

File No. 160473

Committee Item No. 16

Board Item No. 18

COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget & Finance Committee

Date May 25, 2016

Board of Supervisors Meeting

Date June 7, 2016

Cmte Board

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Completed by: Linda Wong Date May 20, 2016

Completed by: Linda Wong Date May 31, 2016

1 [Public Utilities Commission - Power Revenue Bond Issuance - Not to Exceed \$32,483,088]

2
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 \$32,483,088**
6 **to finance the costs of various capital projects benefitting the Power Enterprise**
7 **pursuant to Charter Sections 9.107(6) and 9.107(8); authorization to issue Refunding**
8 **Power Revenue Bonds; declaring the Official Intent of the Commission to reimburse**
9 **itself with one or more issues of tax-exempt or taxable 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 16-0035 adopted by the Commission on February 9, 2016 (the
6 "Commission Resolution") the Commission has determined to issue Power Revenue Bonds
7 (the "Power Revenue Bonds") and other forms of indebtedness to finance the costs of various
8 capital Power projects benefitting the Power Enterprise (the "Capital Improvement Projects"
9 such projects being more fully described in the Commission Resolution), pursuant to Charter
10 Sections 9.107(6) and 9.107(8), and has formally requested this Board to authorize the
11 issuance and sale of Power Revenue Bonds for such purposes, such Commission Resolution
12 being on file with the Clerk of the Board of Supervisors in File No. 160473, which is hereby
13 declared to be a part of this Ordinance as if set forth fully herein; 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 for such purposes; and

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

21 F. This Board is concurrently considering with this ordinance Capital Improvement
22 Program related supplemental appropriations totaling \$113,890,682 for fiscal years ending
23 2017 and 2018, such amount being inclusive of the Power Revenue Bonds and other forms of
24 indebtedness.

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

6 Section 2. Authorization to Issue Power Revenue Bonds. The Board hereby
7 authorizes the issuance and sale of Power Revenue Bonds and other forms of indebtedness
8 (including New Clean Renewable Energy Bonds and Qualified Energy Conservation Bonds) in
9 one or more series from time to time by the Commission pursuant to the Charter and in
10 accordance with the Commission Resolution in an aggregate principal amount not to exceed
11 \$32,483,088 (inclusive of financing costs), at a maximum rate or rates of interest of not to
12 exceed twelve percent (12%) per annum to finance a portion of the costs of the design,
13 acquisition and construction of the Capital Improvement Projects. The Commission is hereby
14 authorized to determine the timing, amount and manner of sale (i.e., competitive or
15 negotiated) of each series of Power Revenue Bonds or the delivery of other forms of
16 indebtedness pursuant to this authorization; provided however, the Commission's
17 authorization to issue Power Revenue Bonds or incur other forms of indebtedness is subject
18 to approval by the Commission of the form of substantially final offering document related to
19 such bonds (if any) and the approval of any related financing documents. The Commission shall
20 also file, within 30 days of any bond sale authorized hereby, with the Clerk of the Board of Supervisors
21 a report showing the results of the sale of bonds or other form of indebtedness including (i) principal
22 amount sold and method of sale, (ii) true interest cost, (iii) final maturity, (iv) the facilities constructed
23 and/or improved, and (v) a statement about the remaining bonding authorization under this Ordinance
24 (the "Report").
25

1 Section 3. Authorization to Issue Refunding Power Revenue Bonds. The Board further
2 authorizes and approves the issuance by the Commission of Refunding Power Revenue
3 Bonds and other forms of indebtedness (the "Refunding Bonds") to refund any outstanding
4 obligations of the Power Enterprise, without limitation as to principal amount, in one or more
5 series on one or more dates, at a maximum interest rate or rates of interest not to exceed
6 twelve percent (12%) per annum, provided that each such Refunding Bond issue or obligation
7 is permitted under the applicable policies and procedures of the City and authorized by either
8 Section 9.109 of the Charter (including related ordinances and resolutions of the Board). The
9 Refunding Bonds may be issued as tax-exempt or taxable bonds, or any combination thereof.
10 Refunding Power Revenue Bonds authorized hereunder shall be subject to the further
11 following conditions, that: (i) 3% net present value debt service savings or greater is achieved
12 to ensure ratepayer savings; (ii) this authorization is subject to a 2-year term through June 30,
13 2018, at which time this Board may consider an extension; principal payments and term may
14 be adjusted, where permitted under federal and state tax law, only if and when the underlying
15 capital asset funded through said refunded bonds has a useful life not in excess of any limit
16 permitted under federal and state tax law than the refunded term; and (iii) the Commission
17 shall within 30 days of any executed refunding transaction provide a savings report prepared
18 by its financial advisor (that reflects at least a 3% net present value debt service savings) to
19 the Board. together with a copy of the final Official Statement with respect to such series of
20 Refunding Bonds.

