

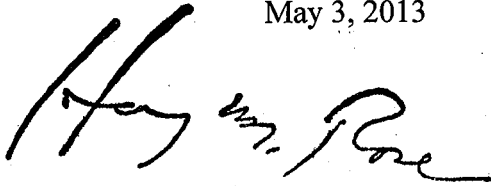
CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST

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

May 3, 2013

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst



SUBJECT: May 8, 2013 Budget and Finance Committee Meeting

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Items 2 & 3
Files 13-0364 and 13-0366

Department:
 Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed supplemental appropriation ordinances would (1) de-appropriate \$71,016 in permanent salaries and re-appropriate \$71,016 to overtime in the Public Utilities Commission's (PUC) Hetch Hetchy Enterprise (File 13-0364); and (2) de-appropriate \$250,000 in debt service and re-appropriate \$250,000 to overtime in the PUC's Water Enterprise (File 13-0366).

Key Points

- The Hetch Hetchy Water and Power Enterprise incurred overtime in excess of the budget for Powerhouse Operators due to vacant positions as well as mandated scheduling requirement.
- The Water Enterprise incurred overtime in excess of the budget due to repair work needed for a leaking valve in the regional water system transmission pipeline (Bay Division No. 4) in January 2013, and a major transmission pipeline failure in San Mateo County in February 2013

Fiscal Impact

- The Hetch Hetchy Water and Power Enterprise's FY 2012-13 budget for overtime is \$854,841 and projected use of overtime is \$925,857, or \$71,016 more than the budget.
- The Water Enterprise's FY 2012-13 budget for overtime is \$1,592,638 and projected use of overtime is \$1,842,638, or \$250,000 more than the budget.
- the FY 2012-13 overtime expenditures exceeding the budget would be paid by the transfer of surplus permanent salaries in the Hetch Hetchy Enterprise operating budget (\$71,016) and transfer of surplus debt service funds in the Water Enterprise operating budget (\$250,000)

Recommendation

- Approve the proposed ordinances.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

Charter Section 9.105 requires Board of Supervisors' approval of Annual Appropriation Ordinance amendments, after the Controller certifies the availability of funds.

Administrative Code Section 3.17, which was approved by the Board of Supervisors in September of 2011, requires that the Annual Appropriation Ordinance contain a separate overtime appropriation within the Airport, Fire, Emergency Management, Police, Public Health, Public Utilities, Public Works, Recreation and Park and Sheriff Departments' operating budgets. In accordance with Administrative Code Section 3.17(b), these nine City departments must also request a supplemental appropriation, which is subject to Board of Supervisors approval, if their overtime expenditures are expected to exceed the annual overtime appropriation.

DETAILS OF PROPOSED LEGISLATION

The PUC is proposing de-appropriation of certain FY 2102-13 surplus expenditures and re-appropriation to pay for FY 2012-13 overtime expenditures that exceed the budget, as shown in Table 1.

Table 1: Proposed Supplemental Appropriation

Fund	Object	Re-appropriation/ (De-appropriation)
<u>File 13-0364</u>		
Hetch Hetchy Enterprise Operating Budget	Permanent Salaries	(\$71,016)
Hetch Hetchy Enterprise Operating Budget	Overtime	<u>71,016</u>
Net		\$0
<u>File 13-0366</u>		
Water Enterprise Operating Budget	Debt Service	(\$250,000)
Water Enterprise Operating Budget	Overtime	<u>250,000</u>
Net		\$0

According to Ms. Cheryl Sperry, PUC Principal Administrative Analyst, the Hetch Hetchy Water and Power Enterprise incurred overtime in excess of the budget for Powerhouse Operators due to vacant positions as well as mandated scheduling requirements in the Memorandum of Understanding (MOU) between the City and the International Brotherhood of Electrical Workers, Local 6, which represents Powerhouse Operators. According to Ms. Sperry, the City and Local 6 are scheduled for arbitration on these scheduling requirements in September 2013.

According to Mr. David Briggs, PUC Regional and Local Water System Manager, the Water Enterprise incurred overtime in excess of the budget due to repair work needed for a leaking valve in the regional water system transmission pipeline (Bay Division No. 4) in January 2013, and a major transmission pipeline failure in San Mateo County in February 2013. According to Mr. Briggs, the Water Enterprise will prioritize the highest needs for overtime for the remainder of the fiscal year.

Approval of the proposed supplemental appropriations requires a two-third vote of the Board of Supervisors.

FISCAL IMPACT

The Hetch Hetchy Water and Power Enterprise's FY 2012-13 budget for overtime is \$854,841 and projected use of overtime is \$925,857, or \$71,016 more than the budget.

The Water Enterprise's FY 2012-13 budget for overtime is \$1,592,638 and projected use of overtime is \$1,842,638, or \$250,000 more than the budget.

As noted in Table 1 above, the FY 2012-13 overtime expenditures exceeding the budget would be paid by the transfer of surplus permanent salaries in the Hetch Hetchy Enterprise operating budget (\$71,016) and transfer of surplus debt service funds in the Water Enterprise operating budget (\$250,000).

RECOMMENDATION

Approve the proposed ordinances.

Item 4
File 13-0367

Department:
Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed supplemental appropriation ordinance (1) de-appropriates \$16,546,000 in surplus Wastewater Capital Improvement Program (CIP) and Sewer System Improvement Program (SSIP) project funds and re-appropriates these funds to the North Shore to Channel Force Main Drainage Improvement Project; and (2) authorizes the PUC General Manager to enter into a reimbursement agreement with Pacific Gas and Electric (PG&E) for PG&E to fully fund trenchless pipeline sewer improvements requested by PG&E.

Key Points

- The North Shore to Channel Force Main Drainage Improvement Project (the Project) will provide an auxiliary sewer force main for a portion of the North Shore to the Channel Force Main. PUC initiated the Project due to previous failures of a portion of the North Shore Force Main in 2008 and 2012.
- PUC has a contract with KJ Woods Construction to construct the Project. The Public Utilities Commission approved a contract modification in March 2013 to address (1) unforeseen site conditions, increasing the Project scope, (2) redesigning a portion of the Project around PG&E facilities, and (3) re-routing traffic and buses. The contract increased from \$17,036,800 to \$32,360,800 and the term was extended from the original completion date in November 2013 to a new completion date in February 2015.

