

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

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June 5, 2015

**TO:** Budget and Finance Committee

**FROM:** Budget and Legislative Analyst



**SUBJECT:** June 15, 2015 Budget and Finance Committee Meeting

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**Item 5**  
**File 15-0572**

**Department:**  
San Francisco International Airport (Airport)

### EXECUTIVE SUMMARY

#### Legislative Objectives

- The proposed ordinance amends the Airport's FY 2015-16 budget to appropriate \$2,673,349 in Ground Transportation Trip Fee revenues generated by the operation of Transportation Network Companies (TNCs) operating at the Airport. These revenues would be appropriated to the following uses: (1) \$1,405,599 to the work order with the Public Utilities Commission (PUC) to pay for higher-than-projected electricity and natural gas costs, which are a result of increased utility rates; and (2) \$1,267,750 in the Annual Service Payment to the City's General Fund.

#### Key Points

- The Airport has a fixed two-year operating budget in effect for FY 2014-15 and FY 2015-16. Changes to the operating budget are subject to Board of Supervisors approval.
- As the result of agreements reached with Transportation Network Companies that allow these services to operate legally at the Airport for a fee of \$3.85 per ride, the Airport estimates \$14,788,000 in TNC revenue in FY 2015-16. Revenues generated by Ground Transportation Trip Fees are considered concession revenues and therefore subject to the Annual Service Payment made by the Airport to the City's General Fund.
- The Airport estimates that total Airport concession revenues in FY 2015-16 will be higher than projected in the FY 2015-16 budget, resulting in an increased Annual Service Payment to the City's General Fund of \$1,267,750.
- The Airport estimates higher payments to the PUC due to increased electricity and natural gas rates.

#### Fiscal Impact

- The proposed ordinance would result in a payment to the General Fund of \$1,267,750.

#### Recommendation

- Approve the proposed ordinance.

**MANDATE STATEMENT / BACKGROUND****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.

**DETAILS OF PROPOSED LEGISLATION**

The proposed ordinance amends the Airport's FY 2015-16 budget to appropriate \$2,673,349 in Ground Transportation Trip Fee revenues generated by the operation of Transportation Network Companies (TNCs) including Lyft, Uber, and Sidecar operating at the Airport. These revenues would be appropriated to the following uses: (1) \$1,405,599 to the work order with the Public Utilities Commission (PUC) to pay for higher-than-projected electricity and natural gas costs, which are a result of increased utility rates; and (2) \$1,267,750 in the Annual Service Payment to the City's General Fund<sup>1</sup>.

**Sources**

Ground Transportation Trip Fees	\$2,673,349
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**Uses**

PUC Work Order	\$1,405,599
Annual Service Payment to General Fund	<u>\$1,267,750</u>
<b>Total</b>	<b>\$2,673,349</b>

**FISCAL IMPACT**

The proposed ordinance would (a) appropriate \$1,267,750 in new revenue from fees charged to TNCs for the Airport's Annual Service Payment from Concession Revenue payable to the General Fund, and (b) appropriate \$1,405,599 to pay for increased utility rates charged by PUC.

**Transportation Network Company (TNC) Revenue**

Beginning on September 15, 2014, the Airport began collecting fees from TNCs including Lyft, Uber, and Sidecar to allow the services to operate legally at the Airport. The agreement provided that TNCs would pay \$3.85 for each ride to or from the Airport. These fees are considered concession revenue for purposes of the Airport's Annual Service Payment, in which the Airport transfers 15 percent of concession revenue to the City's General Fund.

As shown in Table 1, below, from September, 2014 through April, 2015, the Airport collected \$4,461,499 from TNCs for trips to and from the Airport. Revenue has steadily increased since the implementation of the agreements with the TNCs, as shown in Table 1 below. The Airport projects that it will collect \$14,788,000 in TNC revenue in FY 2015-16.

<sup>1</sup> The Airport transfers 15 percent of concession revenue to the City's General Fund through the Annual Service Payment.

