

File No. 180450

Committee Item No. 11

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

### COMMITTEE/BOARD OF SUPERVISORS

#### AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date May 24, 2018

Board of Supervisors Meeting

Date \_\_\_\_\_

#### Cmte Board

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Completed by: Linda Wong Date May 18, 2018

Completed by: Linda Wong Date \_\_\_\_\_

1 [Power Revenue Bond Issuance and Sale - San Francisco Public Utilities Commission - Not to  
2 Exceed \$154,928,059]

3 **Ordinance authorizing the issuance and sale of tax-exempt or taxable Power Revenue**  
4 **Bonds and other forms of indebtedness by the San Francisco Public Utilities**  
5 **Commission (Commission) in an aggregate principal amount not to exceed**  
6 **\$154,928,059 to finance the costs of various capital projects benefitting the Power**  
7 **Enterprise pursuant to Charter, Sections 9.107(6) and 9.107(8), authorization to issue**  
8 **Refunding Power Revenue Bonds; declaring the Official Intent of the Commission to**  
9 **reimburse itself with one or more issues of tax-exempt bonds; and ratifying previous**  
10 **actions taken in connection therewith, as defined herein.**

11 NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.  
12 **Additions to Codes** are in *single-underline italics Times New Roman font*.  
13 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.  
14 **Board amendment additions** are in double-underlined Arial font.  
15 **Board amendment deletions** are in ~~strikethrough Arial font~~.  
16 **Asterisks (\* \* \* \*)** indicate the omission of unchanged Code  
17 subsections or parts of tables.

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

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

21 A. Pursuant to Charter Sections 9.107(6) and 9.107(8), the San Francisco Public  
22 Utilities Commission (the "Commission") is authorized to issue revenue bonds, without a vote  
23 of the voters, to finance or refinance the acquisition, construction, installation, equipping,  
24 improvement or rehabilitation of electric power facilities as well as equipment or facilities for  
25 renewable energy and energy conservation; and

1           B.     The Commission adopted the Trust Indenture dated as of May 1, 2015, as  
2 further amended and supplemented from time to time (the "Indenture"), between the  
3 Commission and U. S. Bank National Association and in connection therewith, has from time  
4 to time issued revenue bonds to finance projects benefitting the Power Enterprise; and

5           C.     By Resolution 18-0023 adopted by the Commission on February 13, 2018 (the  
6 "Commission Resolution") the Commission has determined to issue Power Revenue Bonds  
7 (the "Power Revenue Bonds") and other forms of indebtedness, including commercial paper,  
8 revolving credit notes and other forms of notes, to finance the costs of various capital Power  
9 projects benefitting the Power Enterprise (the "Capital Improvement Projects" such projects  
10 being more fully described in the Commission Resolution), pursuant to Charter Sections  
11 9.107(6) and 9.107(8), and has formally requested this Board to authorize the issuance and  
12 sale of Power Revenue Bonds for such purposes, such Commission Resolution being on file  
13 with the Clerk of the Board of Supervisors in File No. 180450; and

14           D.     In order to finance the costs of the Capital Improvement Projects, the Board now  
15 desires to authorize the issuance and sale of Power Revenue Bonds and other forms of  
16 indebtedness (including, without limitation, New Clean Renewable Energy Bonds and  
17 Qualified Energy Conservation Bonds, commercial paper, revolving credit notes, and bond  
18 anticipation notes) for such purposes; and

19           E.     The Commission has paid, beginning no earlier than 60 days prior to the  
20 adoption of this Ordinance and will pay, on and after the date hereof, certain expenditures (the  
21 "Expenditures") in connection with the acquisition, construction and/or equipping of the Capital  
22 Improvement Projects, and

23           F.     This Board is concurrently considering with this ordinance another Ordinance  
24 approving a Capital Improvement Program related supplemental appropriations totaling  
25 \$340,106,951 for fiscal years ending 2019 and 2020, such amount being inclusive of the

1 Power Revenue Bonds and other forms of indebtedness (including, without limitation, New  
2 Clean Renewable Energy Bonds, Qualified Energy Conservation Bonds, commercial paper,  
3 revolving credit notes, and bond anticipation notes) approved hereby; and

4 G. This Board of Supervisors, on behalf of the Commission, adopts this Ordinance  
5 as official action of the Commission in order to comply with Treasury Regulation §1.150-2 and  
6 any other regulations of the Internal Revenue Service relating to the qualification for  
7 reimbursement of Commission expenditures incurred prior to the date of issue of the Power  
8 Revenue Bonds.

9 Section 2. Authorization to Issue Power Revenue Bonds. The Board hereby  
10 authorizes the issuance and sale of Power Revenue Bonds and other forms of indebtedness  
11 (including, without limitation, New Clean Renewable Energy Bonds, Qualified Energy  
12 Conservation Bonds, commercial paper, revolving credit notes, and bond anticipation notes)  
13 in one or more series from time to time by the Commission pursuant to the Charter and in  
14 accordance with the Commission Resolution in an aggregate principal amount not to exceed  
15 \$154,928,059 (inclusive of financing costs but exclusive of refunding indebtedness), bearing  
16 a maximum rate or rates of interest of not to exceed twelve percent (12%) per annum to  
17 finance a portion of the costs of the design, acquisition and construction of the Capital  
18 Improvement Projects. The Commission is hereby authorized to determine the timing, amount  
19 and manner of sale (i.e., competitive or negotiated) of each series of Power Revenue Bonds  
20 or the delivery of other forms of indebtedness pursuant to this authorization; provided  
21 however, the Commission's authorization to issue Power Revenue Bonds or incur other forms  
22 of indebtedness (including, without limitation, New Clean Renewable Energy Bonds, Qualified  
23 Energy Conservation Bonds, commercial paper, revolving credit notes, and bond anticipation  
24 notes), is subject to approval by the Commission of the form of substantially final offering  
25 document related to such bonds (if any) and the approval of any related financing documents.

1 The Commission shall also file, within 30 days of any bond sale authorized hereby, with the  
2 Clerk of the Board of Supervisors a report showing the results of the sale of Power Revenue  
3 Bonds or other form of indebtedness including (i) principal amount sold and method of sale,  
4 (ii) true interest cost, (iii) final maturity, (iv) the facilities constructed and/or improved, and (v) a  
5 statement about the remaining bonding authorization under this Ordinance (the "Report");  
6 provided that failure to provide such Report shall not affect the validity of any debt authorized  
7 hereby.

