

**CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS**

BUDGET AND LEGISLATIVE ANALYST

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TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst



SUBJECT: January 23, 2013 Budget and Finance Committee Meeting

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Item 1
File 12-1202

Department:
Department of Emergency Management

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize the Department of Emergency Management (DEM) to retroactively accept and expend a grant in the amount of \$289,613 from the U.S. Department of Homeland Security (U.S. DHS) through the California Emergency Management Agency. The Federal grant from U.S. DHS requires the City to provide matching funds or in-kind services equal to 50 percent of the total project cost of \$579,226. An allocation of \$276,995 for these purposes from the City's General Fund was previously appropriated by the Board of Supervisors in the Department of Emergency Management's FY 2012-13 budget, and the remaining \$12,618 of the City's total match of \$289,613 would be provided as in-kind services by Meals on Wheels, a nonprofit agency under contract with the San Francisco Human Services Agency.

Key Points

- On August 20, 2012, the Department of Emergency Management applied for a grant from U.S. DHS through the California Emergency Management Agency in the amount of \$289,613. The grant was awarded on November 9, 2012.
- The grant from U.S. DHS requires the City to provide matching funds or in-kind services equal to 50 percent of the total project costs of \$579,226.
- DEM would use the grant funds and the matching funds to (1) upgrade the security camera system at the City's Emergency Operations Center, (2) upgrade the cardkey access system at the Emergency Operations Center, (3) install a new fire suppression system at the Emergency Operations Center, (4) provide disaster food kits to vulnerable seniors residing in San Francisco, and (5) fund an already existing Emergency Planner position in DEM's Division of Emergency Services.

Fiscal Impacts

- The required 50 percent match by the City, to fund the total project costs of \$579,226, includes \$276,995 of General Fund monies as previously appropriated by the Board of Supervisors in DEM's FY 2012-13 budget.
- The City incurs indirect costs of approximately \$26,152 to administer the proposed grant. However, U.S. DHS prohibits such indirect costs from being included in the grant budget, requiring that all Federal grant funds be expended on direct program costs. Therefore, the proposed resolution waives the inclusion of indirect costs in the grant budget.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

In accordance with Administrative Code Section 10.170-1, the acceptance and expenditure of Federal, State, or other grant funds in the amount of \$100,000 or more is subject to approval by the Board of supervisors.

Background

The U.S. Department of Homeland Security (U.S. DHS) provides resources through Emergency Management Performance Grants (EMPG) to assist State, local and tribal governments in emergency management and preparedness. According to the EMPG Fact Sheet, EMPG funds are intended to be used for “planning, operations, equipment acquisitions, training, exercises, and construction/renovation in order to enhance and sustain all-hazards emergency management capabilities.” San Francisco has received annual EMPG grants from U.S. DHS since 2008.

\$339,500,000 in EMPG funds was allocated to jurisdictions throughout the United States in Federal fiscal year 2012, of which \$26,853,993 was allocated to California. The State sub-granted \$15,004,569 to California’s 58 counties, with a base award of \$125,000 to each County, plus additional funds based on county population estimates. The State’s formula resulted in an allocation of \$289,613 to San Francisco. The San Francisco Department of Emergency Management (DEM) applied for the grant in the allocated amount of \$289,613 on August 20, 2012, and the grant was awarded on November 9, 2012.

DEM proposed five grant-related projects in its grant application, including (1) upgrading the security camera system at the City’s Emergency Operations Center located at 1011 Turk Street, (2) upgrading the cardkey access system at the Emergency Operations Center, (3) installing a new fire suppression system at the Emergency Operations Center, (4) providing disaster food kits to vulnerable seniors residing in San Francisco, and (5) funding an already existing Emergency Planner position in the Division of Emergency Services. According to Mr. Patrick Leung, Grant Manager at DEM, the purpose of each project is as follows:

1. The Security Camera Project would replace the current security cameras with night vision cameras, thus yielding security camera footage that is more useful for determining the identity of individuals outside the Emergency Operations Center at night. According to Mr. Leung, DEM identified this need after an automobile robbery took place outside the Emergency Operations Center at night, and the security camera footage did not contain enough detail to assist in identifying the perpetrator. Additionally, 4 out of 25 security cameras used at the Emergency Operations Center do not work, according to Mr. Leung.
2. The Cardkey Project would upgrade the software and server equipment of the Emergency Operations Center’s cardkey access system. According to Mr. Leung, the current software needs to be upgraded in order to be compatible with new software updates and vendor support services.
3. The Fire Suppression Project would install a new fire suppression system in a room at the Emergency Operations Center housing a data center and telecom system that are critical to

supporting the operations of other public safety departments during emergencies. The new fire suppression system would significantly limit the damage to the data and telecom equipment in the event of a fire.