**Table 1: Monthly Revenue from TNC Operation at the Airport**

Month	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	Total
TNC Pick Up	\$13,182	\$41,511	\$139,501	\$189,501	\$231,674	\$230,207	\$318,110	\$335,343	<b>\$1,499,028</b>
TNC Drop Off	\$147,112	\$343,767	\$364,387	\$378,032	\$335,728	\$375,248	\$500,327	\$517,871	<b>\$2,962,471</b>
<b>Total Revenue</b>	<b>\$160,295</b>	<b>\$385,277</b>	<b>\$503,888</b>	<b>\$567,532</b>	<b>\$567,401</b>	<b>\$605,455</b>	<b>\$818,437</b>	<b>\$853,214</b>	<b>\$4,461,499</b>

The Airport’s Annual Service Payment is 15 percent of concession revenue. With estimated TNC revenue of \$14,788,000 and additional minor revenue adjustments to parking, retail, and food and beverage sales, the Airport estimates that it will collect \$272,305,000 in concession revenue, which is subject to the Annual Service Payment that the Airport remits to the City General Fund. Based on these projections, the Airport is increasing the Annual Service Payment payable to the City General Fund by \$1,267,750, from \$39,578,000 to \$40,845,750, as shown in Table 2 below.

**Table 2: Projected Revenue Subject to Annual Service Payment, FY 2015-16**

Revenue Source	Amount
Traffic and Parking	\$102,227,000
Rental (Real Estate)	\$5,752,000
Concessions	\$140,911,000
Taxicab	\$8,550,000
Transportation Network Companies	\$14,788,000
CNG Service Station	\$77,000
<b>Total</b>	<b>\$272,305,000</b>
<b>Annual Service Payment (15%)</b>	<b>\$40,845,750</b>

  

Previously Appropriated Annual Service Payment (FY 15-16)	\$39,578,000
<b>Additional Appropriation</b>	<b>\$1,267,750</b>

Increase in Electric Rates

Public Utilities Commission (PUC) rates for electricity and natural gas increased above FY 2013-14 rates, which were used in preparing the Airport two-year operating budget for FY 2014-15 and FY 2015-16. Electricity rates have increased by approximately 6.3 percent above what was originally budgeted, and natural gas rates have increased by approximately 10.7 percent above what was originally budgeted.

The increased rates have resulted in utility spending greater than originally budgeted. According to Mr. Bruce Robertson, Airport Budget Director, the Airport’s usage of electricity and natural gas has remained stable, and this proposed increased appropriation is due solely to the increase in rates. As a result of the increase in electricity rates and natural gas rates, the Airport is requesting an appropriation of \$1,405,599 to meet increased expenditures under their work order with the PUC.

**RECOMMENDATION**

Approve the proposed ordinance.

**Item 12**  
**File 15-0573**

**Department:**  
Public Utilities Commission (PUC)

### EXECUTIVE SUMMARY

#### Legislative Objectives

- The proposed ordinance would amend the Public Utilities Commission's (PUC) adopted FY 2015-16 budget to (1) de-appropriate \$2,177,552 from fringe benefits, non-personnel services, services of other departments, and general reserve and (2) re-appropriate \$2,177,552 to permanent salaries, City grant programs, capital outlay, and overhead in the Public Utilities Commission operating budgets in FY 2015-16.

#### Key Points

- The Public Utilities Commission prepares a two-year operating budget, the last of which was performed for fiscal years 2014-15 and 2015-16. Changes to the operating budget are subject to Board of Supervisors approval.
- The PUC is requesting an amendment to the Annual Appropriations Ordinance to re-appropriate \$2,177,552 within various PUC Divisions.

#### Fiscal Impact

- The re-appropriation includes (1) \$1,435,275 to pay for 10 positions transferred from temporary to permanent status as a result of a grievance settlement between the City and Service Employees International Union, (2) \$250,000 to pay for grants to water customers, as part of the Floodwater Management Grant Program, (3) \$490,000 for two new utility trucks for the Water Installation Service program, and (4) \$2,277 as an adjustment to overhead charges.