21 Section 4. Declaration of Official Intent. The Board, on behalf of the Commission,
22 hereby declares the official intent of the Commission to reimburse the Commission with
23 proceeds of the Power Revenue Bonds or other forms of indebtedness for the Expenditures
24 with respect to the Capital Improvement Projects made on and after a date that is no more
25 than 60 days prior to the adoption of this Ordinance. The Commission reasonably expects on

1 the date hereof that it will reimburse the Expenditures with proceeds of the Power Revenue
2 Bonds or other forms of indebtedness. Each said Expenditure was and will be either (A) of a
3 type properly chargeable to a capital account under general federal income tax principles
4 (determined in each case as of the date of the Expenditure), (B) a cost of issuance with
5 respect to the Power Revenue Bonds or other forms of indebtedness, (C) a nonrecurring item
6 that is not customarily payable from current revenues, or (D) a grant to pay a party that is not
7 related to or an agent of the issuer so long as such grant does not impose any obligation or
8 condition (directly or indirectly) to repay any amount to or for the benefit of the Commission.
9 The maximum principal amount of the Power Revenue Bonds or other forms of indebtedness
10 to be issued for the Capital Improvement Projects is \$32,483,088 (inclusive of financing
11 costs).

12 The Commission will make a reimbursement allocation, which is a written allocation by
13 the Issuer that evidences the Commission's use of proceeds of the Power Revenue Bonds or
14 other forms of indebtedness to reimburse an Expenditure, no later than 18 months after the
15 later of the date on which the Expenditure is paid or the component of the Capital
16 Improvement Projects is placed in service or abandoned, but in no event more than three
17 years after the date on which the Expenditure is paid. The Commission recognizes that
18 exceptions are available for certain "preliminary expenditures," costs of issuance, certain de
19 minimis amounts, expenditures by "small issuers" (based on the year of issuance and not the
20 year of expenditure) and expenditures for construction projects of at least 5 years.

21 Section 5. General Authority. The Controller, Treasurer, the City Attorney and other
22 officers of the City and their duly authorized deputies and agents are hereby authorized and
23 directed, jointly and severally, to take such actions and to execute and deliver such
24 certificates, agreements, requests or other documents, as they may deem necessary or
25 desirable to facilitate the issuance, sale and delivery of the Power Revenue Bonds, any Power

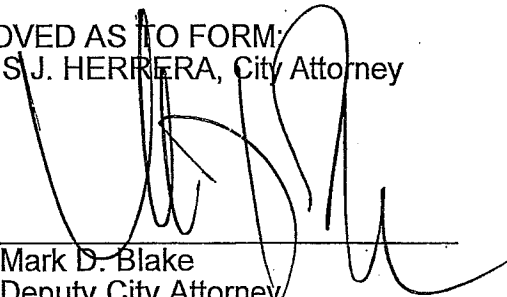
1 Refunding Bonds, to obtain bond insurance or other credit enhancements with respect to such
2 obligations, to obtain surety, to obtain title and other insurance with respect to the facilities to
3 be financed, and otherwise to carry out the provisions of this Ordinance. The Commission is
4 hereby directed to provide the final form to the Clerk of the Board of any disclosure document
5 prepared in connection with the execution of any Power Revenue Bonds or Refunding Bonds,
6 or other document reflecting the incurrence of another obligation payable from the Power
7 Enterprise, within 30 days of the closing of such transactions.

8 Section 6. Ratification of Prior Actions. All actions authorized and directed by this
9 Ordinance in connection with the issuance of the Power Revenue Bonds, Refunding Power
10 Revenue Bonds, and heretofore taken are hereby ratified, approved and confirmed by this
11 Board.

12 Section 7. File Documents. All documents referred to as on file with the Clerk of the
13 Board are in File Nos. 160473.

