$14,370			16.73	16.56	$1,376,229	$1,361,859	$14,370		
Mandatory Fringe Benefits			$108,722	$107,587	$1,135					$108,722	$107,587	$1,135		
			Total Savings		$15,505					*Total Savings*		$15,505		
	The Department has provided a workplan which includes $1,361,859 in Temporary Salaries for the Environment Now Program. A reduction of $14,370 in Temporary Salaries and $1,135 in corresponding Mandatory Fringe Benefits would provide for sufficient monies to fund those Temporary Salaries.							Ongoing reduction.						
Other Professional Services			$150,000	$100,000	$50,000					$150,000	$100,000	$50,000		
	Not adequately justified professional service contracts.							Ongoing reduction.						
Graphics			$10,000	$7,000	$3,000		x			$10,000	$0	$10,000		x
	Reduction based on vendor quote and invoice examples provided.							Eliminate funding in FY 2013-14 to reflect one-time need in FY 2012-13.						
Other Current Expenses			$10,000	$6,000	$4,000		x			$10,000	$0	$10,000		x
	Inadequate justification fpr the cost of producing training videos for Environment Now Program.							Eliminate funding in FY 2013-14 to reflect one-time need in FY 2012-13.						
	CIG-Environment													
Air Travel - Employees			$4,155	$2,500	$1,655					$4,155	$2,500	$1,655		
	Reduction based on historical spending.							Ongoing reduction.						
Non-Air Travel - Employees			$4,585	$3,000	$1,585					$4,585	$3,000	$1,585		
	Reduction based on historical spending.							Ongoing reduction.						

ENV - Environment

Object Title	FY 2012-13 FTE From	FTE To	Amount From	Amount To	Savings	GF	1T	FY 2013-14 FTE From	FTE To	Amount From	Amount To	Savings	GF	1T
Air Travel - Employees			$4,800	$2,978	$1,822					$4,800	$2,978	$1,822		
	Reduction based on historical spending.							Ongoing reduction.						
Non-Air Travel- Employees			$5,297	$3,441	$1,856					$5,297	$3,441	$1,856		
	Reduction based on historical spending.							Ongoing reduction.						
Training Costs Paid to Vendor			$8,041	$6,041	$2,000					$8,041	$6,041	$2,000		
	Reduction based on historical spending.							Ongoing reduction.						
Training Costs Paid to Employees			$3,396	$2,396	$1,000					$3,396	$2,396	$1,000		
	Reduction based on historical spending.							Ongoing reduction.						
Property Rent			$375,763	$330,380	$45,383		x							
	The Budget and Legislative Analyst estimates that a total of $330,380 is needed in rent and relocation, furniture and wiring installation costs for FY 2012-13 given a move-in date into the Department's new office spaces of October 1, 2012. This does not include the additional $342,160 that the Department indicates will be funded through private fundraising efforts.													

FY 2012-13
Total Recommended Reductions

	One-Time	Ongoing	Total
General Fund	$0	$0	$0
Non-General Fund	$52,383	$75,423	$127,806
Total	$52,383	$75,423	$127,806

FY 2013-14
Total Recommended Reductions

	One-Time	Ongoing	Total
General Fund	$0	$0	$0
Non-General Fund	$20,000	$75,423	$95,423
Total	$20,000	$75,423	$95,423

BUDGET REVIEW EXECUTIVE SUMMARY

YEAR ONE: FY 2012-13

Expenditure Changes

The department's proposed $823,675,725 budget for FY 2012-13 is $43,108,614 or 5.5% more than the original FY 2011-12 budget of $780,567,111.

Personnel Changes

The number of full-time equivalent operating positions (FTE) budgeted for FY 2012-13 is 4,386.15 FTEs, which is 245.56 FTEs more than the 4,140.59 FTEs in the original FY 2011-12 budget.

Revenue Changes

Department revenues have increased by $24,458,614 or 4.1%, from the original FY 2011-12 budget of $589,817,111 to the proposed FY 2012-13 budget of $614,275,725.

General Fund revenues have increased by $18,650,000 or 9.8% from the original FY 2011-12 budget of $190,750,000 to the proposed FY 2012-13 budget of $209,400,000.

YEAR TWO: FY 2013-14

Expenditure Changes

The department's proposed $843,156,458 budget for FY 2013-14 is $19,480,733 or 2.4% more than the original FY 2012-13 budget of $823,675,725.