4. The Disaster Food Kit Project would provide approximately 2,600 low-income seniors already served by Meals on Wheels with kits containing a two-day supply of food and water, at a cost of approximately \$3.00 per kit, to be used in the event that a disaster interrupts regularly scheduled meal deliveries from Meals on Wheels.¹ Meals on Wheels is under contract with the San Francisco Human Services Agency to provide 780,568 home-delivered meals to approximately 2,600 seniors per year on a daily and weekly basis, and would supplement its regular service with the Disaster Food Kit Project.
5. The Emergency Planner position is the Lead Planner for DEM's Division of Emergency Services. The Emergency Planner is responsible for maintaining the overall inventory of plans, prioritizing updates, integrating threat information with planning priorities, managing the implementation of WebEOC,² and representing the City and County of San Francisco during regional, State and Federal plan creation.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the Department of Emergency Management to retroactively accept and expend a grant in the amount of \$289,613 from U.S. DHS, through the California Emergency Management Agency, to (1) upgrade the security camera system at the City's Emergency Operations Center, (2) upgrade the cardkey access system at the Emergency Operations Center, (3) install a new fire suppression system at the Emergency Operations Center, (4) provide disaster food kits to vulnerable seniors residing in San Francisco, and (5) fund an already existing Emergency Planner position in the Division of Emergency Services. The grant was awarded on November 9, 2012.

The grant from DHS requires the City to provide matching funds or in-kind services equal to 50 percent of the total project costs of \$579,226, or \$289,613. An allocation of \$276,995 for these purposes from the City's General Fund was previously appropriated by the Board of Supervisors in the Department of Emergency Management's FY 2012-13 budget. The remaining \$12,618 (\$289,613 minus \$276,995) of the City's total required match of \$289,613 would be provided as in-kind services by Meals on Wheels, a nonprofit agency under contract with the San Francisco Human Services Agency to provide home-delivered meals to approximately 2,600 seniors on a daily and weekly basis. Meals on Wheels would supplement its regular service with the Disaster Food Kit Project.

¹ Although the Disaster Food Kit project will serve approximately 2,600 seniors, an estimated 4,180 kits will be delivered during the course of the first year, due to the likelihood that some recipients will consume the contents within a year of receiving the kit and will therefore need replacement kits every 3 or 6 months. At an estimated cost of approximately \$3.00 per kit, the total estimated cost of purchasing the kits is approximately \$12,618.

² WebEOC is a web-based software package designed to streamline interdepartmental coordination during emergencies and special events. WebEOC was first implemented in March 2011. The Emergency Planner will oversee the second phase of WebEOC implementation, which primarily involves working with the vendor to make modifications to the program.

FISCAL IMPACTS

Table 1 below provides a budget for the Department of Emergency Management's (DEM) total project costs of \$579,226, including U.S. Department of Homeland Security Emergency Management Performance Grant funds of \$289,613 and the City's required match of \$289,613.

Table 1: Proposed EMPG Budget

Federal Grant Funds	
Security Camera Project	\$122,700
Cardkey Project	52,600
Disaster Food Kit Project	12,618
Emergency Planner (73.2% of salaries and benefits of \$139,005)	<u>101,695</u>
Total	\$289,613
City's Required Matching Funds	
<i>Appropriated by the Board of Supervisors in DEM's FY 2012-13 Budget</i>	
Fire Suppression Project	\$260,000
Emergency Planner (12.2% of salaries and benefits of \$139,005)	<u>16,995</u>
Subtotal	\$276,995
<i>Provided In-kind by Meals on Wheels</i>	
Disaster Food Kit Project	<u>12,618</u>
Total	\$289,613
Grand Total	\$579,226

Source: Department of Emergency Management

Since its creation in 2008, the Emergency Planner position has been funded 50 percent by U.S. DHS grant funds and 50 percent from the City's General Fund.³ For FY 2012-13, salary and fringe benefit costs for this position total \$139,005, of which \$101,695, or 73.2 percent, would be funded by the proposed grant.