8 Section 3. Authorization to Issue Refunding Power Revenue Bonds. The Board further  
9 authorizes and approves the issuance by the Commission of Refunding Power Revenue  
10 Bonds and other forms of indebtedness (the "Refunding Bonds") to refund any outstanding  
11 obligations of the Power Enterprise, without limitation as to principal amount, in one or more  
12 series on one or more dates, at a maximum interest rate or rates of interest not to exceed  
13 twelve percent (12%) per annum, provided that each such Refunding Bond issue or obligation  
14 is permitted under the applicable policies and procedures of the City and authorized by either  
15 Section 9.109 of the Charter (including related ordinances and resolutions of the Board). The  
16 Refunding Bonds may be issued as tax-exempt or taxable obligations, or any combination  
17 thereof. Refunding Bonds authorized hereunder shall be subject to the further following  
18 conditions, that: (i) 3% net present value debt service savings or greater is achieved to ensure  
19 ratepayer savings (exclusive of any issuance to refund commercial paper, revolving credit  
20 notes or bond anticipation notes); (ii) this authorization is subject to a 2-year term through  
21 June 30, 2020, at which time this Board may consider an extension; principal payments and  
22 term may be adjusted, where permitted under federal and state tax law, only if and when the  
23 underlying capital asset funded through said refunded bonds has a useful life not in excess of  
24 any limit permitted under federal and state tax law than the refunded term; and (iii) the  
25 Commission shall within 30 days of any executed refunding transaction provide a savings

1 report prepared by its financial advisor (that reflects at least a 3% net present value debt  
2 service savings) to the Board, together with a copy of the final Official Statement with respect  
3 to such series of Refunding Bonds, provided that failure to provide such savings report shall  
4 not affect the validity of any Refunding Bonds.

5  
6 Section 4. Declaration of Official Intent. The Board, on behalf of the Commission,  
7 hereby declares the official intent of the Commission to reimburse the Commission with  
8 proceeds of the Power Revenue Bonds or other forms of indebtedness for the Expenditures  
9 with respect to the Capital Improvement Projects made on and after a date that is no more  
10 than 60 days prior to the adoption of this Ordinance. The Commission reasonably expects on  
11 the date hereof that it will reimburse the Expenditures with proceeds of the Power Revenue  
12 Bonds or other forms of indebtedness including, without limitation, New Clean Renewable  
13 Energy Bonds and Qualified Energy Conservation Bonds. Each said Expenditure was and will  
14 be either (A) of a type properly chargeable to a capital account under general federal income  
15 tax principles (determined in each case as of the date of the Expenditure), (B) a cost of  
16 issuance with respect to the Power Revenue Bonds or other forms of indebtedness, (C) a  
17 nonrecurring item that is not customarily payable from current revenues, or (D) a grant to pay  
18 a party that is not related to or an agent of the issuer so long as such grant does not impose  
19 any obligation or condition (directly or indirectly) to repay any amount to or for the benefit of  
20 the Commission. The Commission will make a reimbursement allocation, which is a written  
21 allocation by the Issuer that evidences the Commission's use of proceeds of the Power  
22 Revenue Bonds or other forms of indebtedness to reimburse an Expenditure, no later than 18  
23 months after the later of the date on which the Expenditure is paid or the component of the  
24 Capital Improvement Projects is placed in service or abandoned, but in no event more than  
25 three years after the date on which the Expenditure is paid. The Commission recognizes that

1 exceptions are available for certain "preliminary expenditures," costs of issuance, certain de  
2 minimis amounts, expenditures by "small issuers" (based on the year of issuance and not the  
3 year of expenditure) and expenditures for construction projects of at least 5 years.

4 Section 5. General Authority. The Controller, Treasurer, the City Attorney and other  
5 officers of the City and their duly authorized deputies and agents are hereby authorized and  
6 directed, jointly and severally, to take such actions and to execute and deliver such  
7 certificates, agreements, requests or other documents, as they may deem necessary or  
8 desirable to facilitate the issuance, sale and delivery of the Power Revenue Bonds or other  
9 forms of indebtedness (including, without limitation, New Clean Renewable Energy Bonds,  
10 Qualified Energy Conservation Bonds, commercial paper, revolving credit notes, and bond  
11 anticipation notes), any Power Refunding Bonds, and to obtain bond insurance or other credit  
12 or liquidity enhancements with respect to any such obligations and otherwise to carry out the  
13 provisions of this Ordinance. The Commission is hereby directed to provide the final form to  
14 the Clerk of the Board of any disclosure document prepared in connection with the execution  
15 of any Power Revenue Bonds and other forms of indebtedness (including, without limitation,  
16 New Clean Renewable Energy Bonds and Qualified Energy Conservation Bonds, commercial  
17 paper, revolving credit notes, and bond anticipation notes) or Refunding Bonds, or other  
18 document reflecting the incurrence of another obligation payable from the Power Enterprise,  
19 within 30 days of the closing of such transactions, provided that the failure to deliver such  
20 report shall not affect the validity of the obligations authorized hereunder.

21 Section 6. Ratification of Prior Actions. All actions authorized and directed by this  
22 Ordinance in connection with the issuance of the Power Revenue Bonds and other forms of  
23 indebtedness (including, without limitation, New Clean Renewable Energy Bonds, Qualified  
24 Energy Conservation Bonds, commercial paper, revolving credit notes, and bond anticipation  
25

1 notes), and Refunding Power Revenue Bonds, and heretofore taken are hereby ratified,  
2 approved and confirmed by this Board.

3 Section 7. File Documents. All documents referred to as on file with the Clerk of the  
4 Board are in File Nos. 180450.

5 Section 8. Effective Date. Pursuant to Charter Section 8B.124, this Ordinance shall  
6 take effect thirty (30) days after its adoption.

7  
8 APPROVED AS TO FORM:  
9 DENNIS J. HERRERA, City Attorney

10  
11 By:



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13 Mark D. Blake  
14 Deputy City Attorney

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**LEGISLATIVE DIGEST**

[Power Revenue Bond Issuance and Sale - San Francisco Public Utilities Commission - Not to Exceed \$154,928,059]

**Ordinance authorizing the issuance and sale of tax-exempt or taxable Power Revenue Bonds and other forms of indebtedness by the San Francisco Public Utilities Commission (Commission) in an aggregate principal amount not to exceed \$154,928,059 to finance the costs of various capital projects benefitting the Power Enterprise pursuant to Charter, Sections 9.107(6) and 9.107(8), authorization to issue Refunding Power Revenue Bonds; declaring the Official Intent of the Commission to reimburse itself with one or more issues of tax-exempt bonds; and ratifying previous actions taken in connection therewith, as defined herein.**

Existing Law

This is new legislation.

Background Information

The proposed Ordinance authorizes the issuance by the SFPUC of its power enterprise revenue bonds (the "Power Revenue Bonds") in an amount not to exceed \$154,928,059 to finance the costs of various capital water projects benefitting the SFPUC Power Enterprise. The Power Revenue Bonds will be issued pursuant to Charter sections 9.107(6) and 9.107(8), at a maximum rate of 12% per annum. The Ordinance delegates to the SFPUC the authority to determine the timing, amount and manner of sale of Power Revenue Bonds (i.e., competitive or negotiated), subject to the SFPUC approving the form of a substantially final offering document.