Personnel Changes

The number of operating FTEs budgeted for FY 2013-14 is 4,411.06 FTEs, which is 24.91 FTEs more than the 4,386.15 FTEs in the original FY 2012-13 budget.

Revenue Changes

Department revenues have increased by $11,830,733 or 1.9%, from the original FY 2012-13 budget of $614,275,725 to the proposed FY 2013-14 budget of $626,106,458.

General Fund revenues have increased by $7,650,000 or 3.7% from the original FY 2012-13 budget of $209,400,000 to the proposed FY 2012-13 budget of $217,050,000.

RECOMMENDATIONS

The Director of Transportation should report to the Budget and Finance Committee in the May 24, 2012 hearing on:

- The status of inactive encumbrances, funded by Muni or Parking and Traffic operating funds, totaling $9,501,325, including the funds of $5,284,356 encumbered for a payment to BART, and whether the unexpended balances can be reallocated to other uses; and
- The SFMTA's plans to reduce overtime use from the FY 2011-12 projected overtime expenditures of $54,095,765 to the overtime budget of $41,951,990 in FY 2012-13 and of $36,951,990 in FY 2013-14.

DEPARTMENT: SFMTA – MUNICIPAL TRANSPORTATION AGENCY

SUMMARY OF PROGRAM EXPENDITURES:

	FY 2011-12 Proposed	FY 2012-13 Proposed	Increase/ (Decrease) from FY 2011-12	FY 2013-14 Proposed	Increase/ (Decrease) from FY 2012-13
Accessible Services	$21,549,070	$20,913,337	($635,733)	$22,190,745	$1,277,408
Administration	58,987,665	69,256,239	10,268,574	68,526,331	(729,908)
Agency Wide Expenses	126,785,319	98,125,518	(28,659,801)	91,822,450	(6,303,068)
Capital Programs and Construction	0	104,048	104,048	105,012	964
Development and Planning	604,441	714,905	110,464	912,796	197,891
Parking and Traffic	73,186,298	80,756,408	7,570,110	88,750,313	7,993,905
Parking Garages and Lots	22,201,245	24,371,088	2,169,843	27,705,632	3,334,544
Transit	418,967,316	446,906,864	27,939,548	457,420,010	10,513,146
Security, Safety, Training, Enforcement	55,876,450	78,848,078	22,971,628	81,836,176	2,988,098
Taxi Services	2,409,307	3,679,240	1,269,933	3,886,993	207,753
Total	**$780,567,111**	**$823,675,725**	**$43,108,614**	**$843,156,458**	**$19,480,733**

The Department's proposed FY 2012-13 budget has increased by $43,108,614 largely due to staffing, including the end of unpaid furlough days for many Department employees[1]. The largest increases in program budgets in FY 2012-13 are in the Transit Division, and Security, Safety, Training and Enforcement programs.

The Department's proposed FY 2013-14 budget has increased by $19,480,733 largely due to increases in fringe benefit costs, and materials and supplies. Most of the increases in materials and supplies are for the SFMTA's program to increase maintenance for light rail vehicles, buses, and rights-of-way, and other maintenance (see below).

SFMTA Organization and Budget

SFMTA is divided into five divisions, reporting to the Director of Transportation:

- Administration, Safety and Training
- Capital Programs and Construction
- Finance and Information Technology
- Sustainable Streets (Parking and Traffic)
- Transit (Muni)

[1] Labor unions, with the exception of the Transport Workers' Union (TWU), agreed to wage concessions in FY 2010-11 and FY 2011-12 in the form of unpaid furlough days.

DEPARTMENT: SFMTA – MUNICIPAL TRANSPORTATION AGENCY

The SFMTA operating budget is comprised of the following funds, which are allocated to each of the five divisions, depending on the use of each of these funds:

- Muni
- Parking and Traffic
- Taxi Commission
- Off-Street Parking
- Bicycle
- Pedestrian

Transit Division Staffing

The Controller's Office projects a $5.2 million salary and fringe benefit deficit in all SFMTA programs in FY 2011-12[2]. This projected salary and fringe benefit deficit includes a projected deficit of $26.9 million in the Muni operating budget, offset by surpluses in other budget areas.

SFMTA projects FY 2011-12 year-end Transit Division overtime expenditures[3] of:

- $25,685,269 for transit operators, which is $671,215 or 2.7% more than the revised FY 2011-12 overtime budget of $25,014,054 for transit operators; and
- $25,280,919 for transit supervisors, automotive mechanics, electrical transit system mechanics, electronic maintenance technicians, station agents, and other miscellaneous employees in the Transit Division, which is $20,950,559 or 483.8% more than the revised FY 2011-12 overtime budget of $4,330,360 for these employees.

