

File No. 180447

Committee Item No. 8

Board Item No. 13

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date May 24, 2018

Board of Supervisors Meeting

Date 6/5/18

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Resolution |
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| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
| <input type="checkbox"/> | <input type="checkbox"/> | Application |
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OTHER (Use back side if additional space is needed)

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Completed by: Linda Wong Date May 18, 2018
 Completed by: Linda Wong Date 5/29/18

1 [Appropriation - Proceeds from Hetch Hetchy Revenue, Cap and Trade Revenue,
2 Power and Water Revenue Bonds - San Francisco Public Utilities Commission Hetch
3 Hetchy Capital Improvement Program - FYs 2018-2019 and 2019-2020 - \$340,106,949]

4 **Ordinance appropriating a total of \$340,106,949 of Hetch Hetchy revenue, Cap**
5 **and Trade Revenue and Power and Water Revenue Bonds for the San Francisco**
6 **Public Utilities Commission (SFPUC) Hetch Hetchy Capital Improvement Program**
7 **for FY2018-2019 at \$140,527,284 and for FY2019-2020 at \$199,579,665; and placing**
8 **\$154,928,058 of Power Bonds, \$102,188,742 of Water Bonds by project on**
9 **Controller's reserve subject to the Controller's certification of funds availability,**
10 **including proceeds of indebtedness, and for construction related expenditures**
11 **(excluding program management, planning and design) for these projects, as**
12 **applicable, also subject to the prior occurrence of the SFPUC's and the Board of**
13 **Supervisors' discretionary adoption of California Environmental Quality Act**
14 **(CEQA) findings for projects, following review and consideration of completed**
15 **project related environmental analysis, where required.**

16
17 Note: **Unchanged Code text and uncodified text** are in plain Arial font.
18 **Additions to Codes** are in *single-underline italics Times New Roman font*.
19 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.
20 **Board amendment additions** are in double-underlined Arial font.
21 **Board amendment deletions** are in ~~strikethrough Arial font~~.
22 **Asterisks (* * *)** indicate the omission of unchanged Code
23 Subsections or parts of tables.

24
25 Be it ordained by the People of the City and County of San Francisco:

1 Section 1. The sources of funding outlined below are herein appropriated to reflect the
 2 funding available for Fiscal Year 2018-2019.

3
 4 **SOURCES Appropriation**

5	Fund /	Project & Activity /	Account	Description	Amount
6	Department ID	Authority			
7	Hetchy Power Bond	10014121_0001 /	480111	Proceeds	\$63,928,647
8	Fund (New) /	15366 UH Hetchy	Proceeds from Sale	from Sale of	
9	231621 HHP01 General	Water-Power Bonds	of Bonds- Face	Bonds	
10	Administration		Amount		
11					
12	Hetchy Water Bond	10014121_0001 /	480111	Proceeds	\$33,129,885
13	Fund (New) /	15366 UH Hetchy	Proceeds from Sale	from Sale of	
14	231621 HHP01 General	Water-Power Bonds	of Bonds- Face	Bonds	
15	Administration		Amount		
16					
17	24990 HHWP Revenue	10014672_0001 /	495029	Hetch	\$42,468,752
18	Continuing /	15405 UH HHP	ITI Fr 5T-Hetch	Hetchy	
19	231621 HHP01 General	Revenue Transfer	Hetchy W&P Fds	Revenue	
20	Administration				
21					
22	24990 Cap and Trade	10014665_0001 /	479988	Cap and	\$1,000,000
23	Allowance /	15404 UH Hetchy Cap	Hetchy Cap &	Trade	
24	298648 HHP0903	and Trade Allowance	Trade Revenue	Revenue	
25	Total SOURCES Appropriation				\$140,527,284

1 Section 2. The uses of funding outlined below are herein appropriated in Account 567000
 2 (Buildings, Structures, and Improvements), 581130 (CON-Internal Audits), 573110 (Bond
 3 Issuance Cost-Unamortized), and 567000 (Revenue Bond Oversight Committee) and
 4 reflects the projected uses of funding to support the Hetch Hetchy Capital Improvement
 5 Program at the San Francisco Public Utilities Commission for Fiscal Year 2018-2019.
 6
 7