The Power Revenue Bonds will be issued pursuant to the terms of a Trust Indenture dated as of May 1, 2015, as further amended and supplemented from time to time (the "Indenture"), between the Commission and U. S. Bank National Association, as trustee thereunder.

The Commission is authorized to determine the timing, amount and manner of sale (i.e., competitive or negotiated) of each series of Power Revenue Bonds or the delivery of other forms of indebtedness (including New Clean Renewable Energy Bonds and Qualified Energy Conservation Bonds, commercial paper, revolving credit notes, and bond anticipation notes) pursuant to the proposed Ordinance; but the Commission's authority to issue Power Revenue Bonds or incur other forms of indebtedness is subject to further approval by the Commission of the form of substantially final offering document related to such bonds (if any) and the approval of any related financing documents.

Finally the Ordinance provides for the issuance of Refunding Bonds under Charter Section 9.109 without returning to the Board for approval provided that the Commission achieves at

FILE NO. 180450

least 3% present value debt service savings. The Commission is required to provide a savings report to the Board within 30 days of the date of execution of any refunding. The authority to issue Refunding Bonds ends June 30, 2020.

Upon issuance of the Bonds, to the extent permitted by law, one-twentieth of one percent (0.05%) of the gross proceeds of the Bonds will be deposited in a fund established by the City Controller's Office and appropriated by the Board at the direction of the Public Utilities Revenue Bond Oversight Committee established by Proposition P.

<p><b>Items 8 and 11</b> <b>Files 18-0447 and 18-0450</b></p>	<p><b>Department:</b> Public Utilities Commission</p>
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**EXECUTIVE SUMMARY**

**Legislative Objectives**

**File 18-0447** is an ordinance appropriating \$340,106,949 of San Francisco Public Utilities Commission (SFPUC) Hetch Hetchy Enterprise revenue, Cap and Trade revenue, and Power and Water Revenue Bond proceeds.

**File 18-0450** is an ordinance authorizing the issuance and sale of \$154,928,058 in tax-exempt and taxable Power Revenue Bonds to finance various capital projects.

**Key Points**

- The San Francisco Public Utilities Commission’s (SFPUC) Hetch Hetchy Enterprise is responsible for power trading and scheduling, customer relations and billing, in-City facilities, distribution infrastructure, street lights, public policy and financial planning. The Hetch Power sales must generate sufficient revenues to fund the Hetch Hetchy Enterprise’s operating expenses and capital program.
- The Board of Supervisors previously authorized the sale of \$196,929,931 in Power Revenue Bonds. Approval of File 18-0450 authorizes the sale of an additional \$154,928,058 in Power Revenue Bonds, for total authorized Power Revenue Bonds of \$351,857,989.
- The SFPUC’s 10-Year Capital Plan provides for \$909 million in Hetch Hetchy water capital project expenditures through 2028, and \$371 million in Hetch Hetchy power capital project expenditures through 2028, totaling \$1.28 billion over ten years.

**Fiscal Impact**

- According to the SFPUC’s 10-Year Financial Plan for FY 2018-19 to FY 2027-28, total annual debt service for the Hetch Hetchy Power Enterprise is within the SFPUC’s debt service coverage policy requirements.
- Electricity rates paid by the City’s General Fund departments increase by \$0.005 (1/2 cent) per kilowatt hour (kWh) in FY 2018-19 and FY 2019-20 to fund Hetch Hetchy Power Enterprise operating, maintenance, and capital costs.

**Policy Consideration**

- The Board of Supervisors previously authorized \$196.9 million in Power Revenue Bonds, of which \$43.7 million have been sold with \$153.3 million in authorized and unsold bonds. The proposed ordinance (File 18-0450) authorizes an additional \$154.9 million in Power Revenue Bonds and other forms of debt. The SFPUC’s policy is to request authorization for bonds and other forms of debt to fund new capital appropriations. Because capital projects occur over a long period of time, projects and project financing change, which may result in previously authorized bonds no longer being needed.

**Recommendations**

- Amend the proposed ordinance (File 18-0450) to request the SFPUC General Manager to provide a written report to the Board of Supervisors as part of the two-year budget review detailing the total amount of authorized Power Revenue Bonds, the total amount sold, the total amount authorized and unsold, and the amount of authorized bonds that are no longer needed due to changes in projects and project financing, beginning in May 2020.
- Approve File 18-0450 as amended, and File 18-0447.

## MANDATE STATEMENT

Charter Section 9.107(6, 8) states that the Board of Supervisors is authorized to provide for the issuance of revenue bond issued for the purpose of the reconstruction or replacement of existing water facilities or electric power facilities or combinations of water and electric power facilities under the jurisdiction of the Public Utilities Commission, when authorized by resolution adopted by a three-fourths affirmative vote of all members of the Board of Supervisors; and issued to finance or refinance the acquisition, construction, installation, equipping, improvement or rehabilitation of equipment or facilities for renewable energy and energy conservation.

Charter Section 5A.31(d) states that one-twentieth of one percent from the proceeds of each issuance or sale of public utility revenue bonds must be set aside for use by the Public Utilities Commission Revenue Bond Oversight Committee to cover the costs of Committee activities.

Charter Section 9.105 states that the Board of Supervisors shall approve by ordinance all amendments to the Annual Appropriation Ordinance after the Controller certifies the availability of funds.

Section 3.3 of the City's Administrative Code provides that the committee of the Board of Supervisors that has jurisdiction over the budget (i.e., Budget and Finance Committee) may place requested expenditures on reserve, which are then subject to release by the Budget and Finance Committee.

## BACKGROUND

The San Francisco Public Utilities Commission's (SFPUC) Hetch Hetchy Enterprise is responsible for power trading and scheduling, customer relations and billing, in-City facilities, distribution infrastructure, street lights, public policy and financial planning. The Hetch Hetchy Enterprise is also responsible for all water and power facilities at Hetch Hetchy. Power sales must generate sufficient revenues to fund the Hetch Hetchy Enterprise's operating expenses and capital program.

## DETAILS OF PROPOSED LEGISLATION

**File 18-0447** is an ordinance appropriating \$340,106,949 of Hetch Hetchy revenue, Cap and Trade revenue, and Power and Water Revenue Bond proceeds<sup>1</sup>. \$140,527,284 of the funds would be appropriated in FY 2018-19 and \$199,579,665 of the funds would be appropriated in FY 2019-20. \$154,928,058 of the Power Bonds and \$102,188,742 of the Water Bonds would be placed on Controller's reserve subject to the Controller's certification of funds availability.

**File 18-0450** is an ordinance (a) authorizing the issuance and sale of tax-exempt or taxable Power Revenue Bonds and other forms of indebtedness in an amount not to exceed \$154,928,058 to finance the costs of various capital projects, (b) authorizing the issuance of Refunding Power Revenue Bonds, (c) declaring the Official Intent of the Public Utilities

<sup>1</sup> Issuance and appropriation of the Water Revenue Bonds is the subject of Files 18-0448 and 18-0451.