Fiscal Impact

- The proposed supplemental appropriation ordinance approves funding of \$19,246,000 for the Project, including \$16,546,000 in de-appropriation and re-appropriation of CIP and SSIP funds, and \$2,700,000 under a reimbursement agreement in which PG&E will reimburse PUC for the costs to redesign a portion of the Project around PG&E's lines.
- \$15,324,000 of the \$19,246,000 will fund a modification to the contract between PUC and JK Wood Construction. PG&E will reimburse PUC up to \$2,100,000 for the contract modification for the contract work attributable to PG&E lines.
- \$3,922,000 of the \$19,246,000 will pay for City departments' staff costs, including the San Francisco Municipal Transportation Agency's (SFMTA) staff costs for traffic and bus re-routing; PUC staff costs to redesign a portion of the Project around PG&E lines; and PUC and Department of Public Works (DPW) staff costs for engineering, construction management, and other work related to the expanded Project scope due to unforeseen conditions. PG&E will reimburse PUC up to \$600,000 for PUC staff work attributable to PG&E lines.

Recommendation

- Approve the proposed ordinance.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

Charter Section 9.105 requires Board of Supervisors' approval of Annual Appropriation Ordinance amendments, after the Controller certifies the availability of funds.

Background

Master planning for the Public Utilities Commission's (PUC) Sewer System Improvement Program (SSIP) began in 2004. The SSIP's goal is to bring the City's sewer system to a state of good repair and to ensure continued regulatory compliance and system reliability. The SSIP consists of approximately 20 capital improvement projects to be completed from 2011 through 2040, a period of approximately 30 years, with an estimated cost of \$6 billion. Funding for the SSIP includes revenue bonds issued by the PUC on behalf of the Wastewater Enterprise and commercial paper, subject to appropriation approval of the Board of Supervisors. The costs of the program are paid by the City's residential and commercial ratepayers for sewer services.

DETAILS OF PROPOSED LEGISLATION

As shown in Table 1 below, the proposed supplemental appropriation ordinance (1) de-appropriates \$16,546,000 in surplus Wastewater Capital Improvement Program (CIP) and SSIP project funds and re-appropriates these funds to the North Shore to Channel Force Main Drainage Improvement Project; and (2) authorizes the PUC General Manager to enter into a reimbursement agreement with Pacific Gas and Electric (PG&E) for PG&E to fully fund trenchless pipeline sewer improvements requested by PG&E.

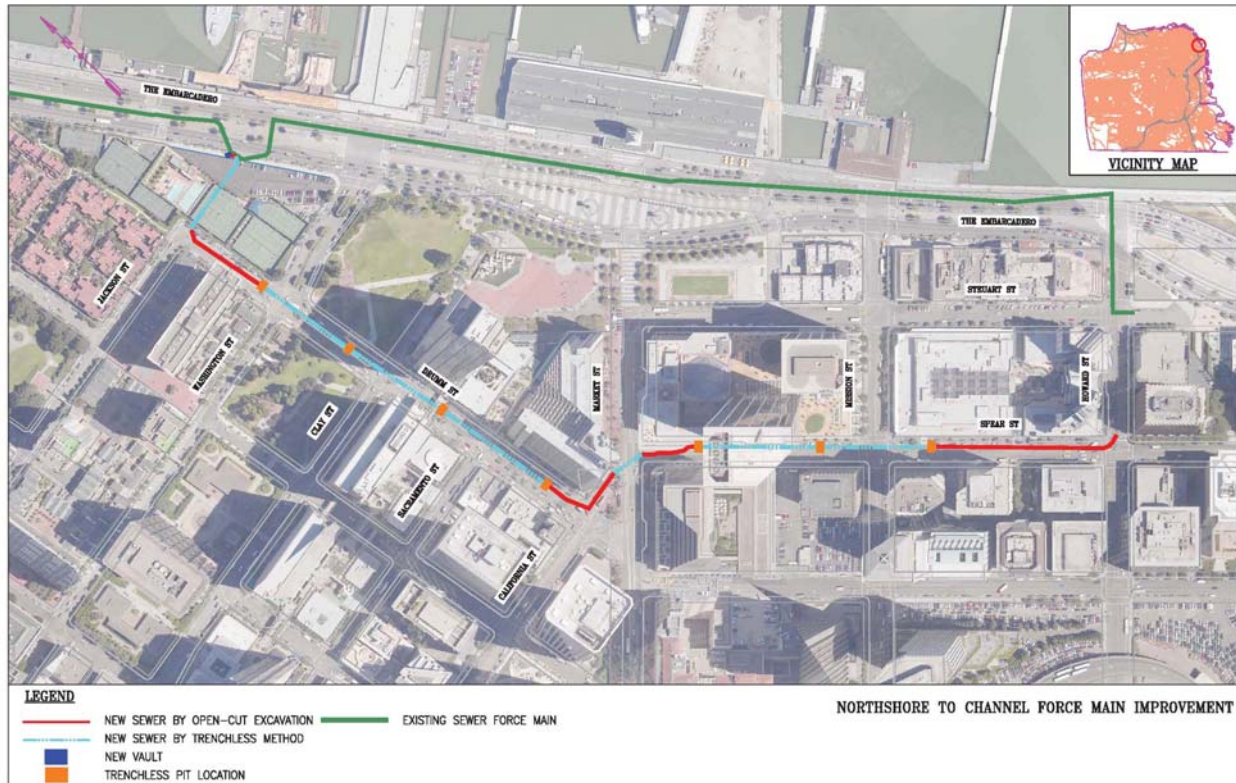
Table 1: De-appropriation of CIP Funds and Re-appropriation of SSIP Funds

Fund	Program	Amount
De-appropriation		
2012 Wastewater Bond Fund	Interim CIP Sewer Repairs	\$12,746,000
2013 Wastewater Commercial Paper	SSIP Collection System Improvement	<u>3,800,000</u>
Total De-appropriation		\$16,546,000
Re-appropriation		
2012 Wastewater Bond Fund	North Shore to Channel Force Main Drainage Improvement Project	\$16,546,000

The North Shore to Channel Force Main Drainage Improvement Project (the Project) will provide an auxiliary sewer force main¹ for a portion of the North Shore to the Channel Force Main, as shown in Exhibit 1 below. PUC initiated the Project due to previous failures of a portion of the North Shore Force Main in 2008 and 2012. As part of the project, PUC is installing approximately 3,000 feet of pipe under City streets and constructing a valve-vault in the sidewalk area on The Embarcadero, between Washington and Broadway Streets.

¹ A "force main" is a pressurized main pipe transporting sewage.