8 **USES Appropriation**

9 Fund /	Project & Activity /	Account	Description	Amount
10 Department ID	Authority			
11 Hetchy Power Bond	10014121_0001 /	567000	Streetlight	\$6,010,000
12 Fund (New) /	15377 Streetlight	Blds; Structures &	Improvement	
13 298648 HHP0903	Replacement	Improvements	Program	
14 Energy Services				
15				
16 24990 HHWP	10014227_0001 /	584030	Bay Corridor	\$20,000,000
17 Revenue Continuing	15372 Distribution	Capital Renewal	Project	
18 298648 HHP0903	Services	Projects		
19 Energy Services				
20				
21 24990 HHWP	10014226_0001 /	584030	Distribution	\$7,800,000
22 Revenue Continuing	15372 Distribution	Capital Renewal	Services Retail	
23 298648 HHP0903	Services	Projects		
24 Energy Services				

1	Fund /	Project & Activity /	Account	Description	Amount
2	Department ID	Authority			
3	Hetchy Power Bond	XXXXXXXX-XXXX /	567000	Intervening	\$9,950,000
4	Fund (New)	XXXXX New	Blds; Structures &	Facilities	
5	298648 HHP0903	Authority	Improvements		
6	Energy Services				
7					
8	Hetchy Power Bond	XXXXXXXX-XXXX /	567000	SFO Substation	\$2,070,000
9	Fund (New)	XXXXX New	Blds; Structures &		
10	298648 HHP0903	Authority	Improvements		
11	Energy Services				
12					
13	24990 HHWP	10014646_0001 /	584030	Generation –	\$1,000,000
14	Revenue Continuing	15400 UH	Capital Renewal	Small	
15	298648 HHP0903	Renewable-	Projects	Renewables	
16	Energy Services	generation			
17					
18	24990 HHWP	10014665_0001 /	584030	General Fund	\$1,000,000
19	Revenue Continuing	15404 UH Hetchy	Capital Renewal	Energy Efficiency	
20	298648 HHP0903	Cap and Trade	Projects		
21	Energy Services	Allowance			
22					
23					
24					
25					

	Fund /	Project & Activity /	Account	Description	Amount
	Department ID	Authority			
3	24990 HHWP	10014576_0001 /	584030	Treasure Island	\$1,894,844
4	Revenue Continuing	15391 UH Treasure	Capital Renewal	Capital	
5	298648 HHP0903	Island Capital	Projects	Improvements	
6	Energy Services	Improvements			
7					
8	24990 HHWP	10014221_0001 /	584030	Alice Griffith/	\$8,673,908
9	Revenue Continuing	15371 UH Alice	Capital Renewal	Candlestick Point	
10	298648 HHP0903	Griffith-Candlestick	Projects		
11	Energy Services	Point			
12					
13	24990 HHWP	10014593_0001 /	584030	Transbay Transit	\$3,100,000
14	Revenue Continuing	15394 UH Transbay	Capital Renewal	Center	
15	298648 HHP0903	Transit Center	Projects		
16	Energy Services				
17					
18	Hetchy Water Bond	10014065_0001 /	567000	Hetchy Water -	\$13,357,000
19	Fund (New)	15363 UH Hetchy	Blds; Structures &	Water	
20	298646 HHP10	Water - Water Only	Improvements	Infrastructure	
21	Hetchy Water				
22					
23					
24					
25					

1	Fund /	Project & Activity /	Account	Description	Amount
2	Department ID	Authority			
3	Hetchy Power Bond	10014065_0001 /	567000	Hetchy Water –	\$17,204,000
4	Fund (New)	15364 UH Hetchy	Blds; Structures &	Power	
5	298646 HHP10	Water - Power	Improvements	Infrastructure	
6	Hetchy Water	Infrastructure			
7					
8	Hetchy Water Bond	10014093_0001 /	567000	Hetchy Joint	\$6,826,950
9	Fund (New)	15365 UH Hetchy	Blds; Structures &	Projects – Water	
10	298646 HHP10	Water - Joint	Improvements		
11	Hetchy Water	Projects			
12					
13	Hetchy Power Bond	10014093_0001 /	567000	Hetchy Joint	\$8,344,050
14	Fund (New)	15365 UH Hetchy	Blds; Structures &	Projects – Power	
15	298646 HHP10	Water - Joint	Improvements		
16	Hetchy Water	Projects			
17					
18	Hetchy Water Bond	10014113_0001 /	567000	Mountain Tunnel	\$8,804,700
19	Fund (New)	15365 UH Hetchy	Blds; Structures &	– Joint Water	
20	298646 HHP10	Water - Joint	Improvements		
21	Hetchy Water	Projects			
22					
23					
24					
25					