Commission to reimburse itself with one or more issues of tax-exempt bonds; and (d) ratifying previous actions.

File 18-0450: Power Bonds

The Board of Supervisors previously authorized the sale of \$196,929,931 in Power Revenue Bonds (Files 14-0482, 15-0078, 15-0079, 15-0942, and 16-0473). Approval of the proposed ordinance authorizes the sale of an additional \$154,928,058 in Power Revenue Bonds, for total authorized Power Revenue Bonds of \$351,857,989.

Approval of the proposed ordinance would:

- Authorize SFPUC to sell \$154,928,058 in Power Bonds at a maximum interest rate of 12 percent per year. SFPUC could sell the bonds in series at a time and in an amount and manner (competitive or negotiated sale) determined by SFPUC.
- Authorize SFPUC to sell refunding bonds to refund outstanding Power Bonds or other debt without further Board of Supervisors approval. According to the proposed ordinance, SFPUC could only sell the refunding bonds if they achieved at least 3 percent net present value debt service savings. Authorization to sale refunding bonds would expire on June 30, 2020.
- Provide for SFPUC to reimburse prior capital project expenditures with bond proceeds as allowed by federal income tax principles.
- Ratify actions taken by the SFPUC and other City officials in connection with the issuance of the Power Bonds.

The allocation of bond proceeds is shown in Table 1 below:

**Table 1: Allocation of \$154,928,058 in Power Revenue Bonds**

<b>Use</b>	<b>Amount</b>
Capital Project Appropriation	131,688,850
Financing Costs (17%)	22,898,366
City Services Auditor (0.2%)	263,378
Revenue Bond Oversight Committee (0.05%)	77,464
<b>Total</b>	<b>\$154,928,058</b>

Financing costs of \$22,898,366, equal to 17 percent of the bond allocation to capital projects, are for issuance costs, debt service reserve, capitalized interest<sup>2</sup>, bond counsel, and other costs.

File 16-0470 Appropriation to Support Hetch Hetchy Capital Improvement Program

The Public Utilities Commission approved the SFPUC 10-Year Capital Plan for 2019 to 2028 in January 2018. The 10-Year Capital Plan provides for \$909 million in Hetch Hetchy water capital project expenditures through 2028, and \$371 million in Hetch Hetchy power capital project expenditures through 2028, totaling \$1.28 billion over ten years. These projects are funded

<sup>2</sup> Capitalized interest is the accrual of interest prior to the receipt of revenues to repay the bonds.

primarily by Power Revenue Bonds, Water Revenue Bonds, operating revenue, and Cap and Trade Allowances<sup>3</sup>.

Components of the Hetch Hetchy power capital projects include: (a) water, power, and joint infrastructure improvements, (b) street lighting improvements, (c) development of electricity capacity at Treasure Island and Alice Griffith/Candlestick Point, (d) generation of electricity from renewable sources, and (e) energy efficiency projects.

The total appropriation to Hetch Hetchy water and power capital projects in FY 2018-19 and FY 2019-20 is \$340,106,949, as shown in Table 2 below:

**Table 2: Capital Appropriation FY 2018-19 and FY 2019-20**

	FY 2018-19	FY 2019-20	Two Year Total
<b>Sources of Funds</b>			
Water Bonds (File 18-0448)	\$33,129,885	\$69,058,857	\$102,188,742
Power Bonds (File 18-0447)	63,928,647	90,999,411	154,928,058
Hetch Hetchy Revenue	42,468,752	38,521,397	80,990,149
Cap and Trade Allowance	1,000,000	1,000,000	2,000,000
<b>Total Sources</b>	<b>\$140,527,284</b>	<b>\$199,579,665</b>	<b>\$340,106,949</b>
<b>Uses of Funds</b>			
Hetch Hetchy Water Infrastructure	13,357,000	26,834,000	40,191,000
Hetch Hetchy Power Infrastructure	17,204,000	11,782,000	28,986,000
Joint Projects - Water	6,826,950	14,899,500	21,726,450
Joint Projects - Power	8,344,050	18,210,500	26,554,550
Joint Water - Mountain Tunnel	8,804,700	18,693,000	27,497,700
Joint Power - Mountain Tunnel	10,761,300	22,847,000	33,608,300
<b>Subtotal Infrastructure and Joint Projects</b>	<b>65,298,000</b>	<b>113,266,000</b>	<b>178,564,000</b>
Bay Corridor - Power Distribution	20,000,000	21,000,000	41,000,000
Retail Services - Power Distribution	7,800,000	7,000,000	14,800,000
Intervening Facilities	9,950,000	9,950,000	19,900,000
Airport Substation	2,070,000	8,550,000	10,620,000
Generation Small Renewables	1,000,000	1,000,000	2,000,000
Energy Efficiency	1,000,000	1,000,000	2,000,000
Treasure Island	1,894,844	1,707,065	3,601,909
Alice Griffith/ Candlestick Park	8,673,908	7,814,332	16,488,240
Transbay Transit Center	3,100,000		3,100,000
Streetlight Improvements	6,010,000	6,010,000	12,020,000
<b>Subtotal Other Capital Plan Projects</b>	<b>61,498,752</b>	<b>64,031,397</b>	<b>125,530,149</b>
Bond Financing and Oversight (12%)	13,730,532	22,282,268	36,012,800
<b>Total Uses</b>	<b>\$140,527,284</b>	<b>\$199,579,665</b>	<b>\$340,106,949</b>

Source: Hetch Hetchy 10-Year Capital Plan, Appropriation Ordinance, Public Utilities Commission Documents

<sup>3</sup> The California Cap and Trade Program sets greenhouse gas emission allowances for public and private utilities and other agencies; agencies that do not fully use their greenhouse gas emission allowance can sell the allowance to other agencies.

\$97,058,532 of the FY 2018-19 appropriation and \$160,058,268 of the FY 2019-20 appropriation are placed on Controller's Reserve pending receipt of the Water and Power Revenue Bond proceeds.

Descriptions of the proposed projects are included in the attachment.

## FISCAL IMPACT

### SFPUC Debt Service Coverage Policy and Financial Plan

According to the SFPUC's Comprehensive Annual Financial Report (CAFR), as of June 30, 2017, SFPUC had \$43.7 million in outstanding Power Revenue Bonds. Total outstanding Hetch Hetchy Power Enterprise debt as of June 30, 2017, including Clean Renewable Energy Bonds and Certificates of Participation, was \$72.8 million. Total annual debt service in FY 2017-18 is \$5.4 million, which remains unchanged in FY 2018-19 and FY 2019-20.

According to SFPUC's bond covenants with bondholders and debt service coverage policy, the ratio of net revenues to annual debt service must meet the following minimum coverage:

- Indenture coverage<sup>4</sup>: net revenues equal to a minimum of 1.35 times annual debt service
- Current coverage<sup>5</sup>: net revenues equal to a minimum of 1.10 times annual debt service

According to the SFPUC's 10-Year Financial Plan for FY 2018-19 to FY 2027-28, total annual debt service for the Hetch Hetchy Power Enterprise is within the SFPUC's debt service coverage policy requirements.