Exhibit 1: North Shore to Channel Force Main



PUC Construction Contract

PUC entered into a construction contract with KJ Woods Construction in May 2012 through a competitive bid process to construct the North Shore to Channel Force Main Drainage Improvement Project. The original contract was for not-to-exceed \$17,036,800 and 553 consecutive calendar days (extending the contract until November 2013). The Public Utilities Commission (Commission) approved a contract modification of \$15,324,000 and extension of 466 days in March 2013. Therefore, the existing construction contract is for not-to-exceed \$32,360,800 and extends through February 2015.²

According to the PUC staff report to the Commission, the contract increase was necessary to address:

- Unforeseen site conditions, including numerous abandoned concrete slabs, abandoned shoring, abandoned utilities and underground storage tank;
- Design modifications required to avoid existing utilities not previously identified by utility companies, including PG&E; and

² Construction contracts themselves are not subject to Board of Supervisors approval, but funding for the construction contracts are subject to Board of Supervisors appropriation approval.

- Rerouting of traffic and Municipal Railway (Muni) buses.

Reimbursement Agreement with PG&E

According to the PUC staff report to the Commission, because PG&E cannot resolve conflicts between the PG&E's utility lines and the North Shore to Channel Force Main Drainage Improvement Project in a timely manner, PG&E has agreed to pay PUC to redesign a portion of the Project around PG&E's lines. PUC will enter into a Reimbursement Agreement with PG&E, in which PG&E will pay an estimated \$2,700,000, including:

- \$2,100,000 to reimburse PUC for PG&E utility line work performed by KJ Woods Construction under their existing contract with PUC; and
- \$600,000 to reimburse for PUC staff work for engineering, project management, construction management, and other related staff work.

Memorandum of Understanding with the San Francisco Municipal Transportation Agency

The additional Project work under the contract between PUC and KJ Woods Construction requires temporary re-routing of traffic and overhead-wired buses. PUC will modify the existing Memorandum of Understanding (MOU) with the San Francisco Municipal Transportation Agency (SFMTA), in which PUC will pay SFMTA for the costs of re-routing traffic and buses, totaling \$3,920,000 as follows:

- \$1,420,000 for work performed under the contract between KJ Woods Construction and PUC; and
- \$2,500,000 to SFMTA to pay for SFMTA staff time related to the traffic and bus re-routing.

FISCAL IMPACT

As noted above, the proposed ordinance would approve (1) the de-appropriation of \$16,546,000 in Wastewater CIP and SSIP funds and re-appropriation of these funds to the North Shore to Channel Force Main Drainage Improvement Project; and (2) a reimbursement agreement between PUC and PG&E.

PUC proposes to de-appropriate \$16,546,000, as shown in Table 1 above, as follows:

- \$12,746,000 for sewer repairs (Interim CIP Sewer Repairs project). According to the PUC, these funds are not necessary and are considered surplus funds because the Interim CIP Program is fully funded and near completion.
- \$3,800,000 for the SSIP Collections System Improvement program that was set aside for planning and design work for rehabilitation of the existing North Shore Force Main. According to PUC, the \$3,800,000 is no longer needed and is considered surplus funds because the North Shore Force Main planning and design work was addressed when PUC issued emergency contracts funded by Interim CIP funds, rather than SSIP funds, to rehabilitate the existing force main after a recent failure in 2012.

Table 2 below shows the proposed use of \$16,546,000, requested by PUC in the supplemental appropriation, and \$2,700,000 under the proposed agreement between PUC and PG&E, totaling \$19,246,000 for the North Shore to Channel Force Main Drainage Project.

Table 2: Sources and Uses of Funds

Sources of Funds	
Supplemental Appropriation	\$16,546,000
PG&E Reimbursement Agreement	2,700,000
Total	19,246,000
Uses of Funds	
JK Wood Construction Contract Modification:	
PUC North Force Main Construction	\$11,804,000
SFMTA Traffic and Bus Re-routing	1,420,000
PG&E Utility	2,100,000
Subtotal, Contract Modification	\$15,324,000
SFMTA Staff Costs for Traffic and Bus Re-routing	\$2,500,000
PUC Staff Costs Reimbursed by PG&E	600,000
PUC and Department of Public Works Staff Costs	822,000
Subtotal, City Department Staff Costs	\$3,922,000
Total	\$19,246,000

City staff costs of \$822,000 pay for Department of Public Works construction management and engineering staff and PUC project management and environmental and project control staff.

RECOMMENDATION

Approve the proposed ordinance.

Item 5
File 13-0365

Department:
Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance amend the FY 2012-13 and FY 2013-14 Appropriation Ordinance to (1) re-appropriate \$5,096,000 in the Public Utilities Commission's (PUC) FY 2013-14 operating budget designated for maintenance and repair projects, and (2) de-appropriate \$42,178,878 in PUC's FY 2013-14 capital budget.

Key Points

- The Board of Supervisors appropriated \$122,516,450 in the PUC's FY 2013-14 budget for capital improvements in the Hetch Hetchy Water and Power Enterprise, Water Enterprise, and Wastewater Enterprise. Approval of the proposed ordinance would de-appropriate \$42,178,878, resulting in a FY 2013-14 capital budget of \$80,887,572

Fiscal Impact

- The proposed ordinance would re-appropriate \$5,096,000 within the PUC operating budget designated for capital projects, including (1) \$3,100,000 in the Hetch Hetchy Water and Power operating budget to pay for improvements to the Camp Mather drainage system, maintenance of Moccasin facilities, and compliance with electricity regulations; and (2) \$1,996,000 in the Water Enterprise to pay for watershed protection projects.
- The proposed ordinance would de-appropriate \$42,178,878 in the PUC's FY 2013-14 capital budget, including:
 - \$8,900,405 in the Hetch Hetchy Water and Power Enterprise due primarily to postponing the Moccasin Tunnel Lining Project to a later date in the PUC's 10-year Capital Improvement Program (CIP). As a result, PUC will issue a lower amount of 2013 Hetch Hetchy Water Revenue Bonds than previously anticipated.
 - \$15,786,900 in the Water Enterprise due largely to savings in bond issuance and financing costs. The PUC will receive a payment of \$356,138,828 from the Bay Area Water Supply and Conservation Agency (BAWSCA), representing PUC's wholesale customers, as part of the 2009 Water Supply Agreement, in which the wholesale customers must pay PUC for the regional water system's existing regional assets (see File 12-1203). Due to this payment, PUC will issue a lower amount of 2013 Water Revenue Bonds.
 - \$17,491,573 in the Wastewater Enterprise due to revised Sewer System Improvement Program (SSIP) service goals, scope and schedule changes. As a result of the revised SSIP scope, the PUC will issue a lower amount of 2013 Wastewater Revenue Bonds. The PUC will postpone certain SSIP projects, previously appropriated in FY 2013-14, and re-appropriate funds to other capital projects. New expenditures in FY 2013-14 include \$8,000,000 for SSIP Phase I planning and \$10,000,000 for improvements to the Southeast Community Center.