1	Fund /	Project & Activity /	Account	Description	Amount
2	Department ID	Authority			
3	Hetchy Power Bond	10014113_0001 /	567000	Mountain Tunnel	\$10,761,300
4	Fund (New)	15365 UH Hetchy	Blds; Structures &	- Joint Power	
5	298646 HHP10	Water - Joint	Improvements		
6	Hetchy Water	Projects			
7					
8	Hetchy Water Bond	10014121_0001 /	573110	Hetchy Water	\$4,066,693
9	Fund (New)	15366 UH Hetchy	Bond Issuance	Financing Costs	
10	298646 HHP10	Water-power Bonds	Cost- Unamortized		
11	Hetchy Water				
12					
13	Hetchy Water Bond	10014121_0001 /	581130	CSA 0.2%	\$57,977
14	Fund (New)	15366 UH Hetchy	GF-CON-Internal	Controller's Audit	
15	298646 HHP10	Water-power Bonds	Audits	Fund	
16	Hetchy Water				
17					
18	Hetchy Water Bond	10014121_0001 /	567000	Revenue Bond	\$16,565
19	Fund (New)	15366 UH Hetchy	Blds; Structures &	Oversight	
20	298646 HHP10	Water-power Bonds	Improvements	Committee	
21	Hetchy Water			0.05%	
22					
23					
24					
25					

1	Fund /	Project & Activity /	Account	Description	Amount
2	Department ID	Authority			
3	Hetchy Power Bond	10014121_0001 /	573110	Hetchy Power	\$9,448,654
4	Fund (New) /	15366 UH Hetchy	Bond Issuance	Financing Costs	
5	298647 HHP0901	Water-power Bonds	Cost- Unamortized		
6	Power Administration				
7					
8	Hetchy Power Bond	10014121_0001 /	581130	CSA 0.2%	\$108,679
9	Fund (New) /	15366 UH Hetchy	GF-CON-Internal	Controller's Audit	
10	298647 HHP0901	Water-power Bonds	Audits	Fund	
11	Power Administration				
12					
13	Hetchy Power Bond	10014121_0001 /	567000	Revenue Bond	\$31,964
14	Fund (New) /	15366 UH Hetchy		Oversight	
15	298647 HHP0901	Water-power Bonds		Committee	
16	Power Administration			0.05%	
17					
18	Total USES Appropriation				\$140,527,284

20 Section 3: Of the above appropriated amount, \$166,656 representing 0.2% of the
21 expenditure budget net of bond financing and audit costs, is to be allocated and available
22 to support the Controller's Audit Fund, pursuant to Charter Appendix F1.113; and \$48,529
23 representing 0.05% of gross bond proceeds is to be allocated and available to support
24 the Public Utilities Commission Revenue Bond Oversight Committee, pursuant to
25 Administrative Code Section 5A.31. These appropriations may be increased or decreased

1 by the Controller based on changes to expenditure appropriations or actual gross bond
2 proceeds to conform to the applicable Charter and Administrative Code formulas.

3
4 Section 4: \$97,058,532 of the total appropriation is hereby placed on Controller's
5 Appropriation Reserve by project. Release of appropriation reserves by the Controller is
6 subject to the Controller's certification of funds availability, including proceeds of
7 indebtedness, and for construction related expenditures (excluding program
8 management, planning and design) for these projects, as applicable, is also subject to
9 the prior occurrence of the SFPUC's and the Board of Supervisors' discretionary adoption
10 of California Environmental Quality Act (CEQA) Findings for projects, following review
11 and consideration of completed project related environmental analysis, where required.