The required 50 percent match by the City, to fund the total project costs of \$579,226, includes \$276,995 of General Fund monies as previously appropriated by the Board of Supervisors in DEM's FY 2012-13 budget.

The City also incurs indirect costs of approximately \$26,152 to administer the proposed grant, based on DEM's indirect cost rate of 9.03 percent of the proposed \$289,613 grant. However, U.S. DHS prohibits such indirect costs from being included in the grant budget, requiring that all Federal grant funds be expended on direct program costs. Therefore, the proposed resolution waives the inclusion of indirect costs in the grant budget.

RECOMMENDATION

Approve the proposed resolution.

³ The FY 2012-13 budget codes the Emergency Planner as 0.5 FTE General Fund and 0.5 FTE grant-funded.

Item 3 File 12-1210	Department: Department of Public Works (DPW)
EXECUTIVE SUMMARY	
Legislative Objectives	
<ul style="list-style-type: none"> The proposed resolution would modify the existing contract between the Department of Public Works (DPW) and Fong & Chan Architects, Inc. (Fong & Chan) for architectural and design services for the San Francisco General Hospital (SFGH) Rebuild Program by (1) retroactively approving Modification No. 7 for \$1,013,500, and (2) approving the proposed Modification No. 10 for \$665,747, totaling \$1,679,247. The total requested contract amount would be \$53,376,607. 	
Key Points	
<ul style="list-style-type: none"> The SFGH Rebuild Program is an \$887,400,000 project to replace the existing hospital with a new 284-bed acute care hospital that meets the State's seismic safety requirements for acute care facilities. Fong & Chan were selected to provide architectural and engineering design services for the SFGH Rebuild Program based on a competitive Request for Qualifications (RFQ) in 2008. The original contract between Fong & Chan and DPW was for a fixed fee of \$50,400,000 and reimbursable expenses of \$750,000, totaling \$51,150,000. DPW previously entered into Modifications Nos. 1 through 9 from 2009 through 2012, increasing the contract amount by \$1,560,860, from \$51,150,000 to \$52,710,860. Because eight of the nine modifications (Modification Nos. 1 through 6 and 8 through 9) were for less than \$500,000, the modifications were not subject to Board of Supervisors approval. DPW entered into Modification No. 7 in 2011, increasing the contract amount by \$1,013,500, without obtaining Board of Supervisors approval due to an administrative oversight. The proposed resolution would retroactively approve Modification No. 7. Additionally, the proposed resolution would approve the proposed Modification No. 10 for \$665,747. 	
Fiscal Impact	
<ul style="list-style-type: none"> The proposed resolution would approve the modified contract between Fong & Chan and DPW, previously awarded through a competitive RFQ, for the amount of \$53,376,607, including retroactive approval of Modification No. 7 for \$1,013,500 and approval of the proposed Modification No. 10 for \$665,747, totaling \$1,679,247, as shown in Table 3 below. According to Mr. Ron Alameida, SFGH Rebuild Program Manager, although most of the design work is complete, there may be additional modifications during the licensing stage of the SFGH Rebuild Program. After the building is complete and accepted by the Office of Statewide Healthcare Planning and Development (OSHPD) the new hospital will need to be licensed by the California State Department of Health which often drives modifications towards the later stages of the Program. 	
Recommendation	
<ul style="list-style-type: none"> Approve the proposed resolution. 	

MANDATE STATEMENT/BACKGROUND

Mandate Statement

In accordance with City Charter Section 9.118, any contract (a) for more than \$10,000,000, (b) that extends for longer than ten years, or (c) with an amendment of more than \$500,000, is subject to Board of Supervisors approval.

Background

The San Francisco General Hospital (SFGH) Rebuild Program is an \$887,400,000 project which will replace the existing, 37-year old, 7 story main hospital building at the medical center with a facility that meets state seismic safety requirements for acute care facilities. In November 2008, voters passed Proposition A which approved the City's issuance of \$887,400,000 in General Obligation Bonds to fund the SFGH Rebuild Program.

