

File No. 160470

Committee Item No. 17

Board Item No. 8

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date May 25, 2016

Board of Supervisors Meeting

Date JUNE 14, 2016

Cmte Board

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
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Completed by: Linda Wong Date May 20, 2016
 Completed by: Linda Wong Date May 21, 2016

1 [Appropriation - Revenue Bonds, Hetch Hetchy Revenue, Cap, and Trade Allowance of
2 \$158,125,530 - Re-Appropriation of \$11,332,750, and De-Appropriation of \$4,222,602 -
3 Hetch Hetchy Water and Power Capital Improvements - FYs 2016-2017 and 2017-
4 2018]

4 **Ordinance appropriating a total of \$158,125,530 of Hetch Hetchy revenue, Cap
5 and Trade Revenue and Power and Water Revenue Bonds for the San Francisco
6 Public Utilities Commission (SFPUC) Hetch Hetchy Capital Improvement Program
7 for FY2016-2017 at \$65,025,314 and for FY2017-2018 at \$93,100,216; and re-
8 appropriation of \$11,332,750 in Power Revenue Bonds fund projects in FY2016-
9 2017; de-appropriation of \$4,222,602 CEC loan and revenue funded projects; and
10 placing \$32,483,088 of Power Bonds, \$44,234,848 of Water Bonds, and \$4,200,000
11 of Cap and Trade Revenue, by project on Controller's reserve subject to the
12 Controller's certification of funds availability, including proceeds of
13 indebtedness, and for construction related expenditures (excluding program
14 management, planning and design) for these projects, as applicable, is also
15 subject to the prior occurrence of the SFPUC's and the Board of Supervisors'
16 discretionary adoption of California Environmental Quality Act (CEQA) Findings
17 for projects, following review and consideration of completed project related
18 environmental analysis, where required.**

19
20 **Note:** **Unchanged Code text and uncodified text** are in plain Arial font.
21 **Additions to Codes** are in *single-underline italics Times New Roman font*.
22 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.
23 **Board amendment additions** are in double-underlined Arial font.
24 **Board amendment deletions** are in ~~strikethrough Arial font~~.
25 **Asterisks (* * *)** indicate the omission of unchanged Code
Subsections or parts of tables.

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

1 Section 1. The sources of funding outlined below are herein appropriated to reflect the
 2 funding available for Fiscal Year 2016-2017.

3
 4 **SOURCES Appropriation**

Fund	Index Code / Project Code	Subobject	Description	Amount
5T CPF 17A – 2017A	*HHP5TCPF17A /	80111	Proceeds From	\$18,717,720
Hetchy Water Revenue Bonds	CUH30000		Sale of Bonds (Water Bonds)	
5T AAA ACP – Hetchy Continuing Capital Project Fund	UHUHZZZB505T / CUHZZZ00	9505T	Hetch Hetchy Revenue	\$38,270,000
5T CPF SIM – Developer Fees	*HHP5TCPFSIM / CUH66101	79999	Developer Mitigation Revenue	\$5,937,594
5T AAA ACP – Cap and Trade Allowance	HHPCAPAAAACP / CUHCAP00	79988	Cap and Trade Revenue	\$2,100,000
Total SOURCES Appropriation				<u>\$65,025,314</u>

1 Section 2. The uses of funding outlined below are herein appropriated in Subobject 06700
 2 Buildings Structures and Improvements, 081C4 Internal Audits, 06700 Revenue Bond
 3 Oversight Committee, and 07311 Financing Costs and reflects the projected uses of
 4 funding to support the Hetch Hetchy Capital Improvement Program at the San Francisco
 5 Public Utilities Commission for Fiscal Year 2016-2017.

