

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

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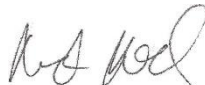
TO: Budget and Finance Committee
FROM: Budget and Legislative Analyst 
SUBJECT: September 27, 2023 Budget and Finance Committee Meeting

TABLE OF CONTENTS

Item	File	Page
3	23-0904 Reauthorizing Participation Costs for CleanPowerSF Membership in a Joint Powers Authority - Not to Exceed \$4,772,710.....	1
10 & 11	23-0970 General Obligation Bond Election - Affordable Housing - Not to Exceed \$300,000,000	
	23-0972 General Obligation Bond Election - Affordable Housing - Not to Exceed \$300,000,000]	5

<p>Item 3 File 23-0904</p>	<p>Department: Public Utilities Commission (PUC)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> The proposed resolution would reauthorize the San Francisco Public Utilities Commission’s (SFPUC) costs for CleanPowerSF’s participation in the California Community Power (CC Power) Joint Powers Authority (JPA), for an amount not to exceed \$4,772,710 over the 25-year period of January 2024 through December 2048. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> In April 2021, CleanPowerSF joined CC Power, a nine-member JPA with other community choice aggregators in Northern and Central California with the purpose of leveraging economies of scale to jointly procure electrical power-producing and storage projects and related services. The Board of Supervisors authorized payment of up to \$50,000 annually for three years to fund CleanPowerSF’s share of operating and startup costs. In April 2023, CC Power approved a budget for FY 2023-24 totaling \$759,044 for general and administrative costs, of which CleanPowerSF’s share would be \$84,338. CC Power hired a General Manager in February 2023 and is currently in the process of hiring a second full-time employee, a Manager of Procurement, Contracts, Resource Planning, and Shared Services. To date, CC Power has entered into four energy production and storage projects that run through 2045: Ormat Portfolio Geothermal, Fish Lake Geothermal, Goal Line Long Duration Storage, and Tumbleweed Long Duration Storage. CC Power is exploring additional energy projects to increase capacity in future years and may consider other potential services to benefit its members, such as scheduling coordination, energy rebate processing, and bulk purchasing of electric vehicle charging equipment or heat pump water heaters. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> The proposed resolution would authorize CleanPowerSF expenditures up to \$4,772,710 over a 25-year period. SFPUC’s share of CC Power general and administrative costs are \$84,338 in FY 2023-24, plus an 18.6 percent contingency, for total planned spending of \$100,000 in year one. With five percent annual escalation, this amount would increase to \$322,510 in the final year of FY 2047-48. CleanPowerSF’s costs are funded by ratepayer revenues. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> Approve the proposed resolution. 	

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

BACKGROUND

CleanPowerSF, operated by the San Francisco Public Utilities Commission (SFPUC) Power Enterprise, provides electricity generated from renewable sources to approximately 385,000 San Francisco customers. CleanPowerSF began serving customers in 2016 following enactment of California Public Utilities Code Section 331.1(c) and 366.2 in 2002 authorizing local governments to create community choice aggregators to provide electricity to participating customers using the existing investor-owned utility's billing, transmission, and distribution infrastructure. The Board of Supervisors approved a series of legislation between 2004 and 2015 supporting implementation of CleanPowerSF as the City's community choice aggregator.¹

In February 2021, the Board of Supervisors authorized CleanPowerSF to join a nine-member Joint Powers Authority (JPA) with other community choice aggregators in Northern and Central California (File 20-1344) and approved the PUC's participation agreement with the JPA. The JPA, called California Community Power or "CC Power," was formed in April 2021 with the purpose of leveraging economies of scale to jointly procure electrical power-producing and storage projects and related services.²

The ordinance in File 20-1334 authorized payment of up to \$50,000 annually for CleanPowerSF's share of CC Power's startup and operating costs for calendar years 2021, 2022, and 2023. CC Power initially operated with an interim, part-time General Manager and other contracted staff, with an estimated annual administrative cost of \$167,000. Split equally between nine members, CleanPowerSF's annual cost was approximately \$18,555. In December 2022, CC Power adopted a Strategic Business Plan that included hiring a full-time General Manager. In February 2023, CC Power hired the full-time General Manager. In April 2023, CC Power approved a budget for FY 2023-24 totaling \$759,044 for general and administrative costs, of which CleanPowerSF's share would be \$84,338. In June 2023, the SFPUC Commission approved a resolution authorizing CleanPowerSF's share of CC Power general and administrative costs for 25 years.

¹ See Ordinance Nos. 86-04, 147-07, 232-09, 45-10, 200-12, and 78-14; and Resolution Nos. 348-12, 331-13, and 75-15.