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

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

19
20 By: 
21 Mark D. Blake
22 Deputy City Attorney
23 n:\financ\as2016\1300183\01109131.docx
24

LEGISLATIVE DIGEST

[Public Utilities Commission - Issuance Power Revenue Bonds - Not to Exceed \$32,483,088]

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 \$32,483,088 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 or taxable bonds; and ratifying previous actions taken in connection therewith, as defined herein.

Existing Law

This is new legislation.

Background Information

Pursuant to the Charter, the Public Utilities Commission of the City and County of San Francisco (the "Commission") is authorized, upon approval by the Board, to issue revenue bonds for any purposes related to the Commission's Power Enterprise, including, without limitation, financing or refinancing capital additions, improvements, repairs and replacements to the Power Enterprise.

The proposed legislation authorizes the Commission to issue and sell its revenue bonds in an amount not greater than \$32,483,088 at a maximum rate of interest of not in excess of twelve percent (12%) payable from and secured by Power Enterprise Revenues. The Bonds will be issued under the terms of a Trust Indenture dated as of May 1, 2015, as further amended and supplemented from time to time, between the Commission and U. S. Bank National Association. The Bonds can be issued for any purposes of the Power Enterprise, including, without limitation, the financing or refinancing of capital additions, improvements, repairs and replacements to the Power Enterprise, in accordance with Charter section 9.107(6) and 9.107(8). 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 pursuant to this Board authorization; but the authority to issue Power Revenue Bonds or incur other forms of indebtedness (including New Clean Renewable Energy Bonds and Qualified Energy Conservation Bonds) is subject to further approval by the Commission of any financing or disclosure documents.

Finally the Ordinance provides for the issuance of refunding bonds without returning to the Board for approval provided that the Commission achieves at least 3% present value debt service savings. The authority to issue Refunding Bonds ends June 30, 2018.

**Items 15, 16 and 17
Files 16-0475, 16-0473 & 16-0470**

**Department:
Public Utilities Commission**

EXECUTIVE SUMMARY

Legislative Objectives

File 16-0475 is a request to release \$2,760,666 in System Impact Mitigation Agreement funds from Budget and Finance Committee reserve.

File 16-0473 authorizes SFPUC to issue and sell tax-exempt or taxable Hetch Hetchy Power Bonds in an aggregate principal amount of \$32,483,088.

File 16-0470 (a) appropriates \$158,125,530 to Hetch Hetchy Capital Projects in FY 2016-17 and FY 2017-18, including re-appropriation of \$4,222,602 from prior appropriations, and (b) re-appropriates \$11,332,750 in previously appropriated Power Bonds to Mountain Tunnel Power Projects, for a total appropriation of \$169,458,280.

Key Points

- The Board of Supervisors authorized the SFPUC to sale up to \$112,346,843 in Power Bonds in March 2014 (File 14-0482), which was the first time that SFPUC’s Hetch Hetchy Power Enterprise was authorized to sell bonds. The proposed ordinance would authorize SFPUC to issue an additional \$32,483,088 in Power Bonds, totaling \$144,829,931.
- The Hetch Hetchy 10-Year Capital Plan provides for \$1.0 billion in Hetch Hetchy water and power capital project expenditures through FY 2025-26. Hetch Hetchy power capital projects include: (a) power 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. Hetch Hetchy joint water and power projects include improvements to water and power infrastructure at Moccasin.

Fiscal Impact

- The Power Bonds are repaid from SFPUC Hetch Hetchy Power Enterprise revenues, which are generated largely from the sale of electricity. Currently, SFPUC charges different electricity rates to different customers. The Airport, Port, and SFPUC pay rates equal to rates set by Pacific, Gas and Electric (PG&E). Other City departments pay the different rates shown in Table 4 below. The SFPUC adopted new rates for the other City departments in FY 2016-17 and FY 2017-18, increasing the rates by 0.50 cents per kilowatt hour (kWh) in each year.

Policy Consideration

- The SFPUC’s policy is to seek bond authorization and capital program appropriation approval from the Board of Supervisors, and subsequently submit legislation to the Board of Supervisors to approve the actual sale of the bonds. However, the proposed ordinance approves the sale of the bonds without further Board of Supervisors approval.

Recommendations

- Amend File 16-0473 to specify that SFPUC will submit future legislation to the Board of Supervisors to approve the sale of bonds authorized by the subject ordinance (other than refunding bonds), and the related offering and financing documents.
- Approve File 16-0473 as amended, File 16-0470, and File 16-0475.