The new hospital building will have approximately 40,000 square feet per floor and will provide 284 general acute care beds, 60 emergency room beds and 14 operating rooms. The facility is being constructed using an earthquake resistant design allowing the hospital to remain operational after an earthquake. According to Mr. Ron Alameida, DPW, SFGH Rebuild Program Manager, the project is on schedule and is expected to be completed by December 2015.

Chart 1 Architectural Design of SFGH Rebuild



On February 12, 2007, the City advertised a Request for Qualifications (RFQ) for the SFGH Rebuild Program's architectural and engineering design services. The City received five

responses and after evaluating each responding firm in accordance with the selection process set forth in the RFQ, scored Fong & Chan Architects, Inc. (Fong & Chan) as the highest responder. On September 23, 2008, the Board of Supervisors authorized the Director of Public Works to award Fong & Chan the architectural and engineering design contract, including construction administrative services for the SFGH Rebuild Program (Resolution 403-08) for a fixed fee of \$50,400,000 and a reimbursable expense allowance of \$750,000 for a total contract amount of \$51,150,000.¹

Contract Modifications

Since the execution of the original contract, the scope of work has been expanded to include various additional services resulting in nine modifications to the contract and the proposed Modification No. 10, as shown in the Attachment to this report, resulting in a total modified contract amount of \$53,376,607.

According to Mr. Alameida, the ten modifications were due to revisions and refinement of the SFGH Rebuild Program requirements to incorporate fire and life safety code changes and new California Geographic Survey design criteria, alterations requested by the Department of Public Health, and responses to technology advancements, which necessitated additional services from Fong & Chan.

The first six modifications to the original contract, as shown in the Attachment, were separately and cumulatively less than the \$500,000 threshold prescribed by Charter Section 9.118, and therefore, approval by the Board of Supervisors was not required.

Modification No. 7 of the contract increased the contract amount by \$1,013,500. According to Mr. Alameida, DPW did not submit Modification No. 7 to the Board of Supervisors for approval, as required by Charter Section 9.118, due to an administrative error.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would modify the existing contract between Fong & Chan Architects, Inc. (Fong & Chan) and DPW by:

- (1) Retroactively approving Modification No. 7; which would increase the contract amount by \$1,013,500; and
- (2) Authorizing the Director of Public Works to execute the proposed Modification No. 10 which would increase the contract amount by \$665,747, from \$52,710,860² to \$53,376,607.

¹ Under the contract, Fong & Chan is paid a fixed fee for completing each of six phases specified in the contract, including schematic design, design development, construction document, construction bid and Office of Statewide Healthcare Planning and Development (OSHPD) approval, construction administration, and warranty phases. Article 8.4 of the existing contract provides for certain reimbursable expenses which include but not limited to: excess insurance coverage (Article 8.4.6 of the Contract); presentation boards (Article 2.15.11); model of the hospital (Article 2.15.12); and other reimbursable expenses allowable by the Contract.

² Modifications No. 8 and 9 increased the contract by \$189,860, from \$52,521,000 to \$52,710,860.

On May 3, 2010, Modification No. 7, in the amount of \$1,013,500, was authorized by the Director of Public Works which added three new tasks and increased the reimbursable expense allowance as shown in Table 1 below.

Table 1
Expenditures for the Modification No. 7 (Retroactive Approval)

Task Description	Amount
Task 1 - Additional Specialized Room and Telecom Revisions	\$146,500
Task 2 - Fire Protection for Telecommunications	51,500
Task 3 - Additional Telecom Site Pathway Routing	15,500
Subtotal	213,500
Reimbursable Expense Allowance	800,000
Total	\$1,013,500

The proposed Modification No. 10, in the amount of \$665,747, would add five new tasks to the contract thus increasing the scope of services as shown in the Table 2 below.