### Electricity Rate Increases in FY 2018-19 and FY 2019-20

The Public Utilities Commission annually adopts a 10-Year Capital Plan and 10-Year Financial Plan in accordance with Charter Section 8B.123. The 10-Year Financial Plan evaluates the SFPUC's revenue requirements for the Water Enterprise, Wastewater Enterprise and Hetch Hetchy Enterprise to fund operations, maintenance and capital investment activities. The Public Utilities Commission adopted the FY 2018-19 to FY 2027-28 Capital Plan and Financial Plan at the February 13, 2018 Commission meeting.

The Power Revenue Bonds are repaid from SFPUC's Hetch Hetchy Power Enterprise revenues, which are generated largely from the sale of electricity. Currently, SFPUC charges different electricity rates to different customers.

- Some City departments, including the Airport, Port, and SFPUC, pay enterprise rates, or rates equal to those set by Pacific, Gas and Electric (PG&E). These rates are adjusted automatically when PG&E's rates change.
- Other City departments and some non-City governmental entities such as the San Francisco Unified School District, currently pay one of six different General Use (GUSE) rates. On May 8, 2018, the Public Utilities Commission adopted new rates for FY 2018-

<sup>4</sup> Indenture coverage is the ratio of Net Revenues + Unappropriated Fund Balance to Annual Debt Service

<sup>5</sup> Current coverage is the ratio of Net Revenues to Annual Debt Service

- 19 and FY 2019-20 that consolidate the six different GUSE rates into a single GUSE rate, shown in Table 3 below.
- Retail customers in areas served by the SFPUC (primarily redevelopment areas along the east side of the City) pay retail rates which are pegged to a 10% discount from the comparable PG&E rates. These rates are adjusted annually based on the equivalent PG&E rates as of April 1.

**Table 3: Electric Rates Adopted by the SFPUC**

	FY 2017-18 Rates	FY 2018-19 Rates	FY 2019-20 Rates
General Fund Departments	7.98 ¢/kWh	8.48 ¢/kWh	8.98 ¢/kWh
Airport	14.03 ¢/kWh	14.07¢/kWh	14.35 ¢/kWh
Other Enterprise Departments	16.77 ¢/kWh	17.42 ¢/kWh	17.77 ¢/kWh

Source: Public Utilities Commission

In accordance with Charter Section 8B.125, the SFPUC is responsible for setting the rates, fees and other charges for the sale of electricity. The SFPUC’s action on all rates, fees and charges is subject to rejection, within 30 days of submission, by resolution of the Board of Supervisors. If the Board of Supervisors does not act within 30 days, the SFPUC proposed rates become effective without further Board of Supervisors action.

Combined with other miscellaneous sources of revenue, the adopted 10-Year Financial Plan projects that these rate increases provide sufficient revenues to fund the requested capital appropriation, including meeting all coverage and reserve policy targets.

**POLICY CONSIDERATION**

As of June 30, 2017, the Board of Supervisors authorized \$196.9 million in Power Revenue Bonds. To date, \$43.7 million of the Power Revenue Bonds have been sold with \$153.3 million in authorized and unsold bonds. The proposed ordinance (File 18-0450) authorizes an additional \$154.9 million in Power Revenue Bonds and other forms of debt. The SFPUC’s policy is to request authorization for bonds and other forms of debt to fund new capital appropriations. Because capital projects occur over a long period of time, projects and project financing change, which may result in previously authorized bonds no longer being needed. In order for the Board of Supervisors to have full information on the total amount of authorized bonds that have been sold, have not been sold but are needed to complete the projects for which the bonds were authorized, or have not been sold but are no longer needed due to other financing sources or changes in the projects, the SFPUC should provide a written report to the Board of Supervisors with the two-year budget on the status of the bonds, beginning in May 2020.



**RECOMMENDATIONS**

1. Amend the proposed ordinance (File 18-0450) to request the SFPUC General Manager to provide a written report to the Board of Supervisors as part of the two-year budget review detailing the total amount of authorized Power Revenue Bonds, the total amount sold, the total amount authorized and unsold, and the amount of authorized bonds that are no longer needed due to changes in projects and project financing, beginning in May 2020.
2. Approve File 18-0450 as amended, and File 18-0447.

Project	Description
Mountain Tunnel and Joint Water and Power Projects	<ul style="list-style-type: none"> <li>The Mountain Tunnel conveys water from Kirkwood Powerhouse to Priest Reservoir. The Mountain Tunnel Project consists of (1) access improvements and an emergency restoration plan, (2) inspection and repair, and (3) rehabilitation of the existing tunnel or construction of a new 12-mile bypass tunnel. SFPUC will inspect the tunnel in 2017 to update the 2008 condition assessment, and make short-term repairs to the tunnel in 2017 and 2018.</li> </ul>
Power Infrastructure	<ul style="list-style-type: none"> <li>Renewal and replacement to Hetch Hetchy transmission and clearance mitigation and improvements to Moccasin Penstock.</li> </ul>
Water Infrastructure	<ul style="list-style-type: none"> <li>Upgrades to increase capacity/ reliability to the Hetch Hetchy Water, including continued rehabilitation of the San Joaquin Pipeline.</li> </ul>
Energy Efficiency	<ul style="list-style-type: none"> <li>Planning, design and construction of building system improvements in developing the green Civic Center Sustainable District in accordance with the partnership MOU with the Clinton Global Initiative. This effort will employ new technologies in building management and energy efficiency, and obtain LEED certification for upgraded buildings from US Green Building Council.</li> <li>Energy efficiency investments in facilities of Power Enterprise's General Fund-rate customers. Funds cover the planning, design and construction of energy efficiency projects for "direct install" projects, as well as technical assistance and project assistance for departments.</li> </ul>
Renewable	<ul style="list-style-type: none"> <li>Municipal renewable energy projects: site identification, site development, RFQ qualification process, RFP preparation, bidding process, contract negotiation, award of contracts, and management of construction and commissioning.</li> </ul>
Retail Customers' Distribution Services	<ul style="list-style-type: none"> <li>Design and construction of transmission and distribution facilities to serve new retail customers.</li> </ul>
Streetlight Improvements	<ul style="list-style-type: none"> <li>Various street lighting improvements, replacement &amp; repairs, engineering and construction costs.</li> </ul>
Treasure Island	<ul style="list-style-type: none"> <li>The future development of Treasure Island (TI) will have a brand new underground 12-kV electrical distribution system on-island replacing the existing overhead 12-kV system.</li> </ul>
Alice Griffith/ Candlestick Park	<ul style="list-style-type: none"> <li>This project provides for the second phase of development at Hunters Point Shipyard, Candlestick Point, and the Alice Griffith Housing Complex. The project will require the installation of new underground 12- kilovolt (kV) electrical distribution system in all three areas.</li> </ul>
Transbay Transit Center	<ul style="list-style-type: none"> <li>Construction and permanent electric services to TransBay Transit Center</li> </ul>
Airport	<ul style="list-style-type: none"> <li>Improves substation to increase capacity to from 50 megawatts to 60 megawatts by 2020</li> </ul>

<b>Items 8 and 11</b> <b>Files 18-0447 and 18-0450</b>	<b>Department:</b> Public Utilities Commission
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**EXECUTIVE SUMMARY**

**Legislative Objectives**

**File 18-0447** is an ordinance appropriating \$340,106,949 of San Francisco Public Utilities Commission (SFPUC) Hetch Hetchy Enterprise revenue, Cap and Trade revenue, and Power and Water Revenue Bond proceeds.