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 16-0473 is an ordinance authorizing SFPUC to issue and sell tax-exempt or taxable Hetch Hetchy Power Bonds in an aggregate principal amount of \$32,483,088.

File 16-0470 is an ordinance (a) appropriating \$158,125,530 to Hetch Hetchy Capital Projects in FY 2016-17 and FY 2017-18, including re-appropriation of \$4,222,602 from prior appropriations, and (b) re-appropriating \$11,332,750 in previously appropriated Power Bonds to Mountain Tunnel Power Projects, for a total appropriation of \$169,458,280.

File 16-0475 is a request to release \$2,760,666 in System Impact Mitigation Agreement funds from Budget and Finance Committee reserve.

File 16-0473: Power Bonds

The Board of Supervisors authorized the SFPUC to sale up to \$112,346,843 in Power Bonds in March 2014 (File 14-0482), which was the first time that SFPUC's Hetch Hetchy Power Enterprise was authorized to sell bonds. The Board of Supervisors amended the Administrative Code in March 2015 to specify the procedures for the SFPUC to sell Power Bonds (File 15-0078). The proposed ordinance would authorize SFPUC to issue an additional \$32,483,088 in Power Bonds, for total Power Bond authorization of \$144,829,931.

Approval of the proposed ordinance (File 16-0473) would:

- Authorize SFPUC to sell \$32,483,088 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, 2018.
- 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.

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

The Public Utilities Commission approved the SFPUC 10-Year Capital Plan for FY 2016-17 through FY 2025-26 in January 2016. The 10-Year Capital Plan provides for \$1.0 billion in Hetch Hetchy water and power capital project expenditures through FY 2025-26, funded primarily by Power Bonds, Water Bonds, operating revenue, and Cap and Trade Allowances¹.

Components of the Hetch Hetchy power capital projects include: (a) power 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. Components of Hetch Hetchy joint water and power projects (funded by 55 percent power sources and 45 percent water sources) include improvements to water and power infrastructure at Moccasin.

The total appropriation to Hetch Hetchy water and power capital projects in FY 2016-17 and FY 2017-18 is \$169,458,280, as shown in Table 1 below.

¹ 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.

Table 1: Capital Appropriation FY 2016-17 and FY 2017-18

	FY 2016-17	FY 2017-18	Two Year Total
Sources of Funds			
<u>Appropriation</u>			
Water Bonds (File 16-0472) ^a	\$18,717,720	\$25,517,128	\$44,234,848
Power Bonds (File 16-0473) ^a		32,483,088	32,483,088
Capital Project Fund	38,270,000	33,000,000	71,270,000
System Impact Mitigation Fees (see below)	5,937,594	0	5,937,594
Cap and Trade Allowance ^a	2,100,000	2,100,000	4,200,000
Subtotal	65,025,314	93,100,216	158,125,530
De-appropriation Power Bonds	11,332,750	0	11,332,750
Total Sources	\$76,358,064	\$93,100,216	\$169,458,280
Uses of Funds			
Mountain Tunnel Project	\$20,605,000	\$26,607,000	\$47,212,000
Other Joint Water and Power Projects	5,200,000	1,800,000	7,000,000
Subtotal Joint Water and Power Projects	25,805,000	28,407,000	54,212,000
Power Infrastructure	5,800,000	15,800,000	21,600,000
Water Infrastructure	5,100,000	10,000,000	15,100,000
Energy Efficiency	1,000,000	1,000,000	2,000,000
Renewable and Small Hydroelectric	1,100,000	1,100,000	3,422,602
Retail Customers' Distribution Services	20,000,000	20,000,000	40,000,000
Streetlight Improvements	3,510,000	3,510,000	10,020,000
Treasure Island	2,100,000	2,100,000	4,200,000
Alice Griffith/ Candlestick Park	4,000,000	5,000,000	9,000,000
Subtotal Capital Plan Projects	\$68,415,000	\$86,917,000	\$155,332,000
Warnerville Substation Upgrades (Table 4)	5,937,594		5,937,594
Bond Financing and Oversight	2,005,470	6,183,216	8,188,686
Total Uses	\$76,358,064	93,100,216	\$169,458,280

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

^a Placed on Controller's Reserve

\$20,817,720 of the FY 2016-17 appropriation and \$60,100,216 of the FY 2017-18 appropriation are placed on Controller's Reserve pending receipt of the Water and Power Bond proceeds.