6
 7 **USES Appropriation**

Fund	Index Code / Project Code	Subobject	Description	Amount
5T AAA ACP –	518961 /	06700 - Buildings	Streetlight	\$3,510,000
Hetchy Continuing Capital Project Fund	CUH89601	Structures and Improvements	Improvement Program	
5T AAA ACP –	518701 /	06700 - Buildings	Distribution	\$20,000,000
Hetchy Continuing Capital Project Fund	CUH87001	Structures and Improvements	Services Retail Customers	
5T AAA ACP –	HHPCAPAAAACP /	06700 - Buildings	Generation –	\$1,000,000
Cap and Trade Allowance	CUHCAP00	Structures and Improvements	Small Renewables	
5T AAA ACP –	HHPCAPAAAACP /	06700 - Buildings	Generation –	\$100,000
Cap and Trade Allowance	CUHCAP00	Structures and Improvements	Small Hydro	

1	Fund	Index Code /	Subobject	Description	Amount
2		Project Code			
3	5T AAA ACP –	HPCAPAAAACP /	06700 - Buildings	Civic Center	\$300,000
4	Cap and Trade	CUHCAP00	Structures and	Energy Efficiency	
5	Allowance		Improvements		
6					
7	5T AAA ACP –	HPCAPAAAACP /	06700 - Buildings	General Fund	\$700,000
8	Cap and Trade	CUHCAP00	Structures and	Energy Efficiency	
9	Allowance		Improvements		
10					
11	5T AAA ACP –	519801 -	06700 - Buildings	Treasure Island	\$2,100,000
12	Hetchy Continuing	CUH98001	Structures and	Capital	
13	Capital Project Fund		Improvements	Improvements	
14					
15	5T AAA ACP –	518641 -	06700 - Buildings	Alice Griffith/	\$4,000,000
16	Hetchy Continuing	CUH86400	Structures and	Candlestick Point	
17	Capital Project Fund		Improvements		
18					
19	5T CPF 17A – 2017A	HHPX5TCPF17A /	06700 - Buildings	Hetchy Water –	\$5,100,000
20	Hetchy Water	CUH10000	Structures and	Water	
21	Revenue Bonds		Improvements	Infrastructure	
22					
23	5T AAA ACP –	511011 /	06700 - Buildings	Hetchy Water –	\$5,800,000
24	Hetchy Continuing	CUH10100	Structures and	Power	
25	Capital Project Fund		Improvements	Infrastructure	

1	Fund	Index Code /	Subobject	Description	Amount
2		Project Code			
3	5T CPF 17A – 2017A	HHPX5TCPF17A /	06700 - Buildings	Hetchy Joint	\$2,340,000
4	Hetchy Water	CUH10200	Structures and	Projects – Water	
5	Revenue Bonds		Improvements		
6					
7	5T AAA ACP –	511021 /	06700 - Buildings	Hetchy Joint	\$2,860,000
8	Hetchy Continuing	CUH10200	Structures and	Projects – Power	
9	Capital Project Fund		Improvements		
10					
11	5T CPF 17A – 2017A	HHPX5TCPF17A /	06700 - Buildings	Mountain Tunnel	\$9,272,250
12	Water Enterprise	CUH10220	Structures and	– Joint Water	
13	Revenue Bonds		Improvements		
14					
15	5T CPF SIM –	HHP15TCPFSIM –	06700 - Buildings	Power System	\$5,937,594
16	Developer Fees	CUH66100	Structures and	Impact Mitigation	
17			Improvements		
18					
19	5T CPF 17A – 2017A	HHPX5TCPF17A /	07311 – Bond	Hetchy Water	\$1,866,060
20	Hetchy Water	CUH30000	issuance Cost	Financing Costs	
21	Revenue Bonds				
22					
23	5T CPF 17A – 2017A	HHPX5TCPF17A /	081C4 Internal	City Services	\$130,051
24	Hetchy Water	CUH30000	Audits	Auditor	
25	Revenue Bonds				

1	Fund	Index Code /	Subobject	Description	Amount
2		Project Code			
3	5T CPF 17A – 2017A	HHPX5TCPF17A /	06700	Revenue Bond	\$9,359
4	Water Enterprise	CUH30000	Programmatic	Oversight	
5	Revenue Bonds		Project Budget	Committee	
6					
7	Total USES Appropriation				<u>\$65,025,314</u>

8

9 Section 3: Of the above appropriated amount, \$130,051 representing 0.2% of the

10 expenditure budget net of bond financing and audit costs, is to be allocated and

11 available to support the Controller's Audit Fund, pursuant to Charter Appendix F1.113;