#### Recommendation

- Approve the proposed.

**MANDATE STATEMENT / BACKGROUND****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.

**DETAILS OF PROPOSED LEGISLATION****File 15-0573**

The proposed ordinance would amend the Public Utilities Commission's (PUC) adopted FY 2015-16 budget to (1) de-appropriate \$2,177,552 from fringe benefits, non-personnel services, services of other departments, and general reserve and (2) re-appropriate \$2,177,552 to permanent salaries, City grant programs, capital outlay, and overhead in the Public Utilities Commission operating budgets in FY 2015-16.

**FISCAL IMPACT**

The PUC proposes to de-appropriate \$2,177,552 in surplus funds in the Water, Wastewater, and Hetch Hetchy Enterprises, and in the PUC's Operating Fund, as shown in Table 1 below.

**Table 1: De-appropriation of Funds**

<b>Wastewater Enterprise</b>	
Fringe Benefits	\$352,501
Non Personnel Services	\$250,000
Unappropriated Revenue	<u>\$320,530</u>
Subtotal	\$923,031
<b>Hetch Hetchy Enterprise</b>	
Fringe Benefits	\$178,305
<b>Water Enterprise</b>	
Fringe Benefits	\$443,344
Services of Other Departments	<u>\$630,595</u>
Subtotal	\$1,073,939
<b>PUC Operating Fund</b>	
Fringe Benefits	<u>\$2,277</u>
<b>Total</b>	<b>\$2,177,552</b>

The proposed ordinance would re-appropriate \$2,177,552 to the uses shown in Table 2 below.

**Table 2: Re-appropriation of Funds**

	Wastewater	Hetch Hetchy	Water	PUC Operating Fund	Total
Salaries	\$673,031	\$178,305	\$583,939		\$1,435,275
City Grant Program	\$250,000				\$250,000
Water Service Installation Program Trucks			\$490,000		\$490,000
Overhead				\$2,227	\$2,227
<b>Total</b>	<b>\$923,031</b>	<b>\$178,305</b>	<b>\$1,073,939</b>	<b>\$2,227</b>	<b>\$2,177,552</b>

**Salary Needed to Convert Temporary Positions to Permanent Positions (\$1,435,275)**

As part of a settlement agreement between the City and Service Employees International Union (SEIU) to settle a grievance filed in 2013, PUC is converting 10 positions from temporary to permanent status. The conversion includes five positions in Water Enterprise, two positions in Wastewater Enterprise, and three positions in Hetch Hetchy Enterprise, as shown in Table 3 below. The total re-appropriation for this purpose is \$1,435,275, or 65.9 percent of the total re-appropriation of \$2,177,552.

**Table 3: Temporary to Permanent Job Conversions by PUC Enterprise Division**

<u>Job Class</u>	<u>Job Title</u>	Wastewater <u>FTE</u>	Hetch Hetchy <u>FTE</u>	Water <u>FTE</u>	Total <u>FTE</u>
1406	Senior Clerk	2		1	3
1446	Secretary II			1	1
1632	Senior Account Clerk			1	1
1705	Communications Dispatcher II			1	1
1822	Administrative Analyst			1	1
2706	Housekeeper/Food Service Cleaner		3		3
<b>Total</b>		<b>2</b>	<b>3</b>	<b>5</b>	<b>10</b>

**Floodwater Management Grant Program (\$250,000)**

In previous years, Wastewater Enterprise has offered a Floodwater Management Grant Program to water customers to install eligible flood-prevention systems, including flood barriers for doors or garages and backflow preventers that stop wastewater from entering drainage pipes. The grant amount ranges from \$2,500 to \$6,000, depending on the type of system installed, and the total budget of this program has been \$250,000 in previous years. According to Mr. Carlos Jacobo, PUC Budget Manager, the PUC mistakenly did not fund the grant program in FY 2015-16. Funding for the Floodwater Management Grant Program is being re-appropriated from Wastewater Enterprise Non-Personnel Services. According to Mr. Jacobo, PUC has decided to reallocate funding to the grant program from professional services contracts.