Proposed Increases in Transit Division Positions in FY 2012-13

According to Ms. Sonali Bose, SFMTA Director of Finance and Information Technology, the projected FY 2011-12 deficits in salary and fringe benefit expenditures for the Transit Division's transit operators is due to higher than budgeted staffing and Muni service. According to Ms. Bose, the FY 2010-11 and FY 2011-12 budgets provided for a higher level of Muni service reductions than actually occurred. As a result, SFMTA has more actual transit operator positions than were provided for in the budget. The SFMTA FY 2012-13 proposed budget includes an increase of 216 transit operator positions, as shown in Table 1 below, to account for the increased number of actual transit operators to meet current Muni service levels.

The SFMTA proposed FY 2012-13 budget also includes 30.08 new automotive mechanics, automotive service workers, electrical transit system mechanics, automotive machinists, and other crafts, offset by an increase in attrition savings and deletion of other positions, as shown in Table 1 below. According to Ms. Bose, the new positions shown in Table 1 are necessary to meet Muni's maintenance requirements and are part of the SFMTA's program to improve system maintenance (see below).

[2] Based on Controller's high level monthly financial report for the pay period ending April 13, 2012.
[3] Based on SFMTA overtime report to the SFMTA Board of Directors for the pay period ending April 13, 2012.

DEPARTMENT: SFMTA – MUNICIPAL TRANSPORTATION AGENCY

Table 1
Transit Division Positions
FY 2012-13 and FY 2013-14

	FY 2011-12	FY 2012-13	Increase/ (Decrease) from FY 2011-12	FY 2013-14	Increase from FY 2012-13
Transit Operators	1,959.50	2,175.50	216.00	2,175.50	0.00
Transit Supervisors	185.50	176.50	(9.00)	176.50	0.00
Automotive Mechanics, Automotive Service Workers, Electrical Transit System Mechanics, Automotive Machinists, and Other Crafts	1,178.00	1,208.08	30.08	1,209.00	0.92
Planning and Other	12.75	13.75	1.00	13.75	0.00
Custodial and Grounds	62.00	58.00	(4.00)	58.00	0.00
Administrative and Support	41.00	52.00	11.00	52.00	0.00
Senior Managers and Managers	47.00	47.00	0.00	47.00	0.00
Temporary	6.70	5.98	(0.72)	5.98	0.00
Attrition Savings	(395.83)	(459.40)	(63.57)	(459.40)	0.00
Total	**3,096.62**	**3,277.41**	**180.79**	**3,278.33**	**0.92**

Overtime

Transit Division Overtime

According to Ms. Bose, the Transit Division has historically incurred overtime expenditure deficits in each year that have been offset by other salary savings. Ms. Bose states that the historical use of overtime has resulted from high vacancy rates due to staff turnover, delays in recruiting and hiring, and high numbers of newly-hired employees who do not successfully complete training. As shown in Table 2 below, SFMTA has increased total Transit Division overtime by $10,110,243 in the proposed FY 2012-13 budget, and decreased total Transit Division overtime by $5,000,000 in the proposed FY 2013-14 budget.

DEPARTMENT: SFMTA – MUNICIPAL TRANSPORTATION AGENCY

Table 2
Transit Division Salary and Overtime Budget
FY 2012-13 and FY 2013-14

	FY 2011-12	FY 2012-13	Increase from FY 2011-12	FY 2013-14	Increase/ (Decrease) from FY 2012-13
Miscellaneous Salaries	$89,718,568	$90,917,271	$1,198,703	$91,337,145	$419,874
Transit Operators Salaries	103,822,596	119,474,015	15,651,419	119,474,015	0
Holiday, Premium and Other Pay	11,060,281	11,053,781	(6,500)	11,053,781	0
Overtime					
Miscellaneous	4,330,360	17,147,016	12,816,656	10,868,037	(6,278,979)
Transit Operators Unscheduled	2,200,000	4,916,434	2,716,434	3,594,253	(1,322,181)
Transit Operators Scheduled	22,814,054	17,391,207	(5,422,847)	19,992,367	2,601,160
Subtotal Overtime	29,344,414	39,454,657	10,110,243	34,454,657	(5,000,000)
Total	$233,945,859	$260,899,724	$26,953,865	$256,319,598	($4,580,126)

Department Overtime

The SFMTA FY 2012-13 budget has increased overtime expenditures department-wide by $10,000,000 from $31,951,990 to $41,951,990, as shown in Table 3 below. The proposed overtime budget of $41,951,990 in FY 2012-13 is $12,143,775 less than SFMTA's projected FY 2011-12 overtime expenditures of $54,095,765. According to Ms. Bose, SFMTA will need to actively manage overtime use in FY 2012-13 to meet the department's overtime budget.