12 and \$9,359 representing 0.05% of gross bond proceeds is to be allocated and available

13 to support the Public Utilities Commission Revenue Bond Oversight Committee,

14 pursuant to Administrative Code Section 5A.31. These appropriations may be increased

15 or decreased by the Controller based on changes to expenditure appropriations or

16 actual gross bond proceeds to conform to the applicable Charter and Administrative

17 Code formulas.

18

19 Section 4: \$20,817,720 of the total appropriation is hereby placed on Controller's

20 Appropriation Reserve by project. Release of appropriation reserves by the Controller

21 is subject to the Controller's certification of funds availability, including proceeds of

22 indebtedness, and for construction related expenditures (excluding program

23 management, planning and design) for these projects, as applicable, is also subject to

24 the prior occurrence of the SFPUC's and the Board of Supervisors' discretionary

25 adoption of California Environmental Quality Act (CEQA) Findings for projects, following

1 review and consideration of completed project related environmental analysis, where
2 required.

3
4 Section 5: Associated Bond financing costs up to \$1,866,060 is also hereby
5 appropriated, including but not limited to, issuance costs, debt service reserve,
6 capitalized interest, rating agency, and disclosure costs, all on Controller's reserve
7 pending receipt of bond proceeds. To the extent that net available bond proceeds after
8 financing costs are more than budgeted, the Department may use such surplus bond
9 proceeds as a substitute for other sources budgeted in this appropriation.

10
11 Section 6: The Controller is authorized to record transfers between funds and adjust
12 the accounting treatment of sources and uses appropriated in this ordinance as
13 necessary to conform to Generally Accepted Accounting Principles.

14
15 Section 7. The sources of funding outlined below are herein appropriated to reflect the
16 funding available for Fiscal Year 2017-2018.

17
18 **SOURCES Appropriation**

Fund	Index Code / Project Code	Subobject	Description	Amount
5T CPF 17B – 2017B	*HHP5TCPF17B /	80111	Proceeds From	\$32,483,088
Hetchy Power Revenue Bonds	CUH30000		Sale of Bonds (Power bonds)	

	Fund	Index Code / Project Code	Subobject	Description	Amount
3	5T CPF 17A – 2017A	*HHP5TCPF17A /	80111	Proceeds From	\$25,517,128
4	Hetchy Water Revenue	CUH30000		Sale of Bonds	
5	Bonds			(Water Bonds)	
7	5T AAA ACP – Hetchy	UHUHZZZB505T /	9505T	Hetch Hetchy	\$33,000,000
8	Continuing Capital	CUHZZZ00		Revenue	
9	Project Fund				
11	5T AAA ACP –	HPCAPAAAACP /	79988	Cap and Trade	\$2,100,000
12	Cap and Trade	CUHCAP00		Revenue	
3	Allowance				
14	Total SOURCES Appropriation				\$93,100,216

Section 8. The uses of funding outlined below are herein appropriated in Subobject 06700 Buildings Structures and Improvements, 081C4 Internal Audits, 06700 Revenue Bond Oversight Committee and 07311 Financing Costs reflects the projected uses of funding to support the Hetch Hetchy Capital Improvement Program at the San Francisco Public Utilities Commission for Fiscal Year 2017-2018.

1 **USES Appropriation**

2	Fund	Index Code /	Subobject	Description	Amount
3		Project Code			
4	5T AAA ACP –	518961 /	06700 - Buildings	Streetlight	\$3,510,000
5	Hetchy Continuing	CUH89601	Structures and	Improvement	
6	Capital Project Fund		Improvements	Program	
7					
8	5T AAA ACP –	518701 /	06700 - Buildings	Distribution	\$20,000,000
9	Hetchy Continuing	CUH87001	Structures and	Services Retail	
10	Capital Project Fund		Improvements	Customers	
11					
12	5T AAA ACP –	HPCAPAAAACP	06700 - Buildings	Generation –	\$1,000,000
13	Cap and Trade	/ CUHCAP00	Structures and	Small Renewables	
14	Allowance		Improvements		
15					
16	5T AAA ACP –	HPCAPAAAACP	06700 - Buildings	Generation –	\$100,000
17	Cap and Trade	/ CUHCAP00	Structures and	Small Hydro	
18	Allowance		Improvements		
19					
20	5T AAA ACP –	HPCAPAAAACP	06700 - Buildings	Civic Center	\$300,000
21	Cap and Trade	/ CUHCAP00	Structures and	Energy Efficiency	
22	Allowance		Improvements		
23					
24	5T AAA ACP –	HPCAPAAAACP	06700 - Buildings	General Fund	\$700,000
25	Cap and Trade	/ CUHCAP00	Structures and	Energy Efficiency	
	Allowance		Improvements		