Recommendation

- Approve the proposed ordinance.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

Charter Section 9.105 requires Board of Supervisors' approval of Annual Appropriation Ordinance amendments, after the Controller certifies the availability of funds.

Charter Section 9.101 authorizes the Mayor and Board of Supervisors by resolution to determine in an even-numbered fiscal year that the upcoming budgetary cycle shall be a fixed budgetary cycle for some or all City Departments. In a fixed budgetary cycle, the Board of Supervisors does not adopt a new budget for the second fiscal year of the cycle, but may adjust the second-year budget if certain conditions are met.

Background

The Board of Supervisors approved a resolution in 2011 (Resolution 464-11), adopting a fixed two-year budget for the Airport, Port, and Public Utilities Commission. The Board of Supervisors approved the Public Utilities Commission's (PUC) FY 2012-13 and FY 2013-14 budget in July 2012. Table 1 shows the PUC's FY 2012-13 and FY 2013-14 capital budget appropriations, previously approved by the Board of Supervisors.

Table 1: PUC's FY 2013-14 Capital Budget Appropriation

	FY 2012-13	FY 2013-14	Total
Hetch Hetchy	\$34,574,200	\$47,893,450	\$82,467,650
Water	22,216,000	37,623,000	59,839,000
Wastewater	<u>33,000,000</u>	<u>37,000,000</u>	<u>70,000,000</u>
Total	\$89,790,200	\$122,516,450	\$212,306,650

Source: Annual Appropriation Ordinance

DETAILS OF PROPOSED LEGISLATION

As shown in Table 2 below, the PUC is now requesting a supplemental appropriation to amend the (1) FY 2013-14 operating budget to re-appropriate \$5,096,000 designated for maintenance and repair projects, and (2) FY 2013-14 capital budget to de-appropriate \$42,178,878.

Table 2: Proposed Amendment to the PUC's FY 2013-14 Operating and Capital Budget

	Amount
FY 2013-14 Operating Budget	
Hetch Hetchy	\$3,100,000
Water	1,996,000
Total Operating Budget Re-appropriation	\$5,096,000
FY 2013-14 Capital Budget	
Hetch Hetchy	(\$8,900,405)
Water	(15,786,900)
Wastewater	(17,491,573)
Total Capital Budget De-appropriation	(\$42,178,878)

The Attachment to this report provides details of the proposed supplemental appropriation.

FISCAL IMPACT

FY 2013-14 Operating Budget Re-appropriation: \$5,096,000

The proposed ordinance re-appropriates PUC operating funds as follows:

- \$3,100,000 in the Hetch Hetchy Water and Power operating budget from funds designated for reserves or payments to other governments to the following three projects:
 - \$1,000,000 to leach field¹ repairs at Camp Mather to improve sewage drainage and prevent seepage into the Hetch Hetchy watershed;
 - \$1,600,000 to facilities maintenance at Moccasin to fund a portion of the maintenance backlog; and
 - \$500,000 to comply with electricity compliance regulations.
- \$1,996,000 in the Water Enterprise operating budget to fund watershed protection projects that do not qualify as capital projects and therefore are not eligible for bond funding.

FY 2013-14 Capital Budget De-appropriation: (\$42,178,878)

The PUC is proposing a net decrease in the FY 2013-14 capital budget of \$42,178,878, as shown in Table 2 above. The PUC de-appropriates capital funds as follows:

Hetch Hetchy Water and Power: (\$8,900,405)

According to Mr. Carlos Jacobo, PUC Budget Director, the Hetch Hetchy Water and Power Enterprise is reducing the capital budget by a net of \$8,900,405 due primarily to postponing the Moccasin Tunnel Lining Project to a later date in the PUC's 10-year Capital Improvement Program (CIP). As a result, PUC will issue a lower amount of 2013 Hetch Hetchy Water Revenue Bonds than previously anticipated.

Major reductions to the FY 2013-14 Hetch Hetchy capital budget include:

- \$9,400,000 reduction due to defunding of the Moccasin Water Tunnel Lining Project that will be funded in future years; and
- \$4,714,216 reduction in bond financing costs by issuing a lower amount of 2013 Hetch Hetchy Water Revenue Bonds.

These reductions are offset by the funding of two new programs, including:

- \$2,000,000 for the Mayor's Go Solar SF project to facilitate development of solar projects; and
- \$1,741,000 for streetlight improvements on the Van Ness Avenue Corridor.

Details of the \$8,900,405 reduction in the FY 2013-14 Hetch Hetchy capital budget are shown in the Attachment to this report.

¹ A leach field, or septic drain field, is used to remove contaminants and impurities from liquid that emerges from a septic tank.

Controller's Reserve

Some of the proposed FY 2013-14 Hetch Hetchy capital program projects are funded by Hetch Hetchy Water Revenue Bonds or Power Enterprise Revenue Bonds. In accordance with the proposed ordinance, bond-funded projects will be placed on Controller's reserve pending the availability of funds.

Water Enterprise: (\$15,786,900)

The FY 2013-14 Water Enterprise capital budget is being reduced by \$15,786,900 due largely to savings in bond issuance and financing costs. The proposed ordinance de-appropriates previously-appropriated 2013A Water Enterprise Revenue Bond Proceeds. PUC will receive a payment of \$356,138,828 from the Bay Area Water Supply and Conservation Agency (BAWSCA), representing PUC's wholesale customers, as part of the 2009 Water Supply Agreement, in which the wholesale customers must pay PUC for the regional water system's existing regional assets (see File 12-1203). Due to this payment, PUC will issue a lesser amount of 2013 Water Revenue Bonds, resulting in savings for bond financing and issuance costs of \$11,674,900.

The PUC is also proposing to postpone \$6,900,000 in regional water system facility improvements to a later date, based on updated project schedules and spending forecasts.