Table 3
SFMTA Overtime Budget
FY 2012-13 and FY 2013-14

	FY 2011-12	FY 2012-13	Increase from FY 2011-12	FY 2013-14	Increase/ (Decrease) from FY 2012-13
Transit	29,344,414	39,454,657	10,110,243	34,454,657	(5,000,000)
Security, Safety, Training and Enforcement	1,313,350	1,070,350	(243,000)	1,070,350	0
Parking and Traffic	542,043	674,800	132,757	674,800	0
Other	752,183	752,183		752,183	0
Total	$31,951,990	$41,951,990	$10,000,000	$36,951,990	($5,000,000)

SFMTA should report to the May 24, 2012 Budget and Finance Committee on how the department will manage overtime and salary deficits in FY 2012-13 and FY 2013-14 to ensure that actual overtime and salary expenditures are within the budgeted amount, including how SFMTA proposes to manage a $5,000,000 reduction in overtime in FY 2013-14.

New Expenditures for Transit Maintenance

The proposed SFMTA budget includes $17,555,000 for increased maintenance expenditures in FY 2012-13 and $30,010,000 for increased maintenance expenditures in FY 2013-14, compared to FY 2011-12 maintenance expenditures. These increased expenditures include new staffing costs as well as materials and other expenditures. SFMTA has allocated 70% these new maintenance expenditures to the Transit Division in FY 2012-13, as shown in Table 4 below.

Table 4
Proposed Increased Expenditures for Maintenance
FY 2012-13 and FY 2013-14[4]

	FY 2012-13		FY 2013-14	
	Amount	Percent of Total	Amount	Percent of Total
Transit Division				
Light Rail Vehicle Maintenance	$2,875,000	16%	$5,750,000	19%
Bus Maintenance	2,875,000	16%	5,750,000	19%
Right-of-Way Maintenance	6,470,000	37%	10,340,000	34%
Total, Transit Division	**$12,220,000**	**70%**	**$21,840,000**	**73%**
Other Divisions				
Transit Effectiveness Project	$375,000	2%	$750,000	2%
Sustainable Streets	1,250,000	7%	2,500,000	8%
Safety and Enforcement	2,400,000	14%	2,900,000	10%
Administration and Support	1,310,000	7%	2,020,000	7%
Total, Other Divisions	**$5,335,000**	**30%**	**$8,170,000**	**27%**
Total	**$17,555,000**	**100%**	**$30,010,000**	**100%**

Security, Safety, Training, and Enforcement Division

Positions in SFMTA's Security, Safety, Training and Enforcement program are funded by the Muni and Parking and Traffic operating budgets. These positions include transit fare inspectors, parking control officers, and related management, supervisory and support staff.

In FY 2012-13, SFMTA proposes to add 10 transit fare inspector positions to the Security, Safety, Training and Enforcement Division by decreasing attrition savings to allow for the hiring of vacant positions. According to Ms. Bose, these positions will be used to facilitate Muni's new all-door boarding policy.

Rainy Day Reserve

The FY 2012-13 and FY 2013-14 budgets contain a rainy day reserve of $10,000,000 in each year for a total reserve of $20,000,000. According to Ms. Bose, the SFMTA Board of Directors has an adopted reserve policy which includes a reserve goal of 10% of the operating budget, which would be $82,367,572 based on the proposed FY 2012-13 budget of $823,675,725. The purpose of the reserve is

[4] These expenditures of $17,555,000 in FY 2012-13 and $30,010,000 in FY 2013-14 are included in the expenditure line items for salaries, materials and supplies, and other line items in the SFMTA budget and are not detailed separately.

to protect against SFMTA's revenue shortfalls and unpredicted one-time expenses and to ensure that adequate funds are available for the agency.

Unexpended Project and Encumbered Funds

Unexpended Project Funds

SFMTA has $25,300,000 in previously appropriated project funds for parking infrastructure procurement which have not been expended. According to Ms. Bose, these funds will be used to pay for new parking meters for the SF Park program. SFMTA will issue a Request for Proposals (RFP) for new parking meters citywide for the SF Park program.