1	Fund	Index Code /	Subobject	Description	Amount
2		Project Code			
3	5T AAA ACP –	519801 -	06700 - Buildings	Treasure Island	\$2,100,000
4	Hetchy Continuing	CUH98001	Structures and	Capital	
5	Capital Project Fund		Improvements	Improvements	
6					
7	5T AAA ACP –	518641 –	06700 - Buildings	Alice Griffith/	\$5,000,000
8	Hetchy Continuing	CUH86401	Structures and	Candlestick Point	
9	Capital Project Fund		Improvements		
10					
11	5T CPF 17A –	HHPX5TCPF17A /	06700 - Buildings	Hetchy Water –	\$10,000,000
12	2017A Hetchy Water	CUH10000	Structures and	Water	
13	Revenue Bonds		Improvements	Infrastructure	
14					
15	5T AAA ACP –	511011 /	06700 - Buildings	Hetchy Water –	\$2,390,000
16	Hetchy Continuing	CUH10100	Structures and	Power	
17	Capital Project Fund		Improvements	Infrastructure	
18					
19	5T CPF 17B –	HHPX5TCPF17B /	06700 - Buildings	Hetchy Water –	\$13,410,000
20	2017B Hetchy Water	CUH10100	Structures and	Power	
21	Revenue Bonds		Improvements	Infrastructure	
22					
23	5T CPF 17A –	HHPX5TCPF17A /	06700 - Buildings	Hetchy Joint	\$810,000
24	2017A Hetchy Water	CUH10200	Structures and	Projects – Water	
25	Revenue Bonds		Improvements		

1	Fund	Index Code /	Subobject	Description	Amount
2		Project Code			
3	5T CPF 17B –	HHPX5TCPF17B /	06700 - Buildings	Hetchy Joint	\$990,000
4	2017B Hetchy Water	CUH10200	Structures and	Projects – Power	
5	Revenue Bonds		Improvements		
6					
7	5T CPF 17B –	HHPX5TCPF17B /	06700 - Buildings	Mountain Tunnel –	\$14,633,850
8	2017B Hetchy Water	CUH10220	Structures and	Joint Power	
9	Revenue Bonds		Improvements		
10					
11	5T CPF 17A –	HHPX5TCPF17A /	06700 - Buildings	Mountain Tunnel –	\$11,973,150
12	2017A Hetchy Water	CUH10220	Structures and	Joint Water	
13	Revenue Bonds		Improvements		
14					
15	5T CPF 17A –	HHPX5TCPF17A /	07311 – Bond	Hetchy Water	\$2,670,186
16	2017A Hetchy Water	CUH30000	issuance Cost	Financing Costs	
17	Revenue Bonds				
18					
19	5T CPF 17A –	HHPX5TCPF17A /	081C4 Internal	City Services	\$51,034
20	2017A Hetchy Water	CUH30000	Audits	Auditor	
21	Revenue Bonds				
22					
23	5T CPF 17A –	HHPX5TCPF17A /	06B00 Programmatic	Revenue Bond	\$12,758
24	2017A Hetchy Water	CUH30000	Project Budget	Oversight	
25	Revenue Bonds			Committee	