These reductions are offset by (1) a \$2,184,000 increase in the Sunol Fire Suppression project², from \$3,900,000, as previously appropriated, to \$6,084,000, due to a re-evaluation and scoping of the project; and (2) new expenditures of \$1,400,000 for the remediation of Lake Merced as part of a \$10,000,000 remediation project (see Policy Consideration section below).

Details of the \$15,786,900 net reduction in the FY 2013-14 Water Enterprise capital budget are in the Attachment to this report.

Wastewater Enterprise: (\$17,491,573)

The FY 2013-14 Wastewater capital budget is being reduced by \$17,491,573 due to revisions to the Sewer System Improvement Program (SSIP) and schedule changes. The Public Utilities Commission (Commission) endorsed the revised SSIP service goals and scope in August 2012. As a result of the revised SSIP scope, the PUC will issue a lower amount of 2013 Wastewater Revenue Bonds, resulting in a net reduction of \$3,530,573 in bond issuance and financing costs.

The PUC will postpone certain SSIP projects, previously appropriated in FY 2013-14, and re-appropriate funds to other capital projects. New expenditures in FY 2013-14 include \$8,000,000 for SSIP Phase I planning and \$10,000,000 for improvements to the Southeast Community Center.

Details of the \$17,491,573 net reduction in the FY 2013-14 Wastewater Enterprise capital budget are in the Attachment to this report.

Budget and Finance Committee Reserve

The Sewer System Improvement System budget is \$255,600,000, which the Board of Supervisors placed on Budget and Finance Committee reserve during the FY 2012-13 and FY

² The Sunol Fire Suppression project will improve the potable water pipelines leading to or in the town of Sunol, including upgrading the transmission and distribution pipes and installing new fire hydrants.

2013-14 budget review, pending further review of the SSIP timing, sizing and scope of work. The PUC will need to request release of SSIP funds from the Budget and Finance Committee prior to expenditure of these funds.

Controller's Reserve

Further, some of the proposed FY 2013-14 Wastewater capital program projects are funded by Wastewater Revenue Bonds. In accordance with the proposed ordinance, bond-funded projects will be placed on Controller's reserve pending the availability of funds.

POLICY CONSIDERATION

The Pacific Rod and Gun Club Continues on a Month-to-Month Lease on PUC Property Adjacent to Lake Merced

The Pacific Rod and Gun Club has leased PUC property at Lake Merced since 1934 through an agreement with the Recreation and Park Department. The Pacific Rod and Gun Club's use of lead shot prior to 1994 has resulted in lead contamination of the surface soil around Lake Merced. PUC estimates that the costs to clean up the lead contamination are \$10,000,000, of which \$1,400,000 is included in the FY 2013-14 capital budget request, as noted above. According to Mr. Jacobo, the PUC is actively reviewing their options to recover these remediation costs.

The Pacific Rod and Gun Club currently occupies the site on a month-to-month lease. The Board of Supervisors approved settlement of an unlawful detainer lawsuit in December 2012 (see File 12-1106) that provides for PUC to enter into an amended month-to-month lease with the Pacific Rod and Gun Club to improve the requirements for insurance, indemnity and other provisions to protect the City.

RECOMMENDATION

Approve the proposed ordinance.

Fund	Program	Amount
FY 2013-14 Operating Budget		
HETCH HETCHY		
<u>Sources of Funds</u>		
Hetch Hetchy Operating Budget	General Reserve	(519,184)
Hetch Hetchy Operating Budget	Payments to Other Government	(1,568,000)
Capital Projects Fund	Reserve for Capital Improvements	(1,012,816)
Net Sources of Funds		(3,100,000)
<u>Uses of Funds</u>		
Re-appropriation		
Hetch Hetchy Operating Budget	Camp Mather	1,000,000
Hetch Hetchy Operating Budget	Facilities Maintenance	1,600,000
Hetch Hetchy Operating Budget	WECC/NERC Compliance	500,000
Net Uses of Funds		3,100,000
WATER		
<u>Sources of Funds</u>		
Water Capital Projects	Watershed Protection	(1,996,000)
<u>Uses of Funds</u>		
Water Capital Projects	Reserve for Capital Improvements	1,996,000
Total Operating Budget Re-appropriation		5,096,000
FY 2013-14 Capital Budget		
HETCH HETCHY		
<u>Sources of Funds</u>		
2013A Hetch Hetchy Water Revenue Bonds	Bond Proceeds	(13,700,070)
Hetch Hetchy Continuing Project Capital Fund	Internal Transfer	(1,169,798)
2014A Power Enterprise Revenue Bonds	Bond Proceeds	2,799,665
Hetch Hetchy Continuing Project Capital Fund	Cap and Trade Allowance	1,169,798
Hetch Hetchy Operating Budget	Fund Balance	2,000,000
Net Sources of Funds		(8,900,405)
<u>Uses of Funds</u>		
2013A Hetch Hetchy Water Revenue Bonds	Water Projects	(9,400,000)
Hetch Hetchy Continuing Project Capital Fund	Power Projects	(2,276,150)
2013A Hetch Hetchy Water Revenue Bonds	Financing Costs	(4,714,216)
2013A Hetch Hetchy Water Revenue Bonds	Internal Audits	(16,854)
2013A Hetch Hetchy Water Revenue Bonds	Revenue Bond Oversight Committee	(6,850)
Hetch Hetchy Continuing Project Capital Fund	Go Solar SF	2,000,000
Hetch Hetchy Continuing Project Capital Fund	Streetlights	1,741,000
2014A Power Enterprise Revenue Bonds	Power Projects	2,276,150
2013Hetch Hetchy Water Revenue Bonds	Water Projects	437,850
Hetch Hetchy Continuing Project Capital Fund	Power Projects	535,150
2014A Power Enterprise Revenue Bonds	Financing Costs	518,633
2014A Power Enterprise Revenue Bonds	Internal Audits	3,482
2014A Power Enterprise Revenue Bonds	Revenue Bond Oversight Committee	1,400
Net Uses of Funds		(8,900,405)