**File 18-0450** is an ordinance authorizing the issuance and sale of \$154,928,058 in tax-exempt and taxable Power Revenue Bonds to finance various capital projects.

**Key Points**

- The San Francisco Public Utilities Commission’s (SFPUC) Hetch Hetchy Enterprise is responsible for power trading and scheduling, customer relations and billing, in-City facilities, distribution infrastructure, street lights, public policy and financial planning. The Hetch Power sales must generate sufficient revenues to fund the Hetch Hetchy Enterprise’s operating expenses and capital program.
- The Board of Supervisors previously authorized the sale of \$196,929,931 in Power Revenue Bonds. Approval of File 18-0450 authorizes the sale of an additional \$154,928,058 in Power Revenue Bonds, for total authorized Power Revenue Bonds of \$351,857,989.
- The SFPUC’s 10-Year Capital Plan provides for \$909 million in Hetch Hetchy water capital project expenditures through 2028, and \$371 million in Hetch Hetchy power capital project expenditures through 2028, totaling \$1.28 billion over ten years.

**Fiscal Impact**

- According to the SFPUC’s 10-Year Financial Plan for FY 2018-19 to FY 2027-28, total annual debt service for the Hetch Hetchy Power Enterprise is within the SFPUC’s debt service coverage policy requirements.
- Electricity rates paid by the City’s General Fund departments increase by \$0.50 per kilowatt hour (kWh) in FY 2018-19 and FY 2019-20 to fund Hetch Hetchy Power Enterprise operating, maintenance, and capital costs.

**Policy Consideration**

- The Board of Supervisors previously authorized \$196.9 million in Power Revenue Bonds, of which \$43.7 million have been sold with \$153.3 million in authorized and unsold bonds. The proposed ordinance (File 18-0450) authorizes an additional \$154.9 million in Power Revenue Bonds and other forms of debt. The SFPUC’s policy is to request authorization for bonds and other forms of debt to fund new capital appropriations. Because capital projects occur over a long period of time, projects and project financing change, which may result in previously authorized bonds no longer being needed.

**Recommendations**

- Amend the proposed ordinance (File 18-0450) to request the SFPUC General Manager to provide a written report to the Board of Supervisors as part of the two-year budget review detailing the total amount of authorized Power Revenue Bonds, the total amount sold, the total amount authorized and unsold, and the amount of authorized bonds that are no longer needed due to changes in projects and project financing, beginning in May 2020.
- Approve File 18-0450 as amended, and File 18-0447.

## MANDATE STATEMENT

Charter Section 9.107(6, 8) states that the Board of Supervisors is authorized to provide for the issuance of revenue bond issued for the purpose of the reconstruction or replacement of existing water facilities or electric power facilities or combinations of water and electric power facilities under the jurisdiction of the Public Utilities Commission, when authorized by resolution adopted by a three-fourths affirmative vote of all members of the Board of Supervisors; and issued to finance or refinance the acquisition, construction, installation, equipping, improvement or rehabilitation of equipment or facilities for renewable energy and energy conservation.

Charter Section 5A.31(d) states that one-twentieth of one percent from the proceeds of each issuance or sale of public utility revenue bonds must be set aside for use by the Public Utilities Commission Revenue Bond Oversight Committee to cover the costs of Committee activities.

Charter Section 9.105 states that the Board of Supervisors shall approve by ordinance all amendments to the Annual Appropriation Ordinance after the Controller certifies the availability of funds.

Section 3.3 of the City's Administrative Code provides that the committee of the Board of Supervisors that has jurisdiction over the budget (i.e., Budget and Finance Committee) may place requested expenditures on reserve, which are then subject to release by the Budget and Finance Committee.

## BACKGROUND

The San Francisco Public Utilities Commission's (SFPUC) Hetch Hetchy Enterprise is responsible for power trading and scheduling, customer relations and billing, in-City facilities, distribution infrastructure, street lights, public policy and financial planning. The Hetch Hetchy Enterprise is also responsible for all water and power facilities at Hetch Hetchy. Power sales must generate sufficient revenues to fund the Hetch Hetchy Enterprise's operating expenses and capital program.

## DETAILS OF PROPOSED LEGISLATION

**File 18-0447** is an ordinance appropriating \$340,106,949 of Hetch Hetchy revenue, Cap and Trade revenue, and Power and Water Revenue Bond proceeds<sup>1</sup>. \$140,527,284 of the funds would be appropriated in FY 2018-19 and \$199,579,665 of the funds would be appropriated in FY 2019-20. \$154,928,058 of the Power Bonds and \$102,188,742 of the Water Bonds would be placed on Controller's reserve subject to the Controller's certification of funds availability.

**File 18-0450** is an ordinance (a) authorizing the issuance and sale of tax-exempt or taxable Power Revenue Bonds and other forms of indebtedness in an amount not to exceed \$154,928,058 to finance the costs of various capital projects, (b) authorizing the issuance of Refunding Power Revenue Bonds, (c) declaring the Official Intent of the Public Utilities

<sup>1</sup> Issuance and appropriation of the Water Revenue Bonds is the subject of Files 18-0448 and 18-0451.

Commission to reimburse itself with one or more issues of tax-exempt bonds; and (d) ratifying previous actions.

File 18-0450: Power Bonds

The Board of Supervisors previously authorized the sale of \$196,929,931 in Power Revenue Bonds (Files 14-0482, 15-0078, 15-0079, 15-0942, and 16-0473). Approval of the proposed ordinance authorizes the sale of an additional \$154,928,058 in Power Revenue Bonds, for total authorized Power Revenue Bonds of \$351,857,989.

Approval of the proposed ordinance would:

- Authorize SFPUC to sell \$154,928,058 in Power Bonds at a maximum interest rate of 12 percent per year. SFPUC could sell the bonds in series at a time and in an amount and manner (competitive or negotiated sale) determined by SFPUC.
- Authorize SFPUC to sell refunding bonds to refund outstanding Power Bonds or other debt without further Board of Supervisors approval. According to the proposed ordinance, SFPUC could only sell the refunding bonds if they achieved at least 3 percent net present value debt service savings. Authorization to sale refunding bonds would expire on June 30, 2020.
- Provide for SFPUC to reimburse prior capital project expenditures with bond proceeds as allowed by federal income tax principles.
- Ratify actions taken by the SFPUC and other City officials in connection with the issuance of the Power Bonds.

