


BOARD of SUPERVISORS



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MEMORANDUM

TO: Ben Rosenfield, City Controller, Office of the Controller

FROM:  Alisa Somera, Legislative Deputy Directory, Rules Committee
Board of Supervisors

DATE: January 26, 2018

SUBJECT: AMENDED CHARTER AMENDMENT
June 5, 2018 Election

The Board of Supervisors' Rules Committee has received the following amended Charter Amendment for the June 5, 2018, Election, by Supervisor Peskin on January 24, 2018. This matter is being referred to you in accordance with Rules of Order 2.22.4.

**File No. 171308-3 Charter Amendment - Revenue Bonds for Public Utilities
Commission Clean Power, Water, and Clean Water
Facilities**

Charter Amendment (Third Draft) to amend the Charter of the City and County of San Francisco to authorize the Public Utilities Commission to issue revenue bonds for power facilities when approved by ordinance receiving a two-thirds vote of the Board of Supervisors, and to clarify the scope of the Commission's bond authority with regard to the City's water and clean water utilities; at an election to be held on June 5, 2018.

Please review and prepare a financial analysis of the proposed measure prior to the first Rules Committee hearing.

If you have any questions or concerns, please call me at (415) 554-7711 or email: alisa.somera@sfgov.org. To submit documentation, please forward to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c: Todd Rydstrom, Deputy City Controller
Peg Stevenson, City Performance Director

1 [Charter Amendment - Revenue Bonds for Public Utilities Commission Clean Power, Water, and Clean
2 Water Facilities]

3 **Describing and setting forth a proposal to the voters at an election to be held on June 5,**
4 **2018, to amend the Charter of the City and County of San Francisco to authorize the**
5 **Public Utilities Commission to issue revenue bonds for facilities needed to produce and**
6 **deliver clean power when approved by ordinance receiving a two-thirds vote of the Board**
7 **of Supervisors, and to clarify the scope of the Commission’s bond authority with regard to**
8 **the City’s water and clean water utilities.**

9
10 Section 1. Findings.

11 (a) The Public Utilities Commission (PUC) has been producing clean, greenhouse-gas-
12 free electricity at facilities in the Hetch Hetchy system for delivery to San Francisco facilities
13 since shortly after the passage of the Raker Act in 1913. The PUC provides clean, affordable
14 electric power to all City departments including the Fire Department and Airport, public agencies
15 like the San Francisco Unified School District, and for other purposes such as affordable housing
16 developments. New facilities will enable the PUC to provide clean, affordable energy to new
17 neighborhood developments such as Treasure Island, Hunters Point Shipyard, Pier 70, and
18 Mission Rock.

19 (b) The PUC’s provision of electric service saves the City approximately \$40 million
20 every year.

21 (c) The PUC’s provision of electric service also provides revenue that it reinvests into
22 the City’s clean and renewable energy facilities.

23 (d) The PUC’s provision of clean, greenhouse-gas-free electricity supports the City’s
24 sustainability goals, including the goal, adopted in Board of Supervisors Resolution No. 349-11,
25 of meeting 100% of electricity demand in San Francisco with renewable and/or greenhouse-gas-

1 free sources of supply by 2030. Currently, the PUC’s greenhouse-gas-free electricity reduces the
2 City’s carbon footprint by approximately 387 million pounds per year.

3 (e) The City’s use of this clean electricity also reduces emissions of particulate matter
4 2.5 and nitrogen oxide, as compared to the electricity the City would otherwise receive. These
5 chemicals, emitted primarily from motor vehicles, power plants, and refineries, significantly
6 harm air quality and human health.

7 (f) The new facilities financed with the bonds authorized by this Charter amendment will
8 increase the use of the PUC’s clean power and further reduce harmful emissions. These new
9 facilities will also increase sustainability by incorporating technologies like energy storage and
10 electric vehicle charging stations.

11 (g) The new facilities financed with these bonds will support reliable electric service,
12 earthquake resilience, and disaster recovery by including, by way of illustration but not
13 limitation, grid and grid-connected technologies, like electronic control systems and distributed
14 energy resources, and emerging “smart grid” innovations.

15 (h) From 1945 to 2015, the PUC provided service under a series of contracts that were
16 approved by federal regulators. On expiration of the final contract in June 2015, the City was
17 required by federal law and regulations to own more facilities in order to serve its customers.
18 The bonding authority provided in this Charter amendment is necessary for the PUC to finance
19 the cost of these facilities in an efficient and cost-effective way.