12
13 Section 5: Associated Bond financing costs up to \$13,515,347 is also hereby
14 appropriated, including but not limited to, issuance costs, debt service reserve, capitalized
15 interest, rating agency, and disclosure costs, all on Controller's reserve pending receipt
16 of bond proceeds. To the extent that net available bond proceeds after financing costs
17 are more than budgeted, the Department may use such surplus bond proceeds as a
18 substitute for other sources budgeted in this appropriation.

19
20 Section 6: The Controller is authorized to record transfers between funds and adjust the
21 accounting treatment of sources and uses appropriated in this ordinance as necessary to
22 conform to Generally Accepted Accounting Principles.

23
24 Section 7. The sources of funding outlined below are herein appropriated to reflect the
25 funding available for Fiscal Year 2019-2020.

1 **SOURCES Appropriation**

2	Fund /	Project & Activity /	Account	Description	Amount
3	Department ID	Authority			
4	Hetchy Power Bond	10014121_0001 /	480111	Proceeds	\$90,999,411
5	Fund (New) /	15366 UH Hetchy	Proceeds from	from Sale of	
6	231621 HHP01 General	Water-Power Bonds	Sale of Bonds-	Bonds	
7	Administration		Face Amount		
8					
9	Hetchy Water Bond	10014121_0001 /	480111	Proceeds	\$69,058,857
10	Fund (New) /	15366 UH Hetchy	Proceeds from	from Sale of	
11	231621 HHP01 General	Water-Power Bonds	Sale of Bonds-	Bonds	
12	Administration		Face Amount		
13					
14	24990 HHWP Revenue	10014672_0001 /	495029	Hetch Hetchy	\$38,521,397
15	Continuing /	15405 UH HHP	ITI Fr 5T-Hetch	Revenue	
16	231621 HHP01 General	Revenue Transfer	Hetchy W&P Fds		
17	Administration				
18					
19	24990 Cap and Trade	10014665_0001 /	479988	Cap and	\$1,000,000
20	Allowance /	15404 UH Hetchy Cap	Hetchy Cap &	Trade	
21	298648 HHP0903	and Trade Allowance	Trade Revenue	Revenue	
22	Energy Services				
23					
24	Total SOURCES Appropriation				\$199,579,665

1 Section 8. The uses of funding outlined below are herein appropriated in account 567000
 2 Buildings Structures and Improvements, 581130 Internal Audits, 567000 Revenue Bond
 3 Oversight Committee and 507311 Financing Costs reflects the projected uses of funding
 4 to support the Hetch Hetchy Capital Improvement Program at the San Francisco Public
 5 Utilities Commission for Fiscal Year 2019-2020.

6
 7
 8 **USES Appropriation**

9 Fund /	Project & Activity /	Account	Description	Amount
10 Department ID	Authority			
11 Hetchy Power Bond	10014121_0001 /	567000	Streetlight	\$6,010,000
12 Fund (New) /	15377 Streetlight	Blds; Structures &	Improvement	
13 298648 HHP0903	Replacement	Improvements	Program	
14 Energy Services				
15				
16 24990 HHWP	10014227_0001 /	584030	Bay Corridor	\$21,000,000
17 Revenue Continuing	15372 Distribution	Capital Renewal	Project	
18 298648 HHP0903	Services	Projects		
19 Energy Services				
20				
21 24990 HHWP	10014226_0001 /	584030	Distribution	\$7,000,000
22 Revenue Continuing	15372 Distribution	Capital Renewal	Services Retail	
23 298648 HHP0903	Services	Projects		
24 Energy Services				
25				

1	Fund /	Project & Activity /	Account	Description	Amount
2	Department ID	Authority			
3	Hetchy Power Bond	XXXXXXXX-XXXX /	567000	Intervening	\$9,950,000
4	Fund (New)	XXXXX New	Blds; Structures &	Facilities	
5	298648 HHP0903	Authority	Improvements		
6	Energy Services				
7					
8	Hetchy Power Bond	XXXXXXXX-XXXX /	567000	SFO Substation	\$8,550,000
9	Fund (New)	XXXXX New	Blds; Structures &		
10	298648 HHP0903	Authority	Improvements		
11	Energy Services				
12					
13	24990 HHWP	10014646_0001 /	584030	Generation –	\$1,000,000
14	Revenue Continuing	15400 UH	Capital Renewal	Small	
15	298648 HHP0903	Renewable-	Projects	Renewables	
16	Energy Services	generation			
17					
18	24990 HHWP	10014665_0001 /	584030	General Fund	\$1,000,000
19	Revenue Continuing	15404 UH Hetchy	Capital Renewal	Energy Efficiency	
20	298648 HHP0903	Cap and Trade	Projects		
21	Energy Services	Allowance			
22					
23					
24					
25					