Descriptions of the proposed projects are included in the attachment.

File 16-0475 System Impact Mitigation Agreement Fees and Warnerville Substation Upgrades

The Board of Supervisors approved an ordinance (File 12-1007) in January 2013 that (1) authorized the San Francisco Public Utilities Commission (SFPUC) to enter into a System Impact Mitigation Agreement with North Star Solar, LLC (North Star), providing for North Star Solar to pay SFPUC the costs necessary to mitigate the impacts to the City's electric system caused by the interconnection of North Star's solar power project to the electric grid; (2) authorized SFPUC to enter into future mitigation agreements with other projects without further Board of Supervisors approval; and (3) appropriated \$2,900,000 in North Star mitigation payments to SFPUC. The Board of Supervisors placed the \$2,900,000 on Budget and Finance Committee Reserve; and required that any future funds in excess of \$100,000 for a given mitigation agreement be placed on Budget and Finance Committee reserve.

SFPUC has System Impact Mitigation Agreements with six private energy companies that connect to the electric grid at the SFPUC's Warnerville Substation in Modesto Country. SFPUC has received \$9,073,260 in mitigation fee revenues, shown in Table 2 below, of which the Board of Supervisors previously appropriated \$3,135,666 (File 12-1007) and \$5,937,594 would be appropriated under the proposed ordinance (File 16-0470).

Table 2: System Impact Mitigation Agreement Fee Revenues

Developer	Project Name	Mitigation Fees
Enco	Corcoran West	\$557,548
SunEdison	FRV Regulus Solar	470,026
North Star Solar	North Star Solar I	1,693,173
Recurrent	Kent South	414,919
Adera Solar	Chowchilla	2,200,000
Sunpower	Henrietta	<u>3,737,594</u>
Total		\$9,073,260
Previously Appropriated (File 12-0007)		<u>(3,135,666)</u>
Proposed Appropriation (File 16-0470)		\$5,937,594

Of the \$3,135,666 previously appropriated by the Board of Supervisors, \$375,000 was allocated to planning, design and permitting for a project to upgrade the Warnerville Substation and \$2,760,666 was placed on Budget and Finance Committee reserve. File 16-0475 would release the \$2,760,666 from Budget and Finance Committee reserve.

The Warnerville Substation upgrade project budget is \$16,523,601, as shown in Table 3 below.

Table 3: Warnerville Substation Upgrade Project Budget

Sources	
System Impact Mitigation Fees (File 12-1007)	\$3,135,666
System Impact Mitigation Fees (File 16-0470)	<u>5,937,594</u>
Subtotal, System Impact Mitigation Fees	9,073,260
Hetch Hetchy Capital Project Fund (Prior Board of Supervisors' Appropriations)	<u>7,450,575</u>
Total Sources	\$16,523,835
Uses	
Design, Permitting, Environmental Documentation, Construction Management, Other	\$4,406,294
Design-Build Contract	11,015,734
Contingency (10% of Design-Build Contract)	<u>1,101,573</u>
Total Uses	\$16,523,601

SFPUC advertised the design-build contract in April 2016, and plans to select a contractor and issue a notice to proceed in July 2016.

FISCAL IMPACT

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 2016-17 to FY 2025-26 Capital Plan and Financial Plan at the February 9, 2016 Commission meeting.

Electricity Rate Increases in FY 2016-17 and FY 2017-18

The Power Bonds are repaid from SFPUC Hetch Hetchy Power Enterprise revenues, which are generated largely from the sale of electricity. Currently, SFPUC charges different electricity rates to different customers. The Airport, Port, and SFPUC pay rates equal to rates set by Pacific, Gas and Electric (PG&E). Other City departments pay the different rates shown in Table 4 below. The SFPUC adopted new rates for the other City departments in FY 2016-17 and FY 2017-18, increasing the rates by 0.50 cents per kilowatt hour (kWh) in each year, as shown in Table 4 below.

Table 4: FY 2015-16 Electric Rates Adopted by the SFPUC

	FY 2015-16 Rates	FY 2016-17 Rates	FY 2017-18 Rates
General Fund Departments	6.75 ¢/kWh	7.25 ¢/kWh	7.75 ¢/kWh
Public Libraries	10.13 ¢/kWh	10.63 ¢/kWh	11.13 ¢/kWh
Moscone Convention Center Facilities	8.70 ¢/kWh	9.20 ¢/kWh	9.70 ¢/kWh
San Francisco General Hospital	3.70 ¢/kWh	4.20 ¢/kWh	4.70 ¢/kWh
Laguna Honda Hospital	4.49 ¢/kWh	4.99 ¢/kWh	5.49 ¢/kWh
Public Buildings & City Street Lights	3.00 ¢/kWh	3.50 ¢/kWh	4.00 ¢/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.