SFMTA also has $20,000,000 in previously appropriated project funds for land and building procurement which have not been expended. According to Ms. Bose, these funds will be used to purchase property (1) at Broadway and Sansome to provide long-term replacement housing for tenants displaced by construction of the Central Subway, and (2) 2650 Bayshore Avenue for storage of SFMTA vehicles currently stored on Port property.

Unexpended and Encumbered Funds

City departments encumber funds that have been appropriated by the Board of Supervisors to pay for purchase orders, work orders with other City departments, projects, and other purposes. Technically, encumbrances are funds that have been set aside to pay for goods or services that have been ordered but not yet received or billed. Therefore, encumbered funds have not yet been expended.

SFMTA has $9,501,325 in unexpended and encumbered funds that were (1) appropriated in FY 2010-11 and prior years, (2) have not posted activity in FY 2011-12, and (3) are funded by the Muni or Parking and Traffic operating budgets. Based on the Budget and Legislative Analyst's request, SFMTA provided the following information on the status of these encumbrances, as shown in Table 5 below:

Table 5
SFMTA Encumbrances

Encumbrances	Muni Operating Funds	Parking and Traffic Operating Funds	Total
Can be closed out	$2,335,178	$874,988	$3,210,166
Held open pending invoices	6,272,692	0	6,272,692
Subtotal	8,607,869	874,988	9,482,857
Active project	18,095	373	18,468
Total	**$8,625,964**	**$875,361**	**$9,501,325**

As shown in Table 5, SFMTA has $3,210,166 in encumbrances that can be closed out and the funds re-allocated to other one-time uses.

Of the $6,272,692 in encumbered accounts, for which SFMTA is holding the account open pending the receipt of pending invoices, accounts with balances totaling $5,704,869 have had no activity since 2010. The largest of these encumbered accounts is for a payment to the Bay Area Rapid Transit (BART), totaling $5,284,346, for which the last date of recorded activity of December 2, 2010. SFMTA should

immediately determine the status of the account with BART and other large inactive accounts in order to close out the unexpended balances and re-allocate the funds to other one-time uses.

SFMTA should report to the Budget and Finance Committee in the May 24, 2012 hearing on the status of $9,501,325 in encumbered funds, including the funds of $5,284,346 encumbered for a payment to BART, and whether the unexpended balance can be reallocated to other uses.

DEPARTMENT REVENUES:

FY 2012-13: Department revenues have increased by $24,458,614 or 4.1%, from the original FY 2011-12 budget of $589,817,111 to the proposed FY 2012-13 budget of $614,275,725.

General Fund revenues have increased by $18,650,000 or 9.8% from the original FY 2011-12 budget of $190,750,000 to the proposed FY 2012-13 budget of $209,400,000

FY 2013-14: Department revenues have increased by $11,830,733 or 1.9%, from the original FY 2012-13 budget of $614,275,725 to the proposed FY 2013-14 budget of $626,106,458.

General Fund revenues have increased by $7,650,000 or 3.7% from the original FY 2012-13 budget of $209,400,000 to the proposed FY 2012-13 budget of $217,050,000.

	FY 2011-12	FY 2012-13	FY 2013-14
Transit Fares and Advertising Revenues	$207,736,734	$224,544,634	$228,233,972
Permits, Fees, Fines	122,687,325	115,690,539	116,267,713
Parking Meters and Garages	91,853,058	94,639,056	98,361,428
Recoveries for Services	60,111,666	87,479,058	91,538,321
State and Federal Operating Grants	106,892,909	113,700,000	115,670,000
Miscellaneous	3,200	0	0
General Fund Contribution to SFMTA	190,750,000	209,400,000	217,050,000
General Fund In Lieu of Parking Tax	57,578,400	62,147,000	64,011,000
Net Transfers[5]	(57,046,181)	(83,917,362)	(87,968,776)
Total	**$780,567,111**	**$823,682,925**	**$843,163,658**

Transit Fares

SFMTA increases transit fares based on the Automatic Indexing Implementation Plan, approved by the SFMTA Board of Directors in April 2009, which provides for fare increases based on the Consumer Price Index (CPI) and other costs, such as labor and fuel. The Automatic Indexing Implementation Plan was not subject to Board of Supervisors approval. The FY 2012-13 and FY 2013-14 SFMTA budgets do not propose increases in cash fares but do propose increases in some monthly fast passes and other fares as follows:

[5] Net transfers are transfers between SFMTA operating funds and project funds.

