

File No. 150942

Committee Item No. 7

Board Item No. 1

COMMITTEE/BOARD OF SUPERVISORS
AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance

Date October 28, 2015

Board of Supervisors Meeting

Date November 17, 2015

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
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| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input checked="" 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: Victor Young Date October 23, 2015

Completed by: A. Wong Date October 29, 2015

1 [De-Appropriation and Appropriation - Hetch Hetchy Revenue Funded Project and Proceeds
2 from New Clean Renewable Energy Bonds - Hetch Hetchy Small Renewable Project -
3 \$4,100,000 - FY2015-2016]

4 Ordinance de-appropriating \$4,100,000 of Hetch Hetchy revenue funded small renewable
5 projects and appropriating \$4,100,000 of proceeds from New Clean Renewable Energy
6 Bonds for the San Francisco Public Utilities Commission (SFPUC) Hetch Hetchy small
7 renewable projects in FY2015-16, and placing \$4,100,000 of bond funded appropriation
8 on Controller's reserve, subject to the receipt of proceeds of indebtedness.

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

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

19 Section 1. The sources of funding and uses of funding outlined below are herein de-
20 appropriated in FY2015-2016.

21
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23
24
25 **SOURCES De-Appropriation**

1 **SOURCES De-Appropriation**

2 Fund	3 Index Code / Project Code	Subobject	Description	Amount
4 5T AAA ACP – Hetchy	UHUHZZZB505T /	9505T	Hetch Hetchy	(\$4,100,000)
5 Continuing Capital	CUH99301		Revenue	
6 Project Fund				
8 Total SOURCES De-Appropriation				<u>(\$4,100,000)</u>

11 **USES De-Appropriation**

12 Fund	13 Index Code / Project Code	Subobject	Description	Amount
14 5T AAA ACP –	519931 /	06700 - Buildings	Renewable	(\$4,100,000)
15 Hetchy Continuing	CUH99301	Structures and	Generation – Small	
16 Capital Project Fund		Improvements	Renewable	
18 Total USES De-Appropriation				<u>(\$4,100,000)</u>

21 Section 2. The sources of funding outlined below are herein appropriated to reflect the
 22 funding available for FY2015-2016.

1 **SOURCES Appropriation**

2 Fund	3 Index Code / Project Code	Subobject	Description	Amount
4 5T CPF 15C – New	HHPX5TCPF15C/	80111	Proceeds from	\$4,100,000
5 Clean Renewable	CUH99301		Sale of Bonds	
6 Energy Bond				
7				
8 Total SOURCES Appropriation				<u><u>\$4,100,000</u></u>

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11 Section 3. The uses of funding outlined below are herein appropriated in Subobject
12 06700 Buildings Structures and Improvements and 081C4 Controller Internal Audits, and
13 reflects the projected uses of funding to support the Hetch Hetchy Small Renewable Projects
14 at the San Francisco Public Utilities Commission for FY2015-2016.

15
16 **USES Appropriation**

17 Fund	18 Index Code / Project Code	Subobject	Description	Amount
19 5T CPF 15C – New	HHPX5TCPF15C/	06700 - Buildings	SFPD Academy	\$2,100,000
20 Clean Renewable	CUH99301	Structures and	Solar Carport	<u>\$2,078,000</u>
21 Energy Bond		Improvements		

1	Fund	Index Code /	Subobject	Description	Amount
2		Project Code			
3	5T CPF 15C – New	HHPX5TCPF15C/	06700 - Buildings	Marina Solar Project	\$2,000,000
4	Clean Renewable	CUH99301	Structures and		<u>\$1,940,000</u>
5	Energy Bond		Improvements		
6					
7	<u>5T CPF 15C – New</u>	<u>HHPX5TCPF15C/</u>	<u>07311 - Bond</u>	<u>Cost of Issuance</u>	<u>\$79,950</u>
8	<u>Clean Renewable</u>	<u>CUH99301</u>	<u>Issuance Cost</u>		
9	<u>Energy Bond</u>				
10					
11	<u>5T CPF 15C – New</u>	<u>HHPX5TCPF15C/</u>	<u>081C4 – CON</u>	<u>Revenue Bond</u>	<u>\$2,050</u>
12	<u>Clean Renewable</u>	<u>CUH99301</u>	<u>Internal Audits</u>	<u>Oversight</u>	
13	<u>Energy Bond</u>			<u>Committee 0.05%</u>	
14				<u>Allocation</u>	
15					
16	Total USES Appropriation				<u><u>\$4,100,000</u></u>


18 ~~Section 4: \$4,100,000 of the total expenditures are hereby placed on Controller's~~
19 ~~Reserve. Release of reserves by the Controller is subject to the Controller's certification of~~
20 ~~funds availability, including proceeds of indebtedness.~~

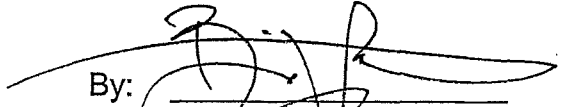
22 Section 5: The Controller is authorized to record transfers between funds and adjust
23 the accounting treatment of sources and uses appropriated in this ordinance as necessary to
24 conform to Generally Accepted Accounting Principles.