The allocation of bond proceeds is shown in Table 1 below:

**Table 1: Allocation of \$154,928,058 in Power Revenue Bonds**

<b>Use</b>	<b>Amount</b>
Capital Project Appropriation	131,688,850
Financing Costs (17%)	22,898,366
City Services Auditor (0.2%)	263,378
Revenue Bond Oversight Committee (0.05%)	77,464
<b>Total</b>	<b>\$154,928,058</b>

Financing costs of \$22,898,366, equal to 17 percent of the bond allocation to capital projects, are for issuance costs, debt service reserve, capitalized interest<sup>2</sup>, bond counsel, and other costs.

File 16-0470 Appropriation to Support Hetch Hetchy Capital Improvement Program

The Public Utilities Commission approved the SFPUC 10-Year Capital Plan for 2019 to 2028 in January 2018. The 10-Year Capital Plan provides for \$909 million in Hetch Hetchy water capital project expenditures through 2028, and \$371 million in Hetch Hetchy power capital project expenditures through 2028, totaling \$1.28 billion over ten years. These projects are funded

<sup>2</sup> Capitalized interest is the accrual of interest prior to the receipt of revenues to repay the bonds.

primarily by Power Revenue Bonds, Water Revenue Bonds, operating revenue, and Cap and Trade Allowances<sup>3</sup>.

Components of the Hetch Hetchy power capital projects include: (a) water, power, and joint infrastructure improvements, (b) street lighting improvements, (c) development of electricity capacity at Treasure Island and Alice Griffith/Candlestick Point, (d) generation of electricity from renewable sources, and (e) energy efficiency projects.

The total appropriation to Hetch Hetchy water and power capital projects in FY 2018-19 and FY 2019-20 is \$340,106,949, as shown in Table 2 below:

**Table 2: Capital Appropriation FY 2018-19 and FY 2019-20**

	FY 2018-19	FY 2019-20	Two Year Total
<b>Sources of Funds</b>			
Water Bonds (File 18-0448)	\$33,129,885	\$69,058,857	\$102,188,742
Power Bonds (File 18-0447)	63,928,647	90,999,411	154,928,058
Hetch Hetchy Revenue	42,468,752	38,521,397	80,990,149
Cap and Trade Allowance	1,000,000	1,000,000	2,000,000
<b>Total Sources</b>	<b>\$140,527,284</b>	<b>\$199,579,665</b>	<b>\$340,106,949</b>
<b>Uses of Funds</b>			
Hetch Hetchy Water Infrastructure	13,357,000	26,834,000	40,191,000
Hetch Hetchy Power Infrastructure	17,204,000	11,782,000	28,986,000
Joint Projects - Water	6,826,950	14,899,500	21,726,450
Joint Projects - Power	8,344,050	18,210,500	26,554,550
Joint Water - Mountain Tunnel	8,804,700	18,693,000	27,497,700
Joint Power - Mountain Tunnel	10,761,300	22,847,000	33,608,300
<b>Subtotal Infrastructure and Joint Projects</b>	<b>65,298,000</b>	<b>113,266,000</b>	<b>178,564,000</b>
Bay Corridor - Power Distribution	20,000,000	21,000,000	41,000,000
Retail Services - Power Distribution	7,800,000	7,000,000	14,800,000
Intervening Facilities	9,950,000	9,950,000	19,900,000
Airport Substation	2,070,000	8,550,000	10,620,000
Generation Small Renewables	1,000,000	1,000,000	2,000,000
Energy Efficiency	1,000,000	1,000,000	2,000,000
Treasure Island	1,894,844	1,707,065	3,601,909
Alice Griffith/ Candlestick Park	8,673,908	7,814,332	16,488,240
Transbay Transit Center	3,100,000		3,100,000
Streetlight Improvements	6,010,000	6,010,000	12,020,000
<b>Subtotal Other Capital Plan Projects</b>	<b>61,498,752</b>	<b>64,031,397</b>	<b>125,530,149</b>
<b>Bond Financing and Oversight (12%)</b>	<b>13,730,532</b>	<b>22,282,268</b>	<b>36,012,800</b>
<b>Total Uses</b>	<b>\$140,527,284</b>	<b>\$199,579,665</b>	<b>\$340,106,949</b>

Source: Hetch Hetchy 10-Year Capital Plan, Appropriation Ordinance, Public Utilities Commission Documents

<sup>3</sup> The California Cap and Trade Program sets greenhouse gas emission allowances for public and private utilities and other agencies; agencies that do not fully use their greenhouse gas emission allowance can sell the allowance to other agencies.

\$97,058,532 of the FY 2018-19 appropriation and \$160,058,268 of the FY 2019-20 appropriation are placed on Controller's Reserve pending receipt of the Water and Power Revenue Bond proceeds.

Descriptions of the proposed projects are included in the attachment.

## FISCAL IMPACT

### SFPUC Debt Service Coverage Policy and Financial Plan

According to the SFPUC's Comprehensive Annual Financial Report (CAFR), as of June 30, 2017, SFPUC had \$43.7 million in outstanding Power Revenue Bonds. Total outstanding Hetch Hetchy Power Enterprise debt as of June 30, 2017, including Clean Renewable Energy Bonds and Certificates of Participation, was \$72.8 million. Total annual debt service in FY 2017-18 is \$5.4 million, which remains unchanged in FY 2018-19 and FY 2019-20.

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### Electricity Rate Increases in FY 2018-19 and FY 2019-20

The Public Utilities Commission annually adopts a 10-Year Capital Plan and 10-Year Financial Plan in accordance with Charter Section 8B.123. The 10-Year Financial Plan evaluates the SFPUC's revenue requirements for the Water Enterprise, Wastewater Enterprise and Hetch Hetchy Enterprise to fund operations, maintenance and capital investment activities. The Public Utilities Commission adopted the FY 2018-19 to FY 2027-28 Capital Plan and Financial Plan at the February 13, 2018 Commission meeting.

The Power Revenue Bonds are repaid from SFPUC's Hetch Hetchy Power Enterprise revenues, which are generated largely from the sale of electricity. Currently, SFPUC charges different electricity rates to different customers.

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19 and FY 2019-20 that consolidate the six different GUSE rates into a single GUSE rate, shown in Table 3 below.