Table 2
Expenditures for the Proposed Modification No. 10

Task Description	Amount
Task 1 - Value Engineering for Telecommunications	\$93,673
Task 2 - Major Redesigns to Uninterruptable Power Supply System & Additional Rooms	271,520
Task 3 - Additional Energy Modeling	4,950
Task 4 - Review Power and Cooling Requirements	5,624
Task 5 - Revision of Construction Documents	289,980
Total	\$665,747

FISCAL IMPACT

The contract with Fong & Chan, to provide architectural and design services for the SFGH Rebuild Program, was previously awarded by DPW through a competitive RFQ process. The requested retroactive approval of Modification No. 7 in the amount of \$1,013,500 and the requested approval of the proposed Modification No. 10 in the amount of \$665,747, or a combined total of \$1,679,247, would result in a total requested contract amount of \$53,376,607, as shown in the Attachment and in Table 3 below.

**Table 3
Original Contract and Modifications**

Modification Number	Original and Modification Amount	Total
Original Contract Amount	\$51,150,000	\$51,150,000
Modification No. 1	\$27,600	\$51,177,600
Modification No. 2	101,200	\$51,278,800
Modification No. 3	175,000	\$51,453,800
Modification No. 4	27,000	\$51,480,800
Modification No. 5	8,000	\$51,488,800
Modification No. 6	18,700	\$51,507,500
Modification No. 8	156,860	\$51,664,360
Modification No. 9	<u>33,000</u>	\$51,697,360
Subtotal, Prior Modifications	\$547,360	
Retroactive Approval Modification No. 7	1,013,500	\$52,710,860
Proposed Modification No. 10	<u>665,747</u>	\$53,376,607
Subtotal, Proposed Modifications	\$1,679,247	
Total Modified Contract	\$2,226,607	\$53,376,607

Mr. Alameida noted that although most of the design work is complete, there may be additional modifications during the licensing stage of the SFGH Rebuild Program. After the building is complete and accepted by the Office of Statewide Healthcare Planning and Development (OSHPD) the new hospital will need to be licensed by the California State Department of Health which could result in further modifications in the later stages of the Program.

RECOMMENDATION

Approve the proposed resolution.

**Attachment
Contract Modifications**

Modification Number	Date	Description	Modification Amount	Total Contract Amount
Original Contract				\$51,150,000
1	5/22/2009	Additional fire & life safety consulting services due to code changes.	\$27,600	\$51,177,600
2	7/21/2009	Additional structural design services as required by new criteria enforced by California Geological Survey.	\$101,200	\$51,278,800
3	5/24/2010	Dietary add service – additional architectural/engineering associated with expansion of food service area.	\$175,000	\$51,453,800
4	10/25/2010	Additional architectural/engineering services for revised permanent reconfiguration of the South Turnaround and Parking Areas.	\$27,000	\$51,480,800
5	12/23/2010	Hybrid Operating Room Study.	\$8,000	\$51,488,800
6	12/23/2010	Landscape Revisions for Art – Revisions to the landscape drawings and specifications to incorporate art work for the Project.	\$18,700	\$51,507,500
7	5/3/2011	Additional architectural/engineering services for telecommunications changes in the amount of \$213,500 and increase of reimbursable expense allowance in the amount of \$800,000.	\$1,013,500	\$52,521,000
8	10/19/2011	Revisions to the Construction Documents (Bid Set) to incorporate telecommunication changes.	\$156,860	\$52,677,860
9	4/5/2012	Revisions to the Construction Documents for relocation of Medical Gas Storage Tank.	\$33,000	\$52,710,860
10	Proposed Modification	Design revisions to provide value engineering options for the telecommunications scope; and addition of hybrid interventional radiology (IR)/hybrid operating rooms (OR).	\$665,747	\$53,376,607
Total			\$2,226,607	\$53,376,607

Item 4
File 12-1188

Department:
Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objective

- Request to release \$1,443,500 on Budget and Finance Committee reserve for the Public Utilities Commission (PUC) to fund the marketing and outreach costs to implement CleanPowerSF, the City's Community Choice Aggregation (CCA) program.