POLICY CONSIDERATION

According to the SFPUC's Chief Financial Officer, the SFPUC's policy is to seek bond authorization and capital program appropriation approval from the Board of Supervisors, and subsequently submit legislation to the Board of Supervisors to approve the actual sale of the

bonds and associated financing documents. Therefore, SFPUC will submit future legislation to the Board of Supervisors to approve the sale of up to \$32,483,088 in Power Bonds.²

However, according to the proposed ordinance (File 16-0473), the "Board hereby authorizes the issuance and sale of Power Bonds and other forms of indebtedness in one or more series from time to time by the Commission pursuant to the Charter...in an aggregate principal amount not to exceed \$32,483,088..." While the proposed ordinance requires Public Utilities Commission approval of the final offering document related to the sale of bonds and related financing documents, the proposed ordinance does not require Board of Supervisors approval. Therefore, the File 16-0473 should be amended to specify that SFPUC will submit future legislation to the Board of Supervisors to approve the sale of bonds authorized by the subject ordinance (other than refunding bonds), and the related offering and financing documents.

RECOMMENDATIONS

1. Amend File 16-0473 to specify that SFPUC will submit future legislation to the Board of Supervisors to approve the sale of bonds authorized by the subject ordinance (other than refunding bonds), and the related offering and financing documents.
2. Approve File 16-0473 as amended, File 16-0470, and File 16-0475.

² The SFPUC will not submit legislation to the Board of Supervisors to approve refunding bonds that comply with the provisions of the proposed ordinance (File 16-0473), which are discussed above.

Attachment

Project	Description
Mountain Tunnel and Joint Water and Power Projects	<ul style="list-style-type: none"> 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.
Power Infrastructure	<ul style="list-style-type: none"> Renewal and replacement to Hetch Hetchy transmission and clearance mitigation and improvements to Kirkwood Penstock and Powerhouse.
Water Infrastructure	<ul style="list-style-type: none"> Upgrades for increased capacity and reliability to the Hetch Hetchy Water Infrastructure, including continued rehabilitation of the San Joaquin Pipeline.
Energy Efficiency	<ul style="list-style-type: none"> 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. 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 with their own capital funds.
Renewable and Small Hydroelectric	<ul style="list-style-type: none"> 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. Ongoing development support for the Calaveras Small Hydroelectric Plant (1MW, 7,000 MWH annually) to be constructed at the Sunol Filter Plant.
Retail Customers' Distribution Services	<ul style="list-style-type: none"> Design and construction of transmission and distribution facilities to serve new retail customers.
Streetlight Improvements	<ul style="list-style-type: none"> Various street lighting improvements, replacement & repairs, engineering and construction costs.
Treasure Island	<ul style="list-style-type: none"> 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.
Alice Griffith/ Candlestick Park	<ul style="list-style-type: none"> 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.

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE
MAYOR

May 2, 2016

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 the following 11 pieces of legislation:

- One supplemental appropriation ordinance for the Two-Year Capital Budgets for the Municipal Transportation Authority (MTA)
- One resolution approving the issuance and sale of revenue bonds by the MTA
- One supplemental appropriation ordinance for Mission Bay Improvement Fund for Warrior Arena Improvement Capital Projects for the MTA
- One supplemental appropriation ordinance for surplus revenue and reappropriation for debt service payment for the Public Library
- 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 Proposition J Contract/Certification resolution of Specified Contracted-Out Services Previously Approved for Enterprise Departments (MTA, PUC, Airport, and Port)

Additionally, there are two letters attached; one memo from the Controller related to the MTA budget and a release of reserve request for the PUC. We request that all items be scheduled for the May 18, 2016 Budget and Finance meeting.

If you have any questions please feel free to contact me at 554-6253.

Sincerely,

A handwritten signature in black ink, appearing to read "Melissa Whitehouse".