	Fund /	Project & Activity /	Account	Description	Amount
	Department ID	Authority			
3	24990 HHWP	10014576_0001 /	584030	Treasure Island	\$1,707,065
4	Revenue Continuing	15391 UH Treasure	Capital Renewal	Capital	
5	298648 HHP0903	Island Capital	Projects	Improvements	
6	Energy Services	Improvements			
7					
8	24990 HHWP	10014221_0001 /	584030	Alice Griffith/	\$7,814,332
9	Revenue Continuing	15371 UH Alice	Capital Renewal	Candlestick Point	
10	298648 HHP0903	Griffith-Candlestick	Projects		
11	Energy Services	Point			
12					
13	Hetchy Water Bond	10014065_0001 /	567000	Hetchy Water –	\$26,834,000
14	Fund (New)	15363 UH Hetchy	Blds; Structures &	Water	
15	298646 HHP10	Water - Water Only	Improvements	Infrastructure	
16	Hetchy Water				
17					
18	Hetchy Power Bond	10014065_0001 /	567000	Hetchy Water –	\$11,782,000
19	Fund (New)	15364 UH Hetchy	Blds; Structures &	Power	
20	298646 HHP10	Water - Power	Improvements	Infrastructure	
21	Hetchy Water	Infrastructure			
22					
23					
24					
25					

1	Fund /	Project & Activity /	Account	Description	Amount
2	Department ID	Authority			
3	Hetchy Water Bond	10014093_0001 /	567000	Hetchy Joint	\$14,899,500
4	Fund (New)	15365 UH Hetchy	Blds; Structures &	Projects – Water	
5	298646 HHP10	Water - Joint	Improvements		
6	Hetchy Water	Projects			
7					
8	Hetchy Power Bond	10014093_0001 /	567000	Hetchy Joint	\$18,210,500
9	Fund (New)	15365 UH Hetchy	Blds; Structures &	Projects – Power	
10	298646 HHP10	Water - Joint	Improvements		
11	Hetchy Water	Projects			
12					
13	Hetchy Water Bond	10014113_0001 /	567000	Mountain Tunnel	\$18,693,000
14	Fund (New)	15365 UH Hetchy	Blds; Structures &	– Joint Water	
15	298646 HHP10	Water - Joint	Improvements		
16	Hetchy Water	Projects			
17					
18	Hetchy Power Bond	10014113_0001 /	567000	Mountain Tunnel	\$22,847,000
19	Fund (New)	15365 UH Hetchy	Blds; Structures &	– Joint Power	
20	298646 HHP10	Water - Joint	Improvements		
21	Hetchy Water	Projects			
22					
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24					
25					

1	Fund /	Project & Activity /	Account	Description	Amount
2	Department ID	Authority			
3	Hetchy Water Bond	10014121_0001 /	573110	Hetchy Water	\$8,476,975
4	Fund (New)	15366 UH Hetchy	Bond Issuance	Financing Costs	
5	298646 HHP10	Water-power Bonds	Cost- Unamortized		
6	Hetchy Water				
7					
8	Hetchy Water Bond	10014121_0001 /	581130	CSA 0.2%	\$120,853
9	Fund (New)	15366 UH Hetchy	GF-CON-Internal	Controller's Audit	
10	298646 HHP10	Water-power Bonds	Audits	Fund	
11	Hetchy Water				
12					
13	Hetchy Water Bond	10014121_0001 /	567000	Revenue Bond	\$34,529
14	Fund (New)	15366 UH Hetchy	Blds; Structures &	Oversight	
15	298646 HHP10	Water-power Bonds	Improvements	Committee	
16	Hetchy Water			0.05%	
17					
18	Hetchy Power Bond	10014121_0001 /	573110	Hetchy Power	\$13,449,712
19	Fund (New) /	15366 UH Hetchy	Bond Issuance	Financing Costs	
20	298647 HHP0901	Water-power Bonds	Cost- Unamortized		
21	Power Administration				
22					
23					
24					
25					