1	Fund	Index Code /	Subobject	Description	Amount
2		Project Code			
3	5T CPF 17B –	HHPX5TCPF17B /	07311 – Bond	Hetchy Power	\$3,297,830
4	2017B Hetchy	CUH30000	issuance Cost	Financing Costs	
5	Power Revenue				
6	Bonds				
7					
8	5T CPF 17B –	HHPX5TCPF17B /	081C4 Internal	City Services	\$135,166
9	2017B Hetchy	CUH30000	Audits	Auditor	
10	Power Revenue				
11	Bonds				
12					
13	5T CPF 17B –	HHPX5TCPF17B /	06700 Programmatic	Revenue Bond	\$16,242
14	2017B Hetchy	CUH30000	Project Budget	Oversight	
15	Power Revenue			Committee	
16	Bonds				
17					
18	Total USES Appropriation				\$93,100,216

20 Section 9: Of the above appropriated amount, \$186,200 representing 0.2% of the
21 expenditure budget net of bond financing and audit costs, is to be allocated and
22 available to support the Controller's Audit Fund, pursuant to Charter Appendix F1.113;
23 and \$29,000, representing 0.05% of gross bond proceeds is to be allocated and
24 available to support the Public Utilities Commission Revenue Bond Oversight
25 Committee, pursuant to Administrative Code Section 5A.31. These appropriations may

1 be increased or decreased by the Controller based on changes to expenditure
2 appropriations or actual gross bond proceeds to conform to the applicable Charter and
3 Administrative Code formulas.

4
5 Section 10: \$60,100,216 of the total appropriation is hereby placed on Controller's
6 Appropriation Reserve by project. Release of appropriation reserves by the Controller
7 is subject to the Controller's certification of funds availability, including proceeds of
8 indebtedness, and for construction related expenditures (excluding program
9 management, planning and design) for these projects, as applicable, is also subject to
10 the prior occurrence of the SFPUC's and the Board of Supervisors' discretionary
11 adoption of California Environmental Quality Act (CEQA) Findings for projects, following
12 review and consideration of completed project related environmental analysis, where
13 required.

14
15 Section 11: Associated Bond financing costs up to \$5,968,016 is also hereby
16 appropriated, including but not limited to, issuance costs, debt service reserve,
17 capitalized interest, rating agency, and disclosure costs, all on Controller's reserve
18 pending receipt of bond proceeds. To the extent that net available bond proceeds after
19 financing costs are more than budgeted, the Department may use such surplus bond
20 proceeds as a substitute for other sources budgeted in this appropriation.

21
22 Section 12: The Controller is authorized to record transfers between funds and adjust
23 the accounting treatment of sources and uses appropriated in this ordinance as
24 necessary to conform to Generally Accepted Accounting Principles.

1 Section 13. De-appropriation and Re-appropriation of \$11,332,750 in Power Revenue
 2 Bonds. The uses of funding outlined below are herein de-appropriated and re-
 3 appropriated in subobject 06700 Building Structures and Improvements and reflect the
 4 projected uses to fund the Water Enterprise Capital Budget for Fiscal Year 2016-2017.

5
 6 **USES De-appropriation**

Fund	Index Code / Project Code	Subobject	Description	Amount
5T CPF 15B – 2015B Power Enterprise Revenue Bonds	HHPX5TCPF15B / CUH10100	06700 - Buildings Structures and Improvements	Power Only	\$11,332,750
Total USES De - Appropriation				<u><u>\$11,332,750</u></u>

15 **USES Re-appropriation**

Fund	Index Code / Project Code	Subobject	Description	Amount
5T CPF 15B – 2015B Power Enterprise Revenue Bonds	HHPX5TCPF15B / CUH102220	06700 - Buildings Structures and Improvements	Mountain Tunnel - Power	\$11,332,750
Total USES Re - Appropriation				<u><u>\$11,332,750</u></u>

1 Section 14 – De-Appropriation of \$3,000,000 CEC loan and \$1,222,602 Hetch Hetchy
 2 Revenue Funded Capital Projects.

3
 4 **Sources De-Appropriation**

Fund	Index Code / Project Code	Subobject	Description	Amount
5T CPF CEC – Californian Energy Commission Loan	*HHP5TCPFCEC / CUH89601	80199	Proceeds Other L/T Obligations	\$3,000,000
5T AAA ACP – Hetchy Continuing Project Operating FD	UHUHZZZB505T / CUH99301	9505T	ITI FR 5T – HETCH HETCHY FUNDS	\$500,000
5T AAA ACP – Hetchy Continuing Project Operating FD	UHUHZZZB505T / CUH99401	9505T	ITI FR 5T – HETCH HETCHY FUNDS	\$722,602
Total Sources De-Appropriation				\$4,222,602