Key Points

- Under CleanPowerSF, San Francisco's residential and commercial electricity consumers will have the option to purchase their electricity from 100% renewable sources. On September 18 2012, the Board of Supervisors authorized the PUC to implement the CleanPowerSF Program and execute a five-year contract with Shell Energy North America to provide the 100% renewable energy to San Francisco residents (Files 11-1340 and 11-1371).
- Phase I of CleanPowerSF is scheduled to begin distributing statutory opt-out notices to potential customers in August 2013, prior to the scheduled October 2013 enrollment.
- Prior to the provision of electricity, State and City provisions require the PUC to conduct an outreach and education campaign to potential CleanPowerSF customers. The PUC has contracted with Davis & Associates, based on a competitive request for proposals (RFP) process, to provide outreach and education services for CleanPowerSF.
- The Board of Supervisors appropriated \$5,000,000 for CleanPowerSF in the PUC's FY 2006-07 annual budget. \$1,443,500 of the \$5,000,000 is currently on Budget and Finance Committee reserve, pending the PUC providing the Board of Supervisors with CleanPowerSF program implementation details. The PUC has since met the Board of Supervisors' requirements for release of these reserved funds.
- The PUC has proposed to expend \$1,399,442 of the \$1,443,500 reserved funds on its contract with Davis & Associates.

Fiscal Impacts

- The \$1,443,500 in reserved funds were appropriated as part of the PUC's FY 2006-07 annual budget for CleanPowerSF. The source of funds are proceeds of the sale of electric power from the Hetch Hetchy Water and Power System.

Recommendation

- Approve the proposed release of reserved funds.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

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

California Public Utilities Code Section 366.2 allows public agencies to establish Community Choice Aggregation (CCA) programs, aggregating the electrical load of interested electricity consumers within their jurisdictional boundaries. In 2004, the City established its CCA program, CleanPowerSF, with the goal of accelerating the introduction of renewable energy, conservation, and energy efficiency. Under CleanPowerSF, San Francisco's residential and commercial electricity consumers will have the option to purchase their electricity from 100% renewable sources, as defined under Section 399.16(b) of the California Public Utilities Code, at a price greater than standard Pacific Gas and Electric (PG&E) electricity rates.

The Board of Supervisors' prior legislative actions on CleanPowerSF are summarized in the Attachment to this report. The Board of Supervisors' most recent action on CleanPowerSF took place on September 18, 2012, when it approved a resolution (File 11-1340) and a \$19,500,000 supplemental appropriation ordinance (File 11-1371) to authorize the PUC to implement the CleanPowerSF Program and execute a five-year contract with Shell Energy North America (Shell) to provide 100% renewable energy to San Francisco residents under CleanPowerSF.

The PUC will implement CleanPowerSF in at least two phases. In Phase I, the City will guarantee the purchase of an average electric load of up to 30 megawatts (MW), the equivalent of approximately 90,000 residential ratepayers, or approximately 24% of the City's approximately 375,000 residential ratepayers. In order to enroll up to 90,000 residential ratepayers, approximately one half of the City's 375,000 residential ratepayers will be selected at random to be enrolled in CleanPowerSF. As required by the State Public Utilities Code, these ratepayers will have four billing cycles, or 120 days, to opt out of the program without payment of a fee.¹ Customers would still have the option of opting out of CleanPowerSF after the no-fee opt-out period, but may be subject to a one-time fee, the amount of which is still to be determined. Phase I of CleanPowerSF is scheduled to begin distributing statutory opt-out notices to potential customers in August 2013, prior the scheduled October 2013 enrollment.

Based on market research conducted for the PUC by the public opinion research firm FM3, the PUC estimates that following the opt-out period, approximately 90,000 San Francisco residential utility customers will remain in CleanPowerSF. However, if the average electric load is lower than 30MW following the opt-out period, the PUC will need to enroll additional customers in order to achieve the 30MW average electric load. The PUC can do so by (1) encouraging enrollment by commercial electricity customers; (2) encouraging enrollment by customers not

¹ The five month opt-out period consists of the three months prior to the commencement of CleanPowerSF and the two months following the implementation of CleanPowerSF.

previously automatically enrolled; or (3) initiating an additional phase of automatic enrollment of residential ratepayers.

Requested Release of Reserved Funds

In the PUC's FY 2006-07 annual budget, the Board of Supervisors appropriated \$5,000,000 for CleanPowerSF, funded from the proceeds of the sale of electric power from the Hetch Hetchy Water and Power System. Of this \$5,000,000 appropriation, \$1,826,500 was used to fund initial PUC staff positions and outside consultant costs to prepare the CleanPowerSF Implementation Plans, and \$3,173,500 was placed on Budget and Finance Committee reserve pending PUC providing status updates on CleanPowerSF. Implementation of CleanPowerSF has taken several years longer than originally anticipated, due to the technical and legal complexity of the program. To date, the Budget and Finance Committee has released \$1,730,000 of the \$3,173,500, resulting in a balance of \$1,443,500, the subject of this request, as summarized in Table 1, below.