Utility Trucks (\$490,000)

The Water Enterprise is expanding water installation services and adding two new water installation crews (see File 15-0575) due to new developments requiring water service installation. Each crew requires a specialized utility truck to travel to and from development sites with equipment and tools. Each truck has an estimated cost of \$245,000, and \$490,000 for two trucks.

Overhead Adjustment (\$2,277)

The Controller's Office has adjusted the overhead rate for PUC, resulting in the need for a re-appropriation for this purpose of \$2,277.

**RECOMMENDATIONS**

Approve the proposed ordinance.



<b>Item 13</b> <b>File 15-0575</b>	<b>Department:</b> Public Utilities Commission (PUC)
<b>EXECUTIVE SUMMARY</b>	
<b>Legislative Objectives</b>	
<p>The proposed ordinance would amend the Annual Salary Ordinance to add five off-budget positions in the PUC Water Enterprise FY 2015-16 budget: 1.0 FTE 7355 Truck Driver, 2.0 FTE 7388 Utility Plumber, and 2.0 FTE 7463 Utility Plumber Apprentice.</p>	
<b>Key Points</b>	
<ul style="list-style-type: none"> <li>• The PUC Water Enterprise provides municipal water hookup services to private developers and other City departments during the construction phases of a real estate development. The PUC recoups the cost of hookup services by charging customers Water Service Installation fees.</li> <li>• The PUC is requesting amendment to the Annual Salary Ordinance to add five new positions to the Water Enterprise Division to create two new crews of plumbing installation specialists. These teams will work on real estate developments that require hookup to utility services. The five positions are off-budget and will be fully funded by fees charged to developers for utility hookup services. According to PUC staff, eligible lists have already been prepared for these positions, and they expect to fill them within one to two months</li> </ul>	
<b>Fiscal Impact</b>	
<ul style="list-style-type: none"> <li>• The five new off-budget positions would be funded by Water Service Installation revenues, previously appropriated in the Water Enterprise FY 2015-16 budget. These revenues are estimated to be \$4,726,146 in FY 2015-16.</li> <li>• File 15-xxxxy will have no General Fund impact, as all source funds are projected to have a surplus in Fiscal Year 2015-16.</li> </ul>	
<b>Recommendation</b>	
<ul style="list-style-type: none"> <li>• Approve the proposed ordinance.</li> </ul>	

**MANDATE STATEMENT / BACKGROUND****Mandate Statement**

According to Charter Section 2.105, all legislative acts shall be by ordinance and require the affirmative vote of at least a majority of the members of the Board of Supervisors.

**DETAILS OF PROPOSED LEGISLATION****File 15-0575**

The proposed ordinance would amend the Annual Salary Ordinance to add five off-budget positions in the PUC Water Enterprise FY 2015-16 budget:

- 1.0 FTE 7355 Truck Driver
- 2.0 FTE 7388 Utility Plumber and
- 2.0 FTE 7463 Utility Plumber Apprentice.

The PUC Water Enterprise provides municipal water hookup services to private developers and other City departments during the construction phases of a real estate development. The PUC recoups the cost of hookup services by charging customers Water Service Installation fees.

Over the last few years, as development in the City has increased, the demand for hookup services has outstripped staffing dedicated to new services installation. According to Carlos Jacobo, PUC Budget Director, water service installation currently has a backlog of about four months. To meet increased demand, PUC is requesting the formation of two New Service Installation teams. The goal of these teams is to reduce the backlog and keep up with the increased demand for new service hookups in the future.

The proposed ordinance would amend the Annual Salary Ordinance to create five new positions dedicated to New Service Installation. Two service installation crews would be created, each team with one Utility Plumber and one Utility Plumber Apprentice. The proposed ordinance funds two Utility Plumbers, two Utility Apprentices, and one Truck Driver. The Truck Driver is being added to handle cleanup and hauling that is needed for new services installation. According to Mr. Jacobo, eligible lists have already been prepared for these positions, and they expect to fill them within one to two months.