Fund	Program	Amount
WATER		
<u>Sources of Funds</u>		
2013A Water Enterprise Bond Fund	Bond Proceeds	(67,559,900)
Capital Projects Fund	Water Enterprise Revenues	(10,850,000)
Wholesale Capital Project Fund	Water Enterprise Revenues	(2,207,400)
Water Continuing Capital Project Fund	Water Enterprise Revenues	9,661,400
Water Continuing Capital Project Fund	Suburban Water Payers	52,041,076
Water Continuing Capital Project Fund	Water Revenue Transfer	1,400,000
Capacity Fees	Capacity Fees	1,727,924
Net Sources of Funds		(15,786,900)
Uses of Funds		
2013A Water Enterprise Bond Fund	Sunol Fire Suppression	(3,900,000)
Water Continuing Capital Project Fund	Watershed & Land Management	(278,600)
Wholesale Capital Project Fund	Watershed & Land Management	(517,400)
2013A Water Enterprise Bond Fund	Regional Buildings & Grounds	(4,300,000)
Capital Projects Fund	Regional Buildings & Grounds	(910,000)
Wholesale Capital Project Fund	Regional Buildings & Grounds	(1,690,000)
2013A Water Enterprise Bond Fund	Local Water Conveyance and Distribution	(44,185,000)
2013A Water Enterprise Bond Fund	Treasure Island Capital Improvements	(3,000,000)
2013A Water Enterprise Bond Fund	Local Buildings and Grounds	(500,000)
2013A Water Enterprise Bond Fund	Financing	(11,632,896)
2013A Water Enterprise Bond Fund	Internal Audits	(8,224)
2013A Water Enterprise Bond Fund	Revenue Bond Oversight Committee	(33,780)
Water Continuing Capital Project Fund	Sunol Fire Suppression	6,084,000
Water Continuing Capital Project Fund	Local Water Conveyance and Distribution	42,457,076
Capacity Fees	Local Water Conveyance and Distribution	1,727,924
Water Continuing Capital Project Fund	Treasure Island Capital Improvements	3,000,000
Water Continuing Capital Project Fund	Local Buildings and Grounds	500,000
Capital Projects Fund	Pacific Rod & Gun Club Remediation	1,400,000
Net Uses of Funds		(15,786,900)
WASTEWATER		
<u>Sources of Funds</u>		
2013A Wastewater Enterprise Bonds	Bond Proceeds	(\$27,870,059)
Capacity Fees	Capacity Fees	9,578,486
2010B Wastewater Revenue Bonds	Interest	800,000
Net Sources of Funds		(17,491,573)
<u>Sources of Funds</u>		
2013A Wastewater Enterprise Bonds	SSIP Treatment Plant Improvements	(4,900,000)
2013A Wastewater Enterprise Bonds	SSIP Central Bayside	(3,700,000)
2013A Wastewater Enterprise Bonds	SSIP Collection System Improvements	(15,730,000)
2013A Wastewater Enterprise Bonds	SSIP Stormwater Management	(18,131,000)
2013A Wastewater Enterprise Bonds	Renewal & Replacement	(10,378,486)
2013A Wastewater Enterprise Bonds	Financing	(3,488,716)
2013A Wastewater Enterprise Bonds	Internal Audits	(27,922)
2013A Wastewater Enterprise Bonds	Revenue Bond Oversight Committee	(13,935)
2013A Wastewater Enterprise Bonds	Planning	8,000,000
2013A Wastewater Enterprise Bonds	SE Treatment Plant	500,000
Capacity Fees	Collection System	9,578,486
2010B Wastewater Revenue Bonds	Collection System	800,000
2013A Wastewater Enterprise Bonds	Collection System Consolidation	10,000,000
2013A Wastewater Enterprise Bonds	SE Community Center	10,000,000
Net Uses of Funds		(17,491,573)
Total Capital Budget De-appropriation		42,178,878

Item 6
File 13-0261

Department:
Department of Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would retroactively amend Section 128 of the City's Health Code to allow the City, through the Department of Public Health (DPH) to (a) charge the State higher reimbursement rates in FY 2012-13 and FY 2013-14 for outpatient mental health services, and (b) be consistent with the State's recently revised reimbursement method.

Key Points

- The State reimburses DPH for mental health services provided to Short-Doyle Medi-Cal beneficiaries. In October, 2011, the Governor signed AB 1297, which changed the method by which the State sets reimbursement rates. The new method allows DPH to claim reimbursement for the lesser amount of (1) DPH's actual incurred costs or (2) the Upper Payment Limit, which is a federally-defined reimbursement cap imposed at the state level. As a result of the change, DPH can claim a higher reimbursement from the State.
- DPH is eligible for reimbursement for mental health services under the new reimbursement methodology, retroactive to July 1, 2012. Because DPH will not know its actual cost for providing these services until 18 months after the end of the fiscal year, DPH may file claims at the interim reimbursement rate, which will subsequently be reconciled based on DPH's actual costs.

Fiscal Impact

- The proposed ordinance would increase outpatient mental health service reimbursement rates by between 20.1 and 31.6 percent.
- DPH estimates that the proposed ordinance would increase the amount that the State will reimburse the Department by approximately \$1,323,321 or 17.5 percent in FY 2012-13, from \$7,555,277 under the prior rates to \$8,878,598 under the new rates.

Recommendation

- Approve the proposed ordinance.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

In accordance with Section 2.105 of the City's Charter, any amendments to the City's Health Code are subject to approval by ordinance of the Board of Supervisors.

Background

The State reimburses the City, through the Department of Public Health (DPH), for outpatient mental health services provided to Short-Doyle Medi-Cal beneficiaries¹. Prior to FY 2012-13, DPH could not claim more than the State Maximum Allowed (SMA) which is less than DPH's actual costs of providing these services.

In October 2011, the State enacted AB 1297, which requires the State Department of Health Care Services (DHCS) to reimburse DPH at a rate that more closely approximates the actual costs incurred by DPH.

The new annual State reimbursement method allows DPH to claim reimbursement for the lesser amount of (1) DPH's actual incurred costs or (2) the Upper Payment Limit (UPL), which is a federally-defined reimbursement cap imposed at the State level.²

DPH is eligible for State reimbursement for outpatient mental health services under the new reimbursement method, retroactive to July 1, 2012. Because DPH will not know its actual cost for providing these services until 18 months after the end of the fiscal year, DPH will file claims using the State's interim reimbursement rate in FY 2012-13 and FY 2013-14.

The State has published interim rates for each county, which are based on a reasonable approximation of the counties' actual costs.³ The State will reconcile the difference between the interim claims submitted by DPH based on these rates and DPH's actual costs after the close of the fiscal year.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would amend Section 128 of the City's Health Code retroactive to July 1, 2012 to allow DPH to charge the State DHCS higher reimbursement rates in FY 2012-13 and FY 2013-14 for outpatient mental health services, consistent with the interim rates established by the State. The State notified DPH of the revised reimbursement methodology in August 2012. According to Ms. Anne Okubo, DPH Deputy Financial Officer, DPH is only now submitting legislation to the Board of Supervisors to increase DPH rates for outpatient mental health services because DPH was waiting for additional, official guidance from the State DHCS. DPH is submitting the ordinance now to codify the rates in Section 128 of the City's Health Code before the close of the fiscal year.