20 (i) The PUC will be able to provide service to its power customers with fewer delays and
21 at lower cost if it has the ability to finance required facilities in the same manner as the PUC’s
22 water and clean water utilities, the Port, and the Airport, as well as municipal utilities operated
23 by other jurisdictions.

24 (j) Revenue bonds issued under the authority provided in this Charter amendment would
25 be subject to the review and oversight of the Public Utilities Revenue Bond Oversight

1 Committee, Administrative Code Sections 5A.30-5A.36, in addition to the requirements stated in
2 Charter Section 8B.124, subsections (a) and (b).

3 Section 2. The Board of Supervisors hereby submits to the qualified voters of the City
4 and County, at an election to be held on June 5, 2018, a proposal to amend the Charter of the
5 City and County by revising Section 8B.124, to read as follows:

6 NOTE: **Unchanged Charter text and uncodified text** are in plain font.
7 **Additions** are *single-underline italics Times New Roman font*.
8 **Deletions** are *strike-through italics Times New Roman font*.
9 **Asterisks (* * * *)** indicate the omission of unchanged Charter
10 subsections.

11 **SEC. 8B.124. WATER, ~~AND~~ CLEAN WATER, AND POWER REVENUE BONDS.**

12 Notwithstanding, and in addition to, the authority granted under Charter Section 9.107,
13 the Public Utilities Commission is hereby authorized to issue revenue bonds, including notes,
14 commercial paper, or other forms of indebtedness, when authorized by ordinance approved by a
15 two-thirds vote of the Board of Supervisors, for the purpose of reconstructing, replacing,
16 expanding, repairing, or improving water facilities, ~~or~~ clean water facilities, power facilities, or
17 combinations of water, ~~and~~ clean water, and power facilities under the jurisdiction of the Public
18 Utilities Commission or for any other lawful purpose of the water, clean water, or power utilities
19 of the City in furtherance of the purposes herein provided. The Public Utilities Commission
20 shall endeavor to finance new power facilities that increase delivery of clean energy, enhance
21 reliability and safety, and increase sustainability by incorporating technologies like energy
22 storage and electric vehicle charging, as well as other technologies that become available. In no
23 event shall the Public Utilities Commission finance construction of a power

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plant that generates electricity using fossil fuels or nuclear energy.

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

By:  (for TLM)

THERESA L. MUELLER
Deputy City Attorney

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REVISED LEGISLATIVE DIGEST

(1/24/2018, Amended in Committee)

[Charter Amendment - Revenue Bonds for Public Utilities Commission Clean Power, Water, and Clean Water Facilities]

Describing and setting forth a proposal to the voters at an election to be held on June 5, 2018, to amend the Charter of the City and County of San Francisco to authorize the Public Utilities Commission to issue revenue bonds for facilities needed to produce and deliver clean power when approved by ordinance receiving a two-thirds vote of the Board of Supervisors, and to clarify the scope of the Commission's bond authority with regard to the City's water and clean water utilities.

Existing Law

Charter section 8B.124 allows the Public Utilities Commission (PUC), when approved by a 2/3 vote of the Board of Supervisors, to issue revenue bonds for water and/or clean water facilities under the jurisdiction of the PUC.

Amendments to Current Law

This amendment would allow the PUC to also issue revenue bonds for power facilities, when approved by a 2/3 vote of the Board of Supervisors. Bonds issued for power facilities would be subject to all of the other requirements of Section 8B.124 that currently apply to the PUC's water and clean water utility enterprises. PUC would be prohibited from financing construction of power plants that generate electricity using fossil fuels.

The Third Draft would amend the Charter to clarify that the PUC's authority to issue revenue bonds for water, clean water, and/or power facilities includes the authority to issue bonds for any lawful purpose of those three utilities.

Background Information

1. Under Charter sections 9.107(6) and (8) PUC already has the authority to issue revenue bonds for some power facilities, but this authority is limited to certain types of equipment.
2. Electricity customers are already required to pay the costs of equipment needed to serve them, but with the proposed authority PUC will be able to plan for and finance power infrastructure in a more efficient and cost-effective way. In some cases, PUC may be able to build one facility that can serve multiple locations instead of building duplicative facilities for

each customer. This can reduce the delays and disruptions caused by equipment installation and reduce costs.