**FISCAL IMPACT**

The five new off-budget positions would be funded by Water Service Installation revenues, previously appropriated in the Water Enterprise FY 2015-16 budget. These revenues are estimated to be \$4,726,146 in FY 2015-16, as shown in Table 1 below.

**Table 1: Annual Water Service Installation Revenue, PUC Water Enterprise Division**

	Actual <u>FY 2011-12</u>	Actual <u>FY 2012-13</u>	Actual <u>FY 2013-14</u>	Projected <u>FY 2014-15</u>	Budget <u>FY 2015-16</u>
Water Service Installation Revenue	\$2,304,400	\$3,288,515	\$5,009,932	\$4,588,491	\$4,726,146

The costs of the five new positions in FY 2015-16 are expected to be \$672,248, as shown in Table 2 below.

**Table 2: New Services Installation Team Project Cost**

<b>Position/Item</b>	<b>FTE</b>	<b>Amount</b>
7388 Utility Plumber	2	\$205,216
7463 Utility Plumber Apprentice	2	\$165,204
7355 Truck Driver	1	\$83,342
<hr/>		
Total Salary		\$453,762
Fringe Benefits		\$218,486
<hr/>		
<b>Total Position Cost</b>		<b>\$672,248</b>

**RECOMMENDATION**

Approve the proposed ordinance.

<p><b>Items 14 &amp; 15</b> <b>Files 15-0506 and 15-0491</b></p>	<p><b>Department:</b> Public Utilities Commission (PUC)</p>
<p><b>EXECUTIVE SUMMARY</b></p>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• File 15-0491 is an ordinance appropriating \$4,000,000 from the FY 2014-2015 Hetch Hetchy Power Enterprise’s fund balance to provide short-term operating capital needed for the initial start-up of the Community Choice Aggregation (CCA) program.</li> <li>• File 15-0506 is a request for release of \$2,200,000 previously appropriated by the Board of Supervisors for the CCA program and placed on Budget and Finance Committee Reserve.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• On May 19, 2015, the Board of Supervisors approved the implementation of the Community Choice Aggregation program and authorized the San Francisco Public Utilities Commission (PUC) to use pro forma contracts to purchase and sell electricity. The Board of Supervisors authorized PUC staff to enter into contracts with renewable energy providers for up to 25 years and \$125 million without Board of Supervisors approval.</li> <li>• The PUC proposes to loan \$4,000,000 from the Hetch Hetchy Power Enterprise fund balance to the CCA to pay for the initial purchase of power until the CCA program begins to generate revenue from customers.</li> <li>• The PUC also requests release of \$2,200,000 to pay for 5.25 full time equivalent (FTE) positions to implement CCA, and contracts with technical consultants and for community outreach.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• The proposed ordinance appropriates \$4,000,000 from the FY 2014-2015 Hetch Hetchy Power Enterprise’s fund balance and re-appropriates it to make a loan to the Community Choice Aggregation Operating Reserves – Working Capital Fund, as approved by the San Francisco Public Utilities Commission Resolution 15-0103, to meet the short-term working capital needs during the initial start-up period for Fiscal Year 2014-15.</li> </ul> <p style="text-align: center;"><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>• Amend the proposed ordinance (File 15-0491) to place \$4,000,000 in requested funds on Controller’s Reserve until the date these funds are needed for energy procurement.</li> <li>• Release \$1,820,799 of the \$2,200,000 on Budget and Finance Committee Reserve and place the remaining balance of \$379,201 on Controller’s Reserve, pending the filling of the vacant positions for the CCA Program (File 15-0506).</li> </ul>	

## MANDATE STATEMENT / BACKGROUND

### Mandate Statement

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

Administrative Code Section 3.3(e) 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 until release by the Committee.