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

FUNDS AVAILABLE
BEN ROSENFELD, Controller

By: 
THOMAS OWEN
Deputy City Attorney

By: 
BEN ROSENFELD
Controller

Item 7
File 15-0942

Department: Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would amend the San Francisco Public Utilities Commission adopted FY 2015-16 budget to (1) de-appropriate \$4,100,000 of Hetch Hetchy operating revenue from small renewable energy projects; (2) appropriate \$4,100,000 of proceeds from New Clean Renewable Energy Bonds for the PUC Hetch Hetchy small renewable energy projects in FY 2015-16; and (3) place \$4,100,000 of bond-funded appropriation on Controller's reserve, subject to receipt of proceeds of indebtedness.

Key Points

- In September 2015, the Board of Supervisors approved a resolution authorizing PUC to issue \$4,100,000 in New Clean Renewable Energy Bonds to finance the proposed solar energy facilities at the Police Academy and Marina Middle School (File No. 15-0916). Under the New Clean Renewable Energy Bond program, PUC will receive the refundable tax credit directly from the U.S. Department of the Treasury, thereby reducing PUC's interest payments on the bonds.
- The two proposed solar energy facilities were previously budgeted using PUC's Hetch Hetchy Power Enterprise operating revenues on the condition that the funding source for these solar energy facilities would be replaced with bond funds if a New Clean Renewable Energy Bond allocation was granted by the IRS. PUC issued bonds pursuant to this allocation on October 15, 2015.

Fiscal Impact

- De-appropriated funds of \$4,100,000 will be returned to the Hetch Hetchy Power Enterprise unappropriated fund balance.
- The original supplemental appropriation only included funding for the two renewable energy projects. The proposed appropriation should be amended to also fund the costs of issuance of the bonds and the required Revenue Bond Oversight Committee expenses.

Recommendations

1. Amend the proposed ordinance under the Appropriation Uses to appropriate \$2,078,000 (instead of \$2,100,000) for the Police Academy Solar Project, \$1,940,000 (instead of \$2,000,000) for the Marina Middle School Solar Project, and to include \$79,950 for bond issuance costs and \$2,050 for the Revenue Bond Oversight Committee.
2. Amend the proposed ordinance to delete references to placing the proceeds of the bond sale on Controller's reserve.
3. Approve the proposed ordinance, as amended.

MANDATE STATEMENT

City Charter Section 9.105 states that amendments to the Annual Appropriation Ordinance are subject to Board of Supervisors approval by ordinance after the Controller certifies the availability of funds.

BACKGROUND

The Internal Revenue Code authorizes the Internal Revenue Service (IRS) to allocate federal tax credits to public entities, allowing the public entities to issue New Clean Renewable Energy Bonds to finance renewable energy projects. The bondholder who purchases the bonds receives federal tax credits in lieu of a portion of the traditional bond interest, resulting in a lower interest rate paid by the public entity that issued the bonds. In March 2010, Congress enacted legislation that allows bond issuers, such as the PUC, to receive the refundable tax credit directly from the U.S. Department of the Treasury in lieu of the tax credit that would otherwise have been provided to the bondholder.

In September 2015, the Board of Supervisors approved a resolution authorizing PUC to issue \$4,100,000 in New Clean Renewable Energy Bonds to finance the proposed solar energy facilities at the Police Academy and Marina Middle School (File No. 15-0916). Under the New Clean Renewable Energy Bond program, PUC will receive the refundable tax credit directly from the U.S. Department of the Treasury, thereby reducing PUC's interest payments on the bonds.¹

The proposed solar energy facilities at the Police Academy and Marina Middle School involve construction of a photovoltaic system, which is a power system with solar panels that absorb and convert sunlight into electricity. These proposed solar energy facilities were previously budgeted using Hetch Hetchy Power Enterprise operating revenues with the condition that these operating revenues would be reimbursed by the New Clean Renewable Energy Bond proceeds.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would amend the PUC's adopted FY 2015-16 budget to (1) de-appropriate \$4,100,000 of Hetch Hetchy operating revenue from small renewable energy projects; (2) appropriate \$4,100,000 of proceeds from New Clean Renewable Energy Bonds for the PUC Hetch Hetchy small renewable energy projects in FY 2015-16; and (3) place the \$4,100,000 bond proceeds on Controller's reserve, pending receipt of the bond proceeds.