3. The bond authority proposed here would allow the PUC to incorporate solar electricity, storage, electric vehicle chargers and other grid-connected assets that are important for sustainable and innovative electricity service.

4. Federal law provisions that became applicable to the City in July 2015 require PUC to own more of the equipment used to deliver electricity to customers than was previously required.

5. Revenue bonds issued under the proposed authority would be subject to the requirements already followed by the PUC's water and clean water programs. In addition to Board of Supervisors approval, PUC would need to satisfy the following requirements:

- a. The PUC Commission must review and approve proposed revenue bonds.
- b. Revenue bonds are subject to review by the Public Utilities Revenue Bond Oversight Committee, Administrative Code Sections 5A.30-5A.36.
- c. The PUC is required to retain an independent engineer to certify that bond-financed projects meet cost and schedule standards, and that estimated net revenue will be sufficient to meet debt service coverage and other requirements.
- d. The SF Planning Department must certify that bond-financed projects comply with the California Environmental Quality Act.

6. The PUC provides clean electricity that is primarily sourced from the City's Hetch Hetchy hydroelectric system. Currently, the PUC's provision of greenhouse-gas-free electricity reduces the City's carbon footprint by about 387 million pounds per year as compared to electricity provided by PG&E. The PUC explains that this number is based on the 955 million kilowatt hours of electricity used by City departments and municipal agencies, multiplied by PG&E's most recently released power emissions factor (2015) of 405 pounds of carbon dioxide per megawatt hour. PG&E voluntarily reports this number to the Climate Registry. The Climate Registry is a non-profit organization formed in 2007 as the successor to the California Climate Action Registry, pursuant to State statute, to develop a central database for the uniform and verifiable reporting of GHG emissions.

7. This clean energy has other environmental and health benefits. According to the San Francisco Department of Public Health's San Francisco Indicator Project, "Motor vehicle emissions, power plants, and refineries are the predominant sources of fine particulate air pollution (PM2.5). Several large-scale studies demonstrate that increased exposure to PM2.5 is associated with detrimental cardiovascular outcomes, including increased risk of death from ischemic heart disease, higher blood pressure, and coronary artery calcification." (<http://www.sfindicatorproject.org/objectives/standards/55>) The California Air Resources Board links PM2.5 emissions to premature death, hospitalization for worsening of cardiovascular disease, hospitalization for respiratory disease, and asthma-related emergency

room visits and increased symptoms, increased inhaler usage.

(<https://ww2.arb.ca.gov/resources/common-air-pollutants>) Hetch Hetchy Power saves around 364,500,000 pounds of CO₂ per year (as compared with PG&E's 2015 emissions), and around 13,500 pounds of PM_{2.5} and 42,000 pounds of nitrogen oxide per year (as compared with California average emissions.)

8. The PUC conducted an environmental justice analysis in 2017 in Bayview Hunters Point which highlighted some of the health impacts that the southeast part of the City continues to disproportionately experience. The findings specifically highlighted the poor air quality and resulting poor respiratory indicators in that community. Motor vehicle emissions, power plants, and refineries are the predominant sources of particulate air pollution PM_{2.5}. Significant exposure to PM_{2.5} is associated with detrimental cardiovascular outcomes, hospitalization for respiratory disease, and asthma related emergency room visits and symptoms. In addition, the southeast part of the City has higher percentages of cancer risk. Many of the new power facilities PUC would finance using the authority in this measure would be located in the southeast section of the City, where new developments are located. These include neighborhood developments such as Treasure Island, Hunters Point Shipyard, Pier 70 and Mission Rock.

9. The 2017 environmental justice analysis included a recommendation that the PUC should expand its electric charging station network by installing stations in the southeast part of City, which would improve air quality by reducing vehicle emissions. As an illustration, if the 407,656 passenger cars in San Francisco were electric (instead of traditional gas-burning vehicles), and charged using PUC clean electricity, fine particulate matter emissions would decrease by 45,000 pounds per year, nitrogen oxide emissions would decrease by 7,500,000 pounds per year, and carbon dioxide emissions would decrease by 3,970,000,000 pounds per year. PUC could use the bonding authority in this measure to install more electric vehicle charging stations.

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