1	Fund /	Project & Activity /	Account	Description	Amount
2	Department ID	Authority			
3	Hetchy Power Bond	10014121_0001 /	581130	CSA 0.2%	\$154,699
4	Fund (New) /	15366 UH Hetchy	GF-CON-Internal	Controller's Audit	
5	298647 HHP0901	Water-power Bonds	Audits	Fund	
6	Power Administration				
7					
8	Hetchy Power Bond	10014121_0001 /	567000	Revenue Bond	\$45,500
9	Fund (New) /	15366 UH Hetchy		Oversight	
10	298647 HHP0901	Water-power Bonds		Committee	
11	Power Administration			0.05%	
12					
13	Total USES Appropriation				\$199,579,665

16 Section 9: Of the above appropriated amount, \$275,552 representing 0.2% of the
17 expenditure budget net of bond financing and audit costs, is to be allocated and available
18 to support the Controller's Audit Fund, pursuant to Charter Appendix F1.113; and \$80,029
19 representing 0.05% of gross bond proceeds is to be allocated and available to support
20 the Public Utilities Commission Revenue Bond Oversight Committee, pursuant to
21 Administrative Code Section 5A.31. These appropriations may be increased or decreased
22 by the Controller based on changes to expenditure appropriations or actual gross bond
23 proceeds to conform to the applicable Charter and Administrative Code formulas.

1 Section 10: \$160,058,268 of the total appropriation is hereby placed on Controller's
2 Appropriation Reserve by project. Release of appropriation reserves by the Controller is
3 subject to the Controller's certification of funds availability, including proceeds of
4 indebtedness, and for construction related expenditures (excluding program
5 management, planning and design) for these projects, as applicable, is also subject to
6 the prior occurrence of the SFPUC's and the Board of Supervisors' discretionary adoption
7 of California Environmental Quality Act (CEQA) Findings for projects, following review
8 and consideration of completed project related environmental analysis, where required.
9

10 Section 11: Associated Bond financing costs up to \$21,926,687 is also hereby
11 appropriated, including but not limited to, issuance costs, debt service reserve, capitalized
12 interest, rating agency, and disclosure costs, all on Controller's reserve pending receipt
13 of bond proceeds. To the extent that net available bond proceeds after financing costs
14 are more than budgeted, the Department may use such surplus bond proceeds as a
15 substitute for other sources budgeted in this appropriation.
16

17 Section 12: The Controller is authorized to record transfers between funds and adjust the
18 accounting treatment of sources and uses appropriated in this ordinance as necessary to
19 conform to Generally Accepted Accounting Principles.
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1 APPROVED AS TO FORM:
2 DENNIS J. HERRERA, City Attorney

FUNDS AVAILABLE
BEN ROSENFELD, Controller

3 By: BCA
4 BUCK E. DELVENTHAL
5 Deputy City Attorney

By: [Signature]
6 BEN ROSENFELD
7 Controller

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<p>Items 8 and 11 Files 18-0447 and 18-0450</p>	<p>Department: 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 proceeds¹. \$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

¹ 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

Use	Amount
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
Total	\$154,928,058

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 interest², 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

² 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 Allowances³.

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
Sources of Funds			
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
Total Sources	\$140,527,284	\$199,579,665	\$340,106,949
Uses of Funds			
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
Subtotal Infrastructure and Joint Projects	65,298,000	113,266,000	178,564,000
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
Subtotal Other Capital Plan Projects	61,498,752	64,031,397	125,530,149
Bond Financing and Oversight (12%)	13,730,532	22,282,268	36,012,800
Total Uses	\$140,527,284	\$199,579,665	\$340,106,949

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

³ 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 coverage⁴: net revenues equal to a minimum of 1.35 times annual debt service
- Current coverage⁵: 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-

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

⁵ 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"> 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 Moccasin Penstock.
Water Infrastructure	<ul style="list-style-type: none"> Upgrades to increase capacity/ reliability to the Hetch Hetchy Water, 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.
Renewable	<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.
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.
Transbay Transit Center	<ul style="list-style-type: none"> Construction and permanent electric services to TransBay Transit Center
Airport	<ul style="list-style-type: none"> Improves substation to increase capacity to from 50 megawatts to 60 megawatts by 2020

<p>Items 8 and 11 Files 18-0447 and 18-0450</p>	<p>Department: 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 \$0.50 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 proceeds¹. \$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

¹ 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

Use	Amount
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
Total	\$154,928,058

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 interest², bond counsel, and other costs.