	FY 2011-12	FY 2012-13 Proposed	FY 2013-14 Proposed
Fast Pass Combined With BART in San Francisco			
Adult	$72.00	$74.00	$76.00
Disabled/Youth/Senior	$26.00	$27.00	$28.00
Fast Pass Muni Only			
Adult	$62.00	$64.00	$66.00
Disabled/Youth/Senior	$24.00	$22.00	$23.00
Other Passes			
Lifeline (Low Income) Pass	$31.00	$32.00	$33.00
Cable Car All-Day Pass	$14.00	$14.00	$15.00
One-Day Passport	$14.00	$14.00	$15.00
Three-Day Passport	$21.00	$22.00	$23.00
Seven-Day Passport	$27.00	$28.00	$29.00
Interagency Sticker (Excludes BART and Cable Car)	$57.00	$59.00	$61.00
Class Pass	$25.00	$26.00	$27.00
Special Event - Round Trip			
Adult	$12.00	$12.00	$13.00
Disabled/Youth/Senior	$10.00	$10.00	$11.00
Add-On Fare	$8.00	$8.00	$9.00

These fare increases are not subject to Board of Supervisors approval.

Parking and Other Increases

The proposed budget includes:

- Additional parking meter revenue in FY 2012-13 FY 2013-14 for (a) parking meter enforcement on Sunday from 12 pm to 6 pm, and (b) addition of 500 to 1,000 new metered parking spaces;
- Increases to various fees and penalties, based on the Automatic Indexing Implementation Plan or cost recovery calculation; and
- Fees applied to parking citations of (a) $2.00 to recover SFMTA's costs for the Local Courthouse Construction Fee, which is being remitted to the State but has not been included in citation amounts, and (b) $3.00 in FY 2012-13 to recover SFMTA's costs for the Trial Court Trust Fund Fee, which under California Government Code, SFMTA can collect in FY 2012-13 but not in FY 2013-14.

General Fund

The proposed SFMTA budget in FY 2012-13 and FY 2013-14 includes General Fund contributions, consistent with the Three-Year Budget Projections for FY 2012-13 through FY 2014-15, prepared jointly by the Controller, Budget and Legislative Analyst, and Mayor's Budget Director.

Free Muni for Low-Income Youth

DEPARTMENT: SFMTA – MUNICIPAL TRANSPORTATION AGENCY

The SFMTA Board of Directors approved a resolution on April 17, 2012 to provide a 22-month pilot program to provide free transit to low-income youth from August 1, 2012 through May 31, 2014. According to Ms. Bose, actual implementation of Free Muni for Low-Income Youth is contingent on funding from the Metropolitan Transportation Commission and San Francisco County Transportation Authority that has not yet been approved. The proposed FY 2012-13 budget includes a $4.1 million reduction in fare revenues to account for the expected costs to provide free transit to low income youth.

Policy Consideration

Under the Charter, the SFMTA must submit a two-year budget in even-numbered years and budget amendments for the second fiscal year in odd-numbered years. SFMTA must submit the proposed two-year budget no later than May 1st of the even-numbered year to the Mayor and the Board of Supervisors. As long as the SFMTA stays within the revenue formulas outlined in the Charter, and does not ask for additional General Fund resources or support, the Mayor must forward the budget to the Board of Supervisors as submitted.

The Board of Supervisors may allow the SFMTA's budget to take effect without any action on its part, or it may reject the budget in its entirety by a vote of at least 7 of the 11 members.

According to the Controller, if the Board of Supervisors rejects the proposed FY 2012-13 and FY 2013-14 SFMTA budgets, the Board of Supervisors must appropriate sufficient General Fund revenues to maintain SFMTA's current operations until such time that the Board of Supervisors either affirmatively approves or allows an alternative SFMTA budget, as adopted by the SFMTA Board of Directors, to take effect.

COMMENTS:

The Director of Transportation should report to the Budget and Finance Committee in the May 24, 2012 hearing on:

- The status of inactive encumbrances, funded by Muni or Parking and Traffic operating funds, totaling $9,501,325, including the funds of $5,284,356 encumbered for a payment to BART, and whether the unexpended balances can be reallocated to other uses; and

- The SFMTA's plans to reduce overtime use from the FY 2011-12 projected overtime expenditures of $54,095,765 to the overtime budget of $41,951,990 in FY 2012-13 and of $36,951,990 in FY 2013-14.