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**POLICY CONSIDERATION**

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**RECOMMENDATIONS**

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# PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO.: 18-0023

WHEREAS, The General Manager of the San Francisco Public Utilities Commission (SFPUC) and staff presented the proposed FY 2018-19 and FY 2019-20 Capital Budget for the Water Enterprise, Wastewater Enterprise and Hetch Hetchy Water & Power, including the Power Enterprise ("Capital Budget") to the Commission at public hearings held on January 18, and 25, and February 1, 2018, and copies of those presentations are on file with the Commission Secretary and incorporated herein by reference; and

WHEREAS, The proposed FY 2018-19 and FY 2019-20 Capital Budget must be submitted to, and approved by the Mayor and the Board of Supervisors; and

WHEREAS, The SFPUC General Manager recommends that the Commission request a supplemental appropriation for the capital expenditures presented in the proposed FY 2018-19 and FY 2019-20 Capital Budget to timely implement public repairs and improvement projects; and

WHEREAS, Subsequent approvals of projects to be funded through this Capital Budget would only be granted following the consideration of environmental review pursuant to the California Environmental Quality Act (CEQA), Administrative Code Chapter 31, and Proposition E (approved by the voters in 2002 for Water and Wastewater projects) by this Commission; and

WHEREAS, This Commission has considered the proposed FY2018-19 and FY2019-20 Capital Improvement Program Budgets for the Water Enterprise, Wastewater Enterprise, and Hetch Hetchy Water and Power, including the Power Enterprise, which total \$1,023,521,934 for FY 2018-19 and \$826,867,897 for FY 2019-20; now, therefore, be it

RESOLVED, That this Commission hereby adopts the proposed FY2018-19 and FY2019-20 SFPUC Capital Improvement Program Budgets for the Water Enterprise, the Wastewater Enterprise, and Hetch Hetchy Water and Power, including the Power Enterprise as presented at the public hearings on January 18, January 25, and February 1, 2018 and in the agenda item for the February 13, 2018 Commission meeting, and authorizes the General Manager to request the Mayor to recommend to the Board of Supervisors a supplemental appropriation, including financing costs, in the amount of \$1,141,450,922 to fund FY 2018-19 and \$917,118,237 to fund FY 2019-20 as follows:

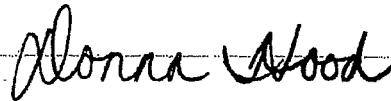
<b>FY 2018-19 Capital Budget</b>	<b>Amount</b>	<b>Financing Costs</b>	<b>Total</b>
Wastewater Enterprise	\$ 632,376,182	\$ 74,087,312	\$ 706,463,494
Water Enterprise	264,349,000	30,111,143	294,460,143
Hetchy Water	65,298,000	4,141,236	69,439,236
Hetchy Power	61,498,752	9,589,297	71,088,049
<b>Total</b>	<b>\$ 1,023,521,934</b>	<b>\$ 117,928,988</b>	<b>\$ 1,141,450,922</b>

<b>FY 2019-20 Capital Budget</b>	<b>Amount</b>	<b>Financing Costs</b>	<b>Total</b>
Wastewater Enterprise	\$ 461,855,500	\$ 48,768,071	\$ 510,623,571
Water Enterprise	187,715,000	19,200,000	206,915,000
Hetchy Water	113,266,000	8,632,357	121,898,357
Hetchy Power	64,031,397	13,649,912	77,681,309
<b>Total</b>	<b>\$ 826,867,897</b>	<b>\$ 90,250,340</b>	<b>\$ 917,118,237</b>

FURTHER RESOLVED, That the General Manager of the 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, The General Manager is hereby authorized and directed to submit to the Board of Supervisors proposed Ordinances authorizing the issuance of (1) not to exceed \$496,677,886 aggregate principal amount of Water Revenue Bonds and other forms of indebtedness, including commercial paper and State Revolving Fund(SRF) loans, and \$986,843,065 aggregate principal amount of Wastewater Revenue Bonds and other forms of indebtedness, including commercial paper and SRF loans, under the terms of Proposition E (approved by the voters November 2002); and (2) \$154,928,059 aggregate principal amount of Power Revenue Bonds and other forms of indebtedness, including commercial paper and loans, subject to the terms of Charter Sections 9.107(6) and 9.107(8). The General Manager shall return to this Commission for a subsequent discretionary approval of any disclosure and security documents prepared in connection with the issuance of such Bonds and other forms of indebtedness to finance these capital improvement program projects.

*I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting of February 13, 2018.*



*Secretary, Public Utilities Commission*

OFFICE OF THE MAYOR  
SAN FRANCISCO



MARK E. FARRELL  
MAYOR

RECEIVED  
BOARD OF SUPERVISORS  
SAN FRANCISCO  
2018 MAY -1 PM 12:05  
BY *[Signature]*

May 1, 2018

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

Dear Ms. Calvillo:

Attached is the Mayor's proposed May 1 Budget comprised of the following 13 departments: Airport Commission, Board of Appeals, Child Support Services, Environment, Law Library, the Public Library, Municipal Transportation Agency, Port, Public Utilities Commission, Rent Board, Retirement System, and Office of County Education. Also attached are an Interim Exception letter, a budget memo for the Municipal Transportation Agency (MTA) from the Controller, and the following ten pieces of legislation:

- Three supplemental appropriation ordinances for the Two-Year Capital Budgets of each of the Public Utilities Commission (PUC) Enterprises – Water, Wastewater, and Hetch Hetchy
- Three resolutions approving the issuance and sale of Power, Water, and Wastewater revenue bonds by the PUC
- One Accept and Expend Grant from the Friends of San Francisco Public Library (LIB)
- One Resolution transferring unclaimed, overpaid parking tickets to the General Fund (MTA)
- One Resolution authorizing the MTA to issue Commercial Paper Notes with the concurrence of the Board of Supervisors (MTA)
- One Proposition J Contract/Certification resolution of Specified Contracted-Out Services Previously Approved for Enterprise Departments (MTA, PUC, Airport, and Port)

If you have any questions please feel free to contact me at 554-6125.

Sincerely,

A handwritten signature in black ink, appearing to read "Kelly Kirkpatrick".

Kelly Kirkpatrick  
Acting Mayor's Budget Director

cc: Members of the Board of Supervisors  
Harvey Rose  
Controller

OFFICE OF THE MAYOR  
SAN FRANCISCO



MARK FARRELL  
MAYOR

180450

TO: *AF* Angela Calvillo, Clerk of the Board of Supervisors  
FROM: Mayor Farrell  
RE: San Francisco Public Utilities Commission Power Revenue Bond  
Issuance----Not to Exceed \$154,928,059  
DATE: May 1, 2018

Attached for introduction to the Board of Supervisors is an ordinance authorizing the issuance and sale of tax-exempt or taxable Power Revenue Bonds and other forms of indebtedness by the San Francisco Public Utilities Commission (Commission) in an aggregate principal amount not to exceed \$154,928,059 to finance the costs of various capital projects benefitting the Power Enterprise pursuant to Charter Sections 9.107(6) and 9.107(8); authorization to issue Refunding Power Revenue Bonds; declaring the Official Intent of the Commission to Reimburse Itself with one or more issues of tax-exempt bonds; and ratifying previous actions taken in connection therewith.

Should you have any questions, please contact Andres Power (415) 554-5168.

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2018 MAY - 1 PM 12:07