On October 15, 2015, the PUC issued \$4,100,000 of the New Clean Renewable Energy Bonds. The City received the proceeds of the bond sale, so it is no longer necessary to place the bond proceeds on Controller's reserve.

¹ As noted in the Budget and Legislative Analyst's report to the September 23, 2015 Budget and Finance Committee (File 15-0916), PUC will make estimated interest payments of \$1,826,703 on the \$4,100,000 principal bond amount and receive estimated subsidy payments of \$1,200,084 from the U.S. Department of the Treasury to partially offset the interest payments on the bonds.

FISCAL IMPACT

The PUC proposes to de-appropriate \$4,100,000 in Hetch Hetchy operating revenue that was previously approved for the acquisition and installation of solar energy facilities at the San Francisco Police Academy and the Marina Middle School, and instead use \$4,100,000 from the proposed appropriation of New Clean Renewable Energy Bond proceeds, as shown in Tables 1 and 2 below.

Table 1: De-Appropriation of Funds

Source	Use	Amount
Hetch Hetchy Operating Revenue	Small Renewable Energy Generation Projects	(\$4,100,000)

The original appropriation of \$4,100,000 of proceeds from the New Clean Renewable Energy Bonds for Hetch Hetchy Small Renewable Projects was proposed to finance only the solar energy facilities at the Police Academy and Marina Middle School. However, as shown in Table 2 below, the proposed appropriation should be amended to also fund the costs of issuance of the bonds and the required Revenue Bond Oversight Committee expenses.

Table 2: Original and Recommended Appropriation of Funds

Source	Original Appropriation	Amended Appropriation
Proceeds from sale of New Clean Renewable Energy Bonds	\$4,100,000	\$4,100,000
Uses		
San Francisco Police Academy Solar Energy Facility	\$2,100,000	\$2,078,000
Marina Middle School Solar Energy Facility	<u>2,000,000</u>	1,940,000
Costs of issuance		79,950
Revenue Bond Oversight Committee fee (1/20 of 1% gross proceeds)		<u>2,050</u>
Total	\$4,100,000	\$4,100,000

A breakdown of the costs of issuance is shown in Table 3 below.

Table 3: Costs of Issuance

	Amount
Bond counsel fee and expenses: Jones Hall	\$36,830
City Attorney's Office fee	10,870
Financial advisory fee: Kitahata & Company	15,000
Bank counsel fee: McGuireWoods	15,000
Filing agent fee: US Bank (1 st year upfront)	<u>2,250</u>
Total costs of issuance	\$79,950

According to Mr. Carlos Jacobo, PUC Budget Manager, the proposed de-appropriated funds of \$4,100,000 in Hetch Hetchy operating revenue will be returned to the Hetch Hetchy Power Enterprise unappropriated fund balance.

RECOMMENDATIONS

1. Amend the proposed ordinance under the Appropriation Uses to appropriate \$2,078,000 (instead of \$2,100,000) for the Police Academy Solar Project, \$1,940,000 (instead of \$2,000,000) for the Marina Middle School Solar Project, and to include \$79,950 for bond issuance costs and \$2,050 for the Revenue Bond Oversight Committee.
2. Amend the proposed ordinance to delete references to placing the proceeds of the bond sale on Controller's reserve.
3. Approve the proposed ordinance, as amended.

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *Edwin M. Lee* Mayor Edwin M. Lee *EL*
RE: De-Appropriation and Appropriation - Hetch Hetchy Revenue Funded
Project and Proceeds from New Clean Renewable Energy Bonds of
\$4,100,000 for Hetch Hetchy Small Renewable Project – FY 2015-2016
DATE: September 22, 2015

Attached for introduction to the Board of Supervisors is an ordinance de-appropriating \$4,100,000 of Hetch Hetchy revenue funded small renewable projects and appropriating \$4,100,000 of proceeds from New Clean Renewable Energy Bonds for the San Francisco Public Utilities Commission (SFPUC) Hetch Hetchy small renewable projects in Fiscal Year 2015-16; and placing \$4,100,000 of bond funded appropriation on Controller's reserve, subject to the receipt of proceeds of indebtedness.

I respectfully request that this item be calendared in Budget & Finance Committee.

Should you have any questions, please contact Nicole Elliott (415) 554-7940.

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