Table 1: Releases of Reserve, To Date

Description	Amount
Amount initially placed on Budget and Finance Committee reserve pending PUC providing status updates on CleanPowerSF as part of the FY 2006-07 PUC budget	\$3,173,500
Amount released on July 8, 2009 to issue a Request for Proposals to select an energy service provider to operate CleanPowerSF	(1,300,000)
Amount released on December 8, 2010 to fund City Attorney and consultant expenditures to assist the PUC in negotiations to select a preferred energy service provider	(430,000)
Total Released to Date	(\$1,730,000)
Balance of Budget and Finance Committee Reserve (subject of this request)	\$1,443,500

This balance of \$1,443,500 was continued on reserve by the Budget and Finance Committee on December 8, 2010, pending (a) the Board of Supervisors approval of a contract between the City and the selected energy service provider to operate CleanPowerSF, and (b) the PUC providing the Budget and Finance Committee with (i) background and experience on the selected energy provider, (ii) details of how the proposed CleanPowerSF program would be implemented, (iii) anticipated sources and amounts of renewal energy, (iv) proposed electricity rates, (v) anticipated CleanPowerSF total program costs, and (vi) financial and liability issues of the CleanPowerSF program.

As is noted above, the Board of Supervisors authorized the PUC to proceed with the implementation of CleanPowerSF on September 18, 2012. However, prior to approving the resolution, File 11-1340 was amended in committee to urge the PUC "to undertake an extensive public education and outreach campaign, in multiple languages, and with particular attention to low-income communities, to ensure that prior to the opt-out process targeted residents in each phase are fully aware of the program, its features and its costs." This effort is in addition to State of California-mandated outreach and notification requirements.

DETAILS OF PROPOSED LEGISLATION

The PUC is now requesting the release of the remaining \$1,443,500 on Budget and Finance Committee reserve to fund a public education and customer notification plan. As is noted above, the PUC is required to undertake an extensive public education and outreach campaign as part of the implementation of CleanPowerSF, as required by both the State and City.

The PUC has entered into a five-year contract with the firm Davis & Associates to provide customer education, marketing, and outreach services. According to Mr. Charles Sheehan, Power Enterprise Communications Manager of the PUC, Davis & Associates “will provide direct mail, television commercials, branding services, online education, graphic design, and other forms of marketing and outreach to support education and public notification for CleanPowerSF.” Davis & Associates was selected by the PUC through a competitive Request for Proposals (RFP) process, which included three qualifying respondents that were selected for oral interviews. In issuing the RFP, the PUC estimated total services at a cost of \$1,400,000, and as shown in Table 2 below, the PUC has provided a budget for the contract totaling \$1,399,442. The contract was not subject to Board of Supervisors approval because it is less than 10 years and will have a total cost of less than \$10 million.

The PUC has proposed that its public education and customer notification plan will include:

- Door-to-door outreach and phone banking, targeting 20,000 households, with the goal of having 5,400 conversations about CleanPowerSF, beginning in March 2013;
- Partnerships with community-based organizations to provide education about CleanPowerSF;
- Citywide early notification via mail and community events, from August through December 2013; and
- Education about CleanPowerSF via broadcast media, such as television and billboards.

As noted above, the \$1,443,500 was placed on Budget and Finance Committee reserve pending (a) the Board of Supervisors approval of a contract between the City and the selected energy service provider to operate CleanPowerSF, and (b) the PUC providing the Budget and Finance Committee with (i) background and experience on the selected energy provider, (ii) details of how CleanPowerSF program would be implemented, (iii) anticipated sources and amounts of renewal energy, (iv) proposed electricity rates, (v) anticipated CleanPowerSF total program costs, and (vi) financial and liability issues of the CleanPowerSF program. As is noted above and in the Attachment to this report, the Board of Supervisors approved such a contract with Shell on September 18, 2012. Further, the PUC provided the Board of Supervisors with all the information that was required for the release of the \$1,443,500 in reserved funds.