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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

² 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 Allowances³.

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
Sources of Funds			
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
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Cap and Trade Allowance	1,000,000	1,000,000	2,000,000
Total Sources	\$140,527,284	\$199,579,665	\$340,106,949
Uses of Funds			
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
Subtotal Infrastructure and Joint Projects	65,298,000	113,266,000	178,564,000
Bay Corridor - Power Distribution	20,000,000	21,000,000	41,000,000
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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
Subtotal Other Capital Plan Projects	61,498,752	64,031,397	125,530,149
Bond Financing and Oversight (12%)	13,730,532	22,282,268	36,012,800
Total Uses	\$140,527,284	\$199,579,665	\$340,106,949

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

³ 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 coverage⁴: net revenues equal to a minimum of 1.35 times annual debt service
- Current coverage⁵: 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-

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

⁵ 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"> 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 Moccasin Penstock.
Water Infrastructure	<ul style="list-style-type: none"> Upgrades to increase capacity/ reliability to the Hetch Hetchy Water, 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.
Renewable	<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.
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.
Transbay Transit Center	<ul style="list-style-type: none"> Construction and permanent electric services to TransBay Transit Center
Airport	<ul style="list-style-type: none"> Improves substation to increase capacity to from 50 megawatts to 60 megawatts by 2020

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

RECEIVED
BOARD OF SUPERVISORS
President, District 5
BOARD OF SUPERVISORS
2018 MAY 17 PM 4:59



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-7630
Fax No. 554-7634
TDD/TTY No. 544-5227

BY _____

London Breed

PRESIDENTIAL ACTION

Date: 5/17/18

To: Angela Calvillo, Clerk of the Board of Supervisors

Madam Clerk,

Pursuant to Board Rules, I am hereby:

Waiving 30-Day Rule (Board Rule No. 3.23)

File No. 180447 Mayor
(Primary Sponsor)

Title. Appropriation - Proceeds from Hetch Hetchy Revenue, Cap and Trade Revenue, Power and Water Revenue Bonds - San Francisco Public 

Transferring (Board Rule No 3.3)

File No. _____
(Primary Sponsor)

Title. _____

From: _____ Committee

To: _____ Committee

Assigning Temporary Committee Appointment (Board Rule No. 3.1)

Supervisor _____

Replacing Supervisor _____

For: _____ Meeting
(Date) (Committee)

London Breed, President
Board of Supervisors

180447

OFFICE OF THE MAYOR
SAN FRANCISCO




MARK FARRELL
MAYOR

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO

2018 MAY -1 PM 12:07

BY _____

TO: Angela Calvillo, Clerk of the Board of Supervisors
 FROM:  Mayor Farrell
 RE: Appropriation - Proceeds from Revenue Bonds, Hetch Hetchy Revenue, Cap and Trade Allowance of \$340,106,949 for Hetch Hetchy Water and Power Capital Improvements, for Fiscal Year 2018-2019 and Fiscal Year 2019-2020
 DATE: May 1, 2018

Attached for introduction to the Board of Supervisors is an ordinance appropriating a total of \$340,106,949 of Hetch Hetchy revenue, Cap and Trade Revenue and Power and Water Revenue Bonds for the San Francisco Public Utilities Commission (SFPUC) Hetch Hetchy Capital Improvement Program for Fiscal Year 2018-2019 at \$140,527,284 and for Fiscal Year 2019-2020 at \$199,579,665; and placing \$154,928,058 of Power Bonds, \$102,188,742 of Water Bonds by project on Controller's reserve subject to the Controller's certification of funds availability, including proceeds of indebtedness, and for construction related expenditures (excluding program management, planning and design) for these projects, as applicable, is also subject to the prior occurrence of the SFPUC's and the Board of Supervisors' discretionary adoption of California Environmental Quality Act (CEQA) Findings for projects, following review and consideration of completed project related environmental analysis, where required.

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