### Background

In May 2015 the Board of Supervisors approved the implementation of the Community Choice Aggregation program and authorized the Public Utilities Commission (PUC) to use pro forma contracts to purchase and sell electricity and related products and services for electricity supplied by 1) Hetch Hetchy to municipal facilities, services, and customers, and 2) the Community Choice Aggregation program to supply electricity to City businesses and residents. The Board of Supervisors authorized PUC staff to enter into contracts with renewable energy providers for up to 25 years and \$125 million without Board of Supervisors approval.

The Community Choice Aggregation program will be executed by PUC in multiple phases. During the first phase, select customers will be automatically enrolled in the program and will have four months to opt-out of participating. These customers will be offered a standard energy product that will consist of between 33 and 50 percent renewable energy. Customers citywide will also be able to opt into a premium product consisting of 100 percent renewable energy during this first phase.

## DETAILS OF PROPOSED LEGISLATION

**File 15-0491:** Ordinance to appropriate \$4,000,000 from the FY 2014-15 Hetch Hetchy Power Enterprise's fund balance to provide short-term operating capital needed for the initial start-up of the Community Choice Aggregation (CCA) program.

The PUC will begin the CCA program on or around January 26, 2016. Although the CCA will incur operating expenses immediately upon its start-up, primarily the cost of purchasing renewable energy and other energy supplies to meet its customers' needs, the CCA will not be paid for providing this service until 45 to 60 days after the service has been provided, customer bills have been issued and paid, and PG&E has remitted the collected funds to the PUC.

To address this cash flow issue, PUC estimates that the CCA program will need \$4,000,000 in working capital based on a 2-month lag between initial expense outlay and program revenue collection. Without this start-up capital, the PUC predicts that initial implementation of the CCA program will be greatly delayed.

**File 15-0506:** Hearing to consider the release of \$2,200,000 in Hetch Hetchy Power Enterprise funds previously appropriated and placed on Budget and Finance Committee Reserve by the Board of Supervisors.

On February 25, 2012, the Board of Supervisors appropriated \$19,500,000 to the Community Choice Aggregation program. \$6,000,000 from this appropriation was placed on Budget and Finance Committee Reserve pending a detailed program plan. On June 24, 2014, through Ordinance 0104-14, re-appropriated \$3,800,000 to three other Hetch Hetchy Power projects. The remaining balance in Budget and Finance Committee Reserve is \$2,200,000, which is the subject of the proposed motion.

## FISCAL IMPACT

### **\$4,000,000 Start-Up Capital Loan (File 15-0491)**

The proposed ordinance appropriates \$4,000,000 from the FY 2014-2015 Hetch Hetchy Power Enterprise's fund balance and re-appropriates it to make a loan to the Community Choice Aggregation Operating Reserves – Working Capital Fund, as approved by the San Francisco Public Utilities Commission Resolution 15-0103, to meet the short-term working capital needs during the initial start-up period for Fiscal Year 2014-15.

The CCA Program will begin to make initial loan repayments to the Hetch Hetchy Power Enterprise in March 2016. The CCA Program will incur interest charges on the loan at the otherwise applicable county-wide pool rate (currently .73%) and will repay the Hetch Hetchy Power Enterprise no later than January 31, 2018.

According to Mr. Michael Hyams, Acting CCA Program Manager, PUC expects to need the funds in January 2016 to pay for power purchase contracts. The actual date on when PUC will need these funds depends on the PUC's solicitation and negotiation of these power purchase contracts. Because of the uncertainty of the date when PUC will need these funds, the Budget and Legislative Analyst recommends placing the \$4,000,000 on Controller's Reserve.

### **\$2,200,000 Release of Budget and Finance Committee Reserve (File 15-0506)**

The requested release of \$2,200,000 will pay for seven full- and part-time CCA Program positions (5.25 FTE), one technical consulting contract, and one communications and outreach contract, for a program budget of \$2,200,000 as shown in Table 1 below.