Table 1 below summarizes the proposed reimbursement rates to be paid to the City for the City's provision of outpatient mental health services.

¹ The State enacted the Short-Doyle Act in 1956. As a result, local governments are eligible for a 50 percent reimbursement on costs of providing services to people with mental health issues. The State reimburses the City using Medi-Cal funds, which is the State's Medicaid pass-thru program. The overall effect is a Federal reimbursement to local governments for mental health service costs.

² Since the UPL method was previously not applied to mental health services, the DPH does not know what its UPL will be.

³ When the claim for reimbursement is for a service provided by a contract provider, DPH must pay the contractor prior to submitting the claim for reimbursement to the State.

Table 1: Proposed FY 2012-13 and FY 2013-14 Reimbursement Rate Funding From State for Costs of Providing Outpatient Mental Health Services

FY 2012-2013				
Outpatient Services	Current Rate / Hour	Proposed Rate / Hour	Increase Amount	Percent Change
Case Management Brokerage	\$154	\$185	\$31	20.1%
Mental Health Services	202	245	43	21.3%
Therapeutic Behavioral Services	202	245	43	21.3%
Medication Support	361	475	114	31.6%
Crisis Intervention	\$375	\$375	-	0.0%
FY 2013-2014				
Outpatient Services	Current Rate / Hour	Proposed Rate / Hour	Increase Amount	Percent Change
Case Management Brokerage	\$155	\$185	\$30	19.4%
Mental Health Services	204	245	41	20.1%
Therapeutic Behavioral Services	204	245	41	20.1%
Medication Support	364	475	111	30.5%
Crisis Intervention	\$305	\$375	\$70	23.0%

FISCAL IMPACT

Based on the State's new interim reimbursement rates, DPH would realize estimated increased FY 2012-13 revenues of \$1,323,321, as shown in Table 2 below.

Table 2: Estimated FY 2012-13 Increase in Revenues If Proposed Ordinance is Approved

Outpatient Services	Current Estimated Revenues Under State Reimbursement Rate	Proposed Estimated Revenues	Estimated New State Revenues	Percent Change
Case Management Brokerage	\$1,655,139	\$ 1,934,579	\$ 279,439	16.9%
Mental Health Services	3,324,794	3,831,743	506,949	15.2%
Therapeutic Behavioral Services	-	-	-	-
Medication Support	2,287,007	2,805,227	518,219	22.7%
Crisis Intervention	288,337	307,050	18,713	6.5%
Total	\$7,555,277	\$8,878,599	\$1,323,320	17.5%

Ms. Okubo advises that the State DHCS may increase the interim FY2012-13 reimbursement rate again prior to the end of the fiscal year.

Approving the proposed resolution would result in maximizing State reimbursements to DPH for outpatient mental health services. DPH will request Board of Supervisors funding approval for any future increases to State reimbursement rates.

RECOMMENDATION

Approve the proposed ordinance.

Item 7 File 13-0185	Department: Public Defender
EXECUTIVE SUMMARY	
Note: This ordinance was re-referred to the Budget and Finance Committee by the Board of Supervisors at the April 2, 2013 meeting of the Board.	
Legislative Objectives	
The proposed ordinance would appropriate \$751,312 from the General Fund Reserve to the Public Defender's FY 2012-13 budget to resolve the budgetary shortfall in permanent salaries, temporary salaries, premium pay, and one-time payments due to terminating employees. Approval of the requested \$751,312 requires two-thirds vote of the Board of Supervisors because the Board of Supervisors rejected appropriation of these expenditures in the Public Defender's FY 2012-13 budget.	
Key Points	
<ul style="list-style-type: none"> • The requested \$751,312 would pay for (1) \$466,851 in permanent salaries due largely to salary step increases exceeding the budget in FY 2012-13; (2) \$255,981 in temporary salaries due to the Public Defender's Office hiring more temporary employees and expending more temporary salaries than authorized in the FY 2012-13 budget; (3) \$4,192 in premium pay; and (4) \$24,288 in one-time payments pay for accrued vacation time owed to an employee terminating from the City. 	
Fiscal Impact	
<ul style="list-style-type: none"> • The General Fund Reserve balance is \$28,845,655 and the State Revenue Loss Reserve balance is \$8,410,605, totaling \$37,256,260. • In addition to the Public Defender's requested supplemental appropriation of \$751,312, two supplemental appropriations will be submitted to the Board of Supervisors for the Sheriff's Department and Department of Public Health, which will significantly draw down on the available reserve balances. According to Ms. Monique Zmuda, Deputy Controller, the Controller's Office and Mayor's Office are working with the Sheriff's Department and the Department of Public Health to identify additional revenues or expenditure savings, and therefore, as of the writing of this report, the Controller's Office cannot provide details on the funding sources for the pending supplemental appropriations for the Sheriff's Department and Department of Public Health. • The Public Defender's Office has hired temporary employees whose projected salary costs of \$375,056 in FY 2012-13 are \$255,981 more than the FY 2012-13 budget of \$119,075 for temporary salaries. Because the Public Defender's Office has spent more temporary salaries than authorized by the Board of Supervisors in the FY 2012-13 budget, the requested supplemental appropriation should be reduced by \$94,354 for temporary salaries not yet incurred for the pay periods beginning March 30, 2013 through June 30, 2013. • Therefore, the requested supplemental appropriation should be reduced by \$94,354 from \$751,312 to \$656,958. 	
Recommendations	
<ul style="list-style-type: none"> • Amend the proposed ordinance to reduce the requested supplemental appropriation by \$94,354 from \$751,312 to \$656,958 to account for the temporary salary expenditures, not yet incurred, in excess of the temporary salaries authorized by the Board of Supervisors in the Public Defender's FY 2012-13 budget. • Approve the supplemental appropriation, as amended. 	

MANDATE STATEMENT AND BACKGROUND

Mandate Statement

According to Charter Section 9.105, the Board of Supervisors may adopt amendments to the Annual Appropriation Ordinance in the same manner as other ordinances.