18
 19
 20
 21 Section 15 – De-Appropriation of uses in 06C00 Capital Projects Budgets Carryforward
 22 and request the release of \$4,222,602 of Hetch Hetchy funds on Controllers Reserve.
 23
 24
 25

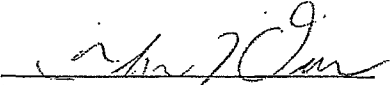
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Uses De-Appropriation

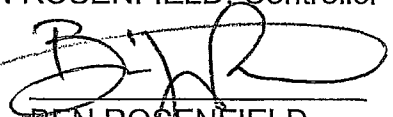
Fund	Index Code / Project Code	Subobject	Description	Amount
5T CPF CEC – Californian Energy Commission Loan	*HHPX5TCPFCEC / CUH89601	06C00	Capital Project Budget – Streetlights	\$3,000,000
5T AAA ACP – Hetchy Continuing Project Operating FD	519941 / CUH99401	06C00	Capital Project Budget – Small Hydro	\$722,602
5T AAA ACP – Hetchy Continuing Project Operating FD	519931 / CUH99301	06C00	Capital Project Budget – Small Renewables	\$500,000
Total Uses De-Appropriation				\$4,222,602

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

By: 
THOMAS OWEN
Deputy City Attorney

FUNDS AVAILABLE
BEN ROSENFELD, Controller

By: 
BEN ROSENFELD
Controller

Items 15, 16 and 17**Files 16-0475, 16-0473 & 16-0470****Department:**

Public Utilities Commission

EXECUTIVE SUMMARY**Legislative Objectives**

File 16-0475 is a request to release \$2,760,666 in System Impact Mitigation Agreement funds from Budget and Finance Committee reserve.

File 16-0473 authorizes SFPUC to issue and sell tax-exempt or taxable Hetch Hetchy Power Bonds in an aggregate principal amount of \$32,483,088.

File 16-0470 (a) appropriates \$158,125,530 to Hetch Hetchy Capital Projects in FY 2016-17 and FY 2017-18, including re-appropriation of \$4,222,602 from prior appropriations, and (b) re-appropriates \$11,332,750 in previously appropriated Power Bonds to Mountain Tunnel Power Projects, for a total appropriation of \$169,458,280.

Key Points

- The Board of Supervisors authorized the SFPUC to sale up to \$112,346,843 in Power Bonds in March 2014 (File 14-0482), which was the first time that SFPUC's Hetch Hetchy Power Enterprise was authorized to sell bonds. The proposed ordinance would authorize SFPUC to issue an additional \$32,483,088 in Power Bonds, totaling \$144,829,931.
- The Hetch Hetchy 10-Year Capital Plan provides for \$1.0 billion in Hetch Hetchy water and power capital project expenditures through FY 2025-26. Hetch Hetchy power capital projects include: (a) power infrastructure improvements, (b) street lighting improvements, (c) development of electricity capacity at Treasure Island and Alice Griffith/Candlestick Point, (d) generation of electricity from renewable sources, and (e) energy efficiency projects. Hetch Hetchy joint water and power projects include improvements to water and power infrastructure at Moccasin.

Fiscal Impact

- The Power Bonds are repaid from SFPUC Hetch Hetchy Power Enterprise revenues, which are generated largely from the sale of electricity. Currently, SFPUC charges different electricity rates to different customers. The Airport, Port, and SFPUC pay rates equal to rates set by Pacific, Gas and Electric (PG&E). Other City departments pay the different rates shown in Table 4 below. The SFPUC adopted new rates for the other City departments in FY 2016-17 and FY 2017-18, increasing the rates by 0.50 cents per kilowatt hour (kWh) in each year.

Policy Consideration

- The SFPUC's policy is to seek bond authorization and capital program appropriation approval from the Board of Supervisors, and subsequently submit legislation to the Board of Supervisors to approve the actual sale of the bonds. However, the proposed ordinance approves the sale of the bonds without further Board of Supervisors approval.