² CC Power originally had 10 members: CleanPowerSF, Central Coast Community Power (Monterey, San Benito, Santa Cruz, San Luis Obispo, and Santa Barbara Counties); East Bay Community Energy Authority (Alameda County); Marin Clean Energy Authority (Contra Costa, Marin, Napa, and Solano Counties); Peninsula Clean Energy (San Mateo County); San Jose Clean Energy (City of San Jose); Redwood Coast Clean Energy Authority (Humboldt County); Silicon Valley Clean Energy Authority (Santa Clara County); Sonoma Clean Power Authority (Sonoma and Mendocino Counties); and Valley Clean Energy (Yolo County). Marin Clean Energy Authority is no longer a member.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize SFPUC’s costs for CleanPowerSF participation in CC Power, for an amount not to exceed \$4,772,710 over the 25-year period of January 2024 through December 2048.

As mentioned above, CC Power hired its full-time General Manager in February 2023. CC Power is also in the process of hiring a second full-time employee, a Manager of Procurement, Contracts, Resource Planning, and Shared Services. To date, CC Power has entered into four energy production and storage projects that run through 2045: Ormat Portfolio Geothermal, Fish Lake Geothermal, Goal Line Long Duration Storage, and Tumbleweed Long Duration Storage. With growing energy demands, CC Power is exploring additional energy projects to increase capacity in future years. Additionally, CC Power’s Strategic Business Plan includes considering other potential services to benefit its members, such as scheduling coordination, energy rebate processing, and bulk purchasing of electric vehicle charging equipment or heat pump water heaters. Expanded services may require CC Power to add staff over time.

Per the terms of the JPA agreement, general and administrative costs are split evenly between members, while project-specific costs are split proportionally based on project participation.

FISCAL IMPACT

The proposed resolution would authorize CleanPowerSF expenditures up to \$4,772,710 over a 25-year period. SFPUC’s share of CC Power general and administrative costs are \$84,338 in FY 2023-24, with an 18.6 percent contingency, for total requested expenditure authority of \$100,000. With five percent annual escalation, this amount would increase to \$322,510 in the final year of FY 2047-48. The CC Power FY 2023-24 general and administrative budget is shown in Exhibit 1 below.

Exhibit 1: CC Power FY 2023-24 General and Administrative Budget

Item	Amount
Staff and Service Providers	\$558,315
Operations, Travel, and Events	25,729
Reserves	175,000
Total	\$759,044
Cost per Member	84,338
SFPUC Requested Authority	\$100,000

Source: CC Power

CC Power’s budget includes reserve funding of \$175,000 in FY 2023-24, with a goal of building a \$700,000 reserve over four years. According to Michael Hyams, SFPUC Deputy Assistant General Manager for Power, CC Power is building a reserve fund as a prudent business practice. The reserves are intended to provide financial stability to CC Power during contingencies, such as if a member or members fail to meet payment obligations in future years. SFPUC’s 18.6 percent contingency allows for higher than anticipated operating costs or expansions to CC Power’s

staffing and/or services during the first or subsequent years. CleanPowerSF's costs are funded by ratepayer revenues.

RECOMMENDATION

Approve the proposed resolution.

Items 10 & 11 Files 23-0970 & 23-0972	Department: Controller (CON)
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EXECUTIVE SUMMARY

Legislative Objectives

File 23-0970: is a resolution would determine and declare that the public interest and necessity demand: (1) construction and rehabilitation of new affordable rental housing, (2) preservation of affordable rental housing, and (3) expansion of the City’s Downpayment Assistance Program.

File 23-0972: is a resolution would determine and declare that the public interest and necessity demand: (1) construction and rehabilitation of new affordable rental housing, (2) preservation of affordable rental housing, and (3) develop or rehabilitate housing for households that have survived homelessness, street violence, domestic violence and abuse, sexual abuse and assault, and/or human trafficking.

Key Points

- The FY 2024-2033 Capital Plan includes a schedule of planned debt and other capital financing. The schedule shows \$340 million in general obligation bond for affordable housing and shelters will be requested for voter approval in March 2024. The Capital Planning Committee has since voted to shift \$40 million for shelters to the November 2024 election. Prior to obtaining voter approval for bonds, the Board must find that such indebtedness is in the public interest.

Fiscal Impact

- According to the Office of Public Finance, the proposed bonds are projected to have an annual interest rate of 6.5 percent over approximately 20 years, with estimated total debt service payments of \$544.5 million, including approximately \$244.5 million in interest and \$300 million in principal. The Office of Public Finance estimates average annual debt service payments of \$24.8 million.