According to Charter Section 9.113, if the Mayor or Board of Supervisors has previously rejected an appropriation in the Annual Appropriation Ordinance, then approval of a supplemental appropriation requires a two-thirds vote of the Board of Supervisors.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would appropriate \$751,312 from the General Fund Reserve to the Public Defender's FY 2012-13 budget to resolve a projected budgetary shortfall to pay for salary step increases, premium pay, one time payments to terminating employees for vacation pay-outs, and temporary salaries. Approval of the requested \$751,312 requires two-thirds vote of the Board of Supervisors, because the Board of Supervisors rejected appropriation of these expenditures in the Public Defender's FY 2012-13 budget.

FISCAL IMPACT

The proposed ordinance would appropriate \$751,312 in the Public Defender's FY 2012-13 budget as shown in Table 1 below.

Table 1: Proposed \$751,312 Appropriation

	FY 2012-13 Budget Previously Authorized by the Board of Supervisors	Estimated Actual Expenditures	Estimated Actual Expenditures Exceeding Authorized Budget
Permanent Salaries ¹	\$17,673,624	\$18,140,475	\$466,851
Temporary Salaries	119,075	375,056	255,981
Premium Pay	62,571	66,763	4,192
One Time Payments	0	24,288	24,288
Total	\$17,855,270	\$18,606,582	\$751,312

¹ Includes reductions for salary step adjustments and attrition savings.

Salary Step Adjustments (\$466,851)

The Public Defender's FY 2012-13 budget included \$17,855,270 for salaries funded by the General Fund, an increase of \$717,016 or 4.2% from the Public Defender's FY 2011-12 budget of \$17,138,254 for salaries funded by the General Fund. The Public Defender's FY 2012-13 budget did not correctly account for the difference between positions budgeted at the top salary step and the actual salary step paid to employees, resulting in an estimated deficit in permanent salaries of \$466,851.

Temporary Salaries (\$255,981)

The Public Defender's FY 2012-13 budget included \$119,075 for temporary salaries, a reduction of \$295,464 from the Public Defender's FY 2011-12 budget of \$414,539 for temporary salaries. The Public Defender has hired 5.4 Full Time Equivalent (FTE) positions paid by temporary salaries, or 4.0 FTE more than the 1.4 FTE positions authorized by the Board of Supervisors in the FY 2012-13 budget, as follows:

- 2.4 FTE 8173 Legal Assistants. Of these 2.4 FTEs, 1.4 FTEs were included in the FY 2012-13 budget and provide support to attorneys in the Training and Specialty Courts Units. In addition, the Public Defender has hired 1.0 FTE in the Investigation Unit to serve subpoenas, collect court and expert records, and conduct various database searches on case information.
- 2.0 FTE 1406 Senior Clerk in the MAGIC Program¹ to coordinate the Public Defender's Community, Youth and Family Programs. These positions assist in maintaining program documents, communicating with members of the public, and conducting community outreach. These two positions do not support the Public Defender's core responsibility for providing legal defense to individuals who cannot pay for a private attorney.
- 1.0 FTE 8446 Court Alternative Specialist, who serves as the Department's Communication and Policy Assistant to administer a public information program for the Public Defender's Office. This position does not support the Public Defender's core responsibility for providing legal defense to individuals who cannot pay for a private attorney.

According to Mr. Matt Gonzalez, Public Defender's Office Chief Attorney, the Public Defender's Office will propose that these temporary positions become permanent in the FY 2013-14 budget.

Other Pay

As shown in Table 1 above, the Public Defender estimates deficits in premium pay of \$4,192 and one-time payments of \$24,288 to pay for accrued vacation time owed to an employee terminating from the City.

General Fund and State Revenue Loss Reserves

As of March 21, 2013, the General Fund Reserve balance was \$28,845,655 and the State Revenue Loss Reserve balance was \$8,410,605, for total reserve balances of \$37,256,260. Two supplemental appropriations will be submitted to the Board of Supervisors for the Sheriff's Department and Department of Public Health, which will significantly draw down on the available reserve balances. According to Ms. Monique Zmuda, Deputy Controller, the

¹ The MAGIC Program (Mobilization for Adolescent Growth in Our Communities) is a Public Defender's Office program in the Bayview and Western Addition neighborhoods in which community based organizations coordinate programs and services for youth.

Controller's Office and Mayor's Office are working with the Sheriff's Department and Public Health Department to identify revenues or expenditure savings and therefore, as of the writing of this report, the Controller's Office cannot provide details on funding sources for the pending supplemental appropriations for the Sheriff's Department and Department of Public Health.

Temporary Salary Savings

The Public Defender's Office has hired temporary employees whose projected salary costs of \$375,056 in FY 2012-13 are \$255,981 more than the FY 2012-13 budget of \$119,075 for temporary salaries. Because the Public Defender's Office has spent more temporary salaries than authorized by the Board of Supervisors in the FY 2012-13 budget, the requested supplemental appropriation should be reduced by \$94,354² for temporary salaries not yet incurred for the pay periods beginning March 30, 2013 through June 30, 2013.

The Budget and Legislative Analyst recommends approval to pay for the projected FY 2012-13 budgetary shortfall of (1) \$466,851 in permanent salaries due to higher than budgeted salary step increases, (2) \$4,192 in premium pay, (3) \$24,288 in one-time payments for accrued vacation time owed to an employee terminating from the City; and (4) \$161,627 for temporary salary expenditures which have been previously incurred, for a total recommended approval of \$656,958.

However, the Budget and Legislative Analyst recommends that the balance of temporary salaries, \$94,354 (the requested \$255,981 less recommended approval of \$161,627), not yet incurred for the period from March 30, 2013 through June 30, 2013, be disapproved because such funding was never authorized by the Board of Supervisors in the Public Defender's FY 2012-13 budget. Permitting a department to hire positions previously not authorized by the Board of Supervisors diminishes the Board of Supervisors budgetary process.

Therefore, the requested supplemental appropriation should be reduced by \$94,354 from \$751,312 to \$656,958.

RECOMMENDATIONS

1. Amend the proposed ordinance to reduce the requested supplemental appropriation by \$94,354 from \$751,312 to \$656,958 to account for the temporary salary expenditures, not yet incurred, in excess of the temporary salaries authorized by the Board of Supervisors in the Public Defender's FY 2012-13 budget.
2. Approve the supplemental appropriation, as amended.

² Based on temporary salary expenditures of \$14,516 per pay period for 6.5 pay periods from March 30, 2013 through June 30, 2013.