Recommendations

- Amend File 16-0473 to specify that SFPUC will submit future legislation to the Board of Supervisors to approve the sale of bonds authorized by the subject ordinance (other than refunding bonds), and the related offering and financing documents.
- Approve File 16-0473 as amended, File 16-0470, and File 16-0475.

MANDATE STATEMENT

Charter Section 9.107(6, 8) states that the Board of Supervisors is authorized to provide for the issuance of revenue bond issued for the purpose of the reconstruction or replacement of existing water facilities or electric power facilities or combinations of water and electric power facilities under the jurisdiction of the Public Utilities Commission, when authorized by resolution adopted by a three-fourths affirmative vote of all members of the Board of Supervisors; and issued to finance or refinance the acquisition, construction, installation, equipping, improvement or rehabilitation of equipment or facilities for renewable energy and energy conservation.

Charter Section 5A.31(d) states that one-twentieth of one percent from the proceeds of each issuance or sale of public utility revenue bonds must be set aside for use by the Public Utilities Commission Revenue Bond Oversight Committee to cover the costs of Committee activities.

Charter Section 9.105 states that the Board of Supervisors shall approve by ordinance all amendments to the Annual Appropriation Ordinance after the Controller certifies the availability of funds.

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

The San Francisco Public Utilities Commission's (SFPUC) Hetch Hetchy Enterprise is responsible for power trading and scheduling, customer relations and billing, in-City facilities, distribution infrastructure, street lights, public policy and financial planning. The Hetch Hetchy Enterprise is also responsible for all water and power facilities at Hetch Hetchy. Power sales must generate sufficient revenues to fund the Hetch Hetchy Enterprise's operating expenses and capital program.

DETAILS OF PROPOSED LEGISLATION

File 16-0473 is an ordinance authorizing SFPUC to issue and sell tax-exempt or taxable Hetch Hetchy Power Bonds in an aggregate principal amount of \$32,483,088.

File 16-0470 is an ordinance (a) appropriating \$158,125,530 to Hetch Hetchy Capital Projects in FY 2016-17 and FY 2017-18, including re-appropriation of \$4,222,602 from prior appropriations, and (b) re-appropriating \$11,332,750 in previously appropriated Power Bonds to Mountain Tunnel Power Projects, for a total appropriation of \$169,458,280.

File 16-0475 is a request to release \$2,760,666 in System Impact Mitigation Agreement funds from Budget and Finance Committee reserve.

File 16-0473: Power Bonds

The Board of Supervisors authorized the SFPUC to sale up to \$112,346,843 in Power Bonds in March 2014 (File 14-0482), which was the first time that SFPUC's Hetch Hetchy Power Enterprise was authorized to sell bonds. The Board of Supervisors amended the Administrative Code in March 2015 to specify the procedures for the SFPUC to sell Power Bonds (File 15-0078). The proposed ordinance would authorize SFPUC to issue an additional \$32,483,088 in Power Bonds, for total Power Bond authorization of \$144,829,931.

Approval of the proposed ordinance (File 16-0473) would:

- Authorize SFPUC to sell \$32,483,088 in Power Bonds at a maximum interest rate of 12 percent per year. SFPUC could sell the bonds in series at a time and in an amount and manner (competitive or negotiated sale) determined by SFPUC.
- Authorize SFPUC to sell refunding bonds to refund outstanding Power Bonds or other debt without further Board of Supervisors approval. According to the proposed ordinance, SFPUC could only sell the refunding bonds if they achieved at least 3 percent net present value debt service savings. Authorization to sale refunding bonds would expire on June 30, 2018.
- Provide for SFPUC to reimburse prior capital project expenditures with bond proceeds as allowed by federal income tax principles.
- Ratify actions taken by the SFPUC and other City officials in connection with the issuance of the Power Bonds.

File 16-0470 Appropriation to Support Hetch Hetchy Capital Improvement Program

The Public Utilities Commission approved the SFPUC 10-Year Capital Plan for FY 2016-17 through FY 2025-26 in January 2016. The 10-Year Capital Plan provides for \$1.0 billion in Hetch Hetchy water and power capital project expenditures through FY 2025-26, funded primarily by Power Bonds, Water Bonds, operating revenue, and Cap and Trade Allowances¹.