FISCAL IMPACT

Approval of this request would result in the release of the remaining \$1,443,500 on Budget and Finance Committee reserve. These funds were originally appropriated in the FY 2006-07 PUC annual budget from proceeds of the sale of electrical power from the Hetch Hetchy Water and

Power System. A budget for the uses of the \$1,443,500 in reserved funds, as requested for release by the PUC, is shown in Table 2, below.

Table 2. Proposed Uses for Reserved Funds

Uses	Cost
Davis & Associates Contract Costs	
Early Notification Period	
Postcard Mailer	\$40,220
Door to Door/Telephone Banking	49,000
Partnerships with Community Based Organizations	49,000
Early Notification Period Subtotal	\$138,220
Statutory Opt Out Period – Community Outreach	
Four Opt-Out Mailers	\$287,232
Door to Door/Telephone Banking	45,000
Partnerships with Community Based Organizations	45,000
Statutory Opt Out Period Subtotal	\$377,232
Statutory Opt Out Period – Broadcast Media	
Television	\$403,490
Outdoor Advertising	258,000
Newspapers	72,500
Online Advertising	40,000
Total	\$773,990
Two Polls	
Polling Costs	\$110,000
Polling Subtotal	\$110,000
Total Davis & Associates Contract Costs	\$1,399,442
<u>Additional CleanPowerSF Implementation Costs:</u>	\$44,058
<ul style="list-style-type: none"> • Professional services/consulting on resource adequacy regulations and their impact on CleanPowerSF • Purchasing updated customer data from PG&E • Opinion of outside counsel on final terms of Shell energy purchase and sale agreement and confirmation 	
Total Uses of Reserved Funds	\$1,443,500

Source: PUC

As shown in Table 2, above, the PUC has provided a budget totaling \$1,443,500, including \$1,399,442 for the contract with Davis & Associates. The Budget and Legislative Analyst notes that in the PUC's RFP, the PUC estimated that the work to be completed by Davis & Associates would cost \$1,400,000.

RECOMMENDATION

Approve the requested release of reserved funds.

Previous Board of Supervisors Actions to Date

Several steps in the City's effort to implement CleanPowerSF have required previous Board of Supervisors approval, as summarized in the table below

Previous Board of Supervisors Actions on CleanPowerSF

File No.	Date Approved	Description
04-0236	May 18, 2004	The Board of Supervisors approved the creation of CleanPowerSF, the City's CCA program.
06-0726	June 20, 2006	The Board of Supervisors approved the Citywide Interim Consolidated Budget and Annual Appropriation Ordinance, including \$5,000,000 for CleanPowerSF.
07-0501	June 19, 2007	The Board of Supervisors approved the adoption of the CleanPowerSF Draft Implementation Plan (Draft IP), set goals and policies for CleanPowerSF, directed the PUC to issue a Request for Information (RFI), and approved further CleanPowerSF implementation measures.
09-1161	November 3, 2009	The Board of Supervisors approved the issuance of a Request For Proposals (RFP) for a firm to provide electricity to the CCA under the CleanPowerSF Program.
10-1061	March 2, 2010	The Board of Supervisors approved a revised Implementation Plan for CleanPowerSF, and authorized the filing of the Implementation Plan with the California Public Utilities Commission (CPUC).
11-1340	September 18, 2012	The Board of Supervisors approved a resolution authorizing the PUC to (1) implement the CleanPowerSF Program, (2) approve local sustainability services for CleanPowerSF customers, and (3) authorize the PUC General Manager to execute a contract with Shell Energy North America (Shell) for a term of four years and six months for services required to implement the CleanPowerSF Program. The contract allows for Shell to provide electricity for Phase I of CleanPowerSF.
11-1371	September 18, 2012	The Board of Supervisors approved an ordinance to (1) appropriate \$19,500,000 from the PUC's Hetch Hetchy Fund balance for \$13,000,000 in required reserves under the PUC's proposed contract with Shell (File 11-1340), \$6,000,000 in local sustainability services, and \$500,000 in other start-up costs; (2) establish the CleanPowerSF Customer Fund; and (3) establish the CleanPowerSF Reserve Fund.