Melissa Whitehouse
Mayor's Budget Director, Acting

cc: Members of the Board of Supervisors
Harvey Rose
Controller

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200
SAN FRANCISCO, CALIFORNIA 94102-4681
TELEPHONE: (415) 354-6141

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City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

TO: Derek Evans, Clerk, Public Utilities Revenue Bond Oversight Committee

FROM: Linda Wong, Assistant Clerk, Budget and Finance Committee *LW*

DATE: May 13, 2016

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Budget and Finance Committee has received the following proposed legislation, introduced by Mayor Lee:

File No. 160473

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 \$32,483,088 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 or taxable bonds; and ratifying previous actions taken in connection therewith, as defined herein.

If you have any comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO. 16-0035

WHEREAS, The General Manager of the San Francisco Public Utilities Commission (SFPUC) and staff presented the proposed FY 2016-17 and FY 2017-18 Capital Improvement Budget to the Commission at public hearings held on January 22, and 29, 2016, and February 5, and 9, 2016, for the Water Enterprise, Wastewater Enterprise, and Hetch-Hetchy Water and Power, including the Power Enterprise; and

WHEREAS, The proposed FY 2016-17 and FY 2017-18 Capital Improvement Budget must be submitted to, and approved by the Mayor and the Board of Supervisors; and

WHEREAS, The SFPUC General Manager recommends that the SFPUC requests a supplemental appropriation for the capital expenditures presented in the proposed FY 2016-17 and FY 2017-18 Capital Improvement Budget for the Water Enterprise, Wastewater Enterprise and Hetch Hetchy Water & Power, including the Power Enterprise, to timely implement public repairs 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 2016-17 and 2017-18 Capital Improvement Program Budgets for the Water Enterprise, Wastewater Enterprise, and Hetch Hetchy Water and Power, including the Power Enterprise, which total \$529,817,000 for FY 2016-17 and \$1,033,414,000 for FY 2017-18; now, therefore, be it

RESOLVED, That this Commission hereby approves the Fiscal Years 2016-17 and FY 2017-18 Capital Improvement Program Budget for each Enterprise as follows:

Capital Improvement Program	FY 2016-17	FY 2017-18
Wastewater Enterprise	\$285,236,000	\$810,758,000
Water Enterprise	\$176,166,000	\$135,739,000
Hetchy Power	\$ 31,710,000	\$ 32,710,000
Hetchy Water	<u>\$ 36,705,000</u>	<u>\$ 54,207,000</u>
Total SFPUC	<u>\$529,817,000</u>	<u>\$1,033,414,000</u>

;and, be it

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, That this Commission hereby adopts the proposed FY 2016-17 and 2017-18 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 \$577,930,880 to fund FY 2016-17 and \$1,144,772,706 to fund FY 2017-18 as follows:

FY 2016-17 Projects	Amount	Financing	
		Costs	Total
Wastewater Enterprise	\$285,236,000	\$27,616,320	\$312,852,320
Water Enterprise	\$176,166,000	\$18,492,090	\$194,658,090
Hetchy Power	\$31,710,000	\$0	\$31,710,000
Hetchy Water	<u>\$36,705,000</u>	<u>\$2,005,470</u>	<u>\$38,710,470</u>
Total SFPUC	\$529,817,000	\$48,113,880	\$577,930,880

FY 2017-18 Projects	Amount	Financing	
		Costs	Total
Wastewater Enterprise	\$810,758,000	\$91,590,960	\$902,348,960
Water Enterprise	\$135,739,000	\$13,584,530	\$149,323,530
Hetchy Power	\$32,710,000	\$0	\$32,710,000
Hetchy Water	<u>\$54,207,000</u>	<u>\$6,183,216</u>	<u>\$60,390,216</u>
Total SFPUC	\$1,033,414,000	\$111,358,706	\$1,144,772,706

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 not to exceed \$264,997,468 aggregate principal amount of Water Revenue Bonds and other forms of indebtedness, including commercial paper and State Revolving Fund (SRF) loans, and \$1,112,601,280 aggregate principal amount of Wastewater Revenue Bonds and other forms of indebtedness, including commercial paper and SRF loans, 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 \$32,192,888 aggregate principal amount of Power Revenue Bonds and other forms of indebtedness, including commercial paper and Clean Renewable Energy Bonds, subject to the terms of Charter Sections 9.107(6) and 9.107(8). The General Manager shall return to this Commission and the Board of Supervisors 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 9, 2016.


 Secretary, Public Utilities Commission