Policy Consideration

- The proposed resolutions are competing proposals for the single \$340 million general obligation bond request to voters scheduled in the City’s capital plan for March 2024.

Recommendation

- Approval of the proposed resolutions is a policy matter for the Board of Supervisors.

MANDATE STATEMENT

City Administrative Code Section 2.34 requires that a resolution determining the public interest and necessity for the acquisition, construction or completion of any municipal improvement funded by property taxes be adopted by the Board of Supervisors not less than 141 days before the election at which such proposal will be submitted to the voters. Approval of such resolutions requires a 2/3 vote by the Board of Supervisors.

BACKGROUND

The FY 2024-2033 Capital Plan includes a schedule of planned debt and other capital financing. The schedule shows \$340 million in general obligation bond for affordable housing and shelters will be requested for voter approval in March 2024. The Capital Planning Committee has since voted to shift \$40 million for shelters to the November 2024 election. According to the Office a Public Finance, a resolution will be introduced for the Board of Supervisors to amend the capital plan to reflect this change.

Files 23-0969 and 23-0971 are ordinances pending Board of Supervisors approval that each call for a special election on March 5, 2024 to request voter approval for \$300 million of general obligation bonded indebtedness to fund affordable housing programs. Prior to the election, the Board must find that such indebtedness is in the public interest.

DETAILS OF PROPOSED LEGISLATION

File 23-0970: is a resolution would determine and declare that the public interest and necessity demand: (1) construction and rehabilitation of new affordable rental housing, (2) preservation of affordable rental housing, and (3) expansion of the City’s Downpayment Assistance Program.

File 23-0972: is a resolution would determine and declare that the public interest and necessity demand: (1) construction and rehabilitation of new affordable rental housing, (2) preservation of affordable rental housing, and (3) develop or rehabilitate housing for households that have survived homelessness, street violence, domestic violence and abuse, sexual abuse and assault, and/or human trafficking.

Both the resolutions would:

- Find that the estimated cost of \$300 million for such proposed projects will be too great to be paid out of the ordinary annual income and revenue of the City and will require expenditures greater than the amount allowed by the annual tax levy;
- Find that the bond proposal is not subject to review under the California Environmental Quality Act (CEQA);
- Find that the proposed bonds are in conformity with the General Plan, and the eight priority policies of Planning Code, Section 101.1(b);

- Waive the time requirements specified in Administrative Code, Section 2.34;
- Authorize landlords to pass-through 50 percent of the resulting property tax increase to residential tenants under Administrative Code, Chapter 37; and,
- Declare the City’s intention to use bond proceeds to reimburse capital expenses incurred prior to the issuance of the proposed bonds

Possible uses of the bond proceeds are shown in Exhibit 1 below, based on the pending ordinances scheduling a special election.

Exhibit 1: Possible Uses of Bond Funds

Uses	File 23-0970	File 23-0972
New & Rehab	\$258,000,000	\$240,000,000
Preservation	30,000,000	30,000,000
Downpayment Assistance	12,000,000	0
Victims & Survivors	0	30,000,000
Total	\$300,000,000	\$300,000,000

Source: Files 23-0969 and 23-0971

All issuances of the bonds and appropriations of the bond fund proceeds would be subject to Board of Supervisors approval, at which time CEQA review and approval of the specific projects would be required, and the project costs would be identified.

FISCAL IMPACT

Debt Service

According to Vishal Trivedi, Financial Analyst in the Office of Public Finance, the proposed bonds are projected to have an annual interest rate of 6.5 percent over approximately 20 years, with estimated total debt service payments of \$544.5 million, including approximately \$244.5 million in interest and \$300 million in principal. The Office of Public Finance estimates average annual debt service payments of \$24.8 million.

Property Taxes

Repayment of such annual debt service would be recovered through increases to the annual property tax rate. According to the Office of Public Finance, the average property tax rate for the proposed bonds would be \$5.70 per \$100,000 of assessed valuation, half of which could be passed through to tenants.

Debt Limit

According to the FY 2024-2033 Capital Plan, the proposed bonds are consistent with the City’s current debt management policy to maintain the property tax rate for City general obligation bonds below the FY 2005-06 rate of \$0.12 per \$100 of assessed value.

POLICY CONSIDERATION

The proposed resolutions are competing proposals for the single \$340 million general obligation bond request to voters scheduled in the City's capital plan for March 2024.

RECOMMENDATION

Approval of the proposed resolutions is a policy matter for the Board of Supervisors.