**Table 1: Expenditure Detail for Community Choice Aggregation Program Reserves**

Expenditure Category	Amount
PUC Staff (5.25 FTE)	\$893,491
Technical Consultant (Pacific Energy Advisors)	249,370
Communications and Outreach Consultant (Darolyn Davis & Associates)	1,057,139
<b>Subtotal, Requested Release</b>	<b>\$2,200,000</b>

#### *PUC Staff Costs*

According to Mr. Hyams, the CCA project will require 5.25 full-time equivalent (FTE) positions, with first-year salary and fringe benefit costs of \$893,491. Ongoing annual salary and fringe benefit costs for these positions will be paid through CCA revenue once the project is fully operational.

PUC will transfer existing positions to the CCA program, of which 4.0 FTE are currently Hetch Hetchy Power (HHP) capital project positions (off-budget) and 1.25 FTE are paid from PUC Operating Funds, as shown in Table 2 below.

**Table 2: Proposed Positions and Originating Funds for CCA Program**

Class	Position	FTE	Amount	Filled or Vacant Position
<b>Hetch Hetchy Capital Projects</b>				
0933	Manager V	1.0	\$228,726	Vacant
1450	Executive Secretary	0.5	\$53,440	Filled
5601	Utility Analyst	2.0	\$300,950	1 Vacant; 1 Filled
5408	Coordinator of Citizen Involvement	0.5	\$80,791	Filled
Subtotal		4.0	\$663,907	
<b>PUC Operating Budget</b>				
5602	Utility Specialist	1.0	\$182,996	Filled
1825	Principal Administrative Analyst	0.25	\$46,588	Filled
Subtotal		1.25	\$229,584	
<b>Total</b>		<b>5.25</b>	<b>\$893,491</b>	

According to Mr. Carlos Jacobo, PUC Budget Manager, salary savings of \$663,907 generated by the reassignment of four positions from Hetch Hetchy Capital Projects to the CCA program will be used to backfill these four positions or will be re-allocated to other project uses. Salary savings of \$229,584 for the two positions reassigned from the PUC Operating Budget to the CCA program will result in a salary surplus in the PUC Operating Budget that will be returned to fund balance at year end.

Of the seven positions reassigned to the CCA program, two are vacant positions with salary and fringe benefit costs of \$379,201. The Budget and Legislative Analyst recommends retaining \$379,201 on Controller's Reserve, pending filling of the positions.

#### *Technical Consultant*

According to documentation provided by PUC, the technical consulting contract with Pacific Energy Advisors (PEA) will advise and support the development and implementation of the CCA Program for a total proposed budget of \$249,370. The consultant will provide technical expertise to aid the CCA team in assembling a clean-energy portfolio.

#### *Communications and Outreach Consultant*

PUC entered into a five year contract with Darolyn Davis and Associates Communications in November 2012 through October 2017, based on a competitive Request for Proposals (RFP) process, to provide marketing, advertising, outreach and customer retention services for the CCA Program. The contract was for not-to-exceed \$1,400,000, of which PUC has spent approximately \$150,000 to date, with a remaining contract amount of \$1,250,000.

The contractor will manage (1) opt-out mailings and (2) a public education and outreach campaign for the 10-month period from July 2015 to April 2016. The contractor will be required to send our four separate opt-out notice mailings during each residential enrollment phase.

Opt-out mailings will be translated into Chinese and Spanish. Public education and outreach includes advertising (television, direct mail, outdoor, online, email marketing), development of marketing materials in English, Spanish, and Chinese, and assisting PUC staff with ongoing public education and customer retention initiatives.

## **RECOMMENDATIONS**

1. Amend the proposed ordinance (File 15-0491) to place \$4,000,000 in requested funds on Controller's Reserve until the date these funds are needed for energy procurement.
2. Release \$1,820,799 of the \$2,200,000 on Budget and Finance Committee Reserve and place the remaining balance of \$379,201 on Controller's Reserve, pending the filling of the vacant positions for the CCA Program (File 15-0506).