Components of the Hetch Hetchy power capital projects include: (a) power infrastructure improvements, (b) street lighting improvements, (c) development of electricity capacity at Treasure Island and Alice Griffith/Candlestick Point, (d) generation of electricity from renewable sources, and (e) energy efficiency projects. Components of Hetch Hetchy joint water and power projects (funded by 55 percent power sources and 45 percent water sources) include improvements to water and power infrastructure at Moccasin.

The total appropriation to Hetch Hetchy water and power capital projects in FY 2016-17 and FY 2017-18 is \$169,458,280, as shown in Table 1 below.

¹ The California Cap and Trade Program sets greenhouse gas emission allowances for public and private utilities and other agencies; agencies that do not fully use their greenhouse gas emission allowance can sell the allowance to other agencies.

Table 1: Capital Appropriation FY 2016-17 and FY 2017-18

	FY 2016-17	FY 2017-18	Two Year Total
Sources of Funds			
<u>Appropriation</u>			
Water Bonds (File 16-0472) ^a	\$18,717,720	\$25,517,128	\$44,234,848
Power Bonds (File 16-0473) ^a		32,483,088	32,483,088
Capital Project Fund	38,270,000	33,000,000	71,270,000
System Impact Mitigation Fees (see below)	5,937,594	0	5,937,594
Cap and Trade Allowance ^a	2,100,000	2,100,000	4,200,000
Subtotal	65,025,314	93,100,216	158,125,530
De-appropriation Power Bonds	11,332,750	0	11,332,750
Total Sources	\$76,358,064	\$93,100,216	\$169,458,280
Uses of Funds			
Mountain Tunnel Project	\$20,605,000	\$26,607,000	\$47,212,000
Other Joint Water and Power Projects	5,200,000	1,800,000	7,000,000
Subtotal Joint Water and Power Projects	25,805,000	28,407,000	54,212,000
Power Infrastructure	5,800,000	15,800,000	21,600,000
Water Infrastructure	5,100,000	10,000,000	15,100,000
Energy Efficiency	1,000,000	1,000,000	2,000,000
Renewable and Small Hydroelectric	1,100,000	1,100,000	3,422,602
Retail Customers' Distribution Services	20,000,000	20,000,000	40,000,000
Streetlight Improvements	3,510,000	3,510,000	10,020,000
Treasure Island	2,100,000	2,100,000	4,200,000
Alice Griffith/ Candlestick Park	4,000,000	5,000,000	9,000,000
Subtotal Capital Plan Projects	\$68,415,000	\$86,917,000	\$155,332,000
Warnerville Substation Upgrades (Table 4)	5,937,594		5,937,594
Bond Financing and Oversight	2,005,470	6,183,216	8,188,686
Total Uses	\$76,358,064	93,100,216	\$169,458,280

Source: Hetch Hetchy 10-Year Capital Plan, Appropriation Ordinance, Public Utilities Commission Documents

^a Placed on Controller's Reserve

\$20,817,720 of the FY 2016-17 appropriation and \$60,100,216 of the FY 2017-18 appropriation are placed on Controller's Reserve pending receipt of the Water and Power Bond proceeds.

Descriptions of the proposed projects are included in the attachment.

File 16-0475 System Impact Mitigation Agreement Fees and Warnerville Substation Upgrades

The Board of Supervisors approved an ordinance (File 12-1007) in January 2013 that (1) authorized the San Francisco Public Utilities Commission (SFPUC) to enter into a System Impact Mitigation Agreement with North Star Solar, LLC (North Star), providing for North Star Solar to pay SFPUC the costs necessary to mitigate the impacts to the City's electric system caused by the interconnection of North Star's solar power project to the electric grid; (2) authorized SFPUC to enter into future mitigation agreements with other projects without further Board of Supervisors approval; and (3) appropriated \$2,900,000 in North Star mitigation payments to SFPUC. The Board of Supervisors placed the \$2,900,000 on Budget and Finance Committee Reserve; and required that any future funds in excess of \$100,000 for a given mitigation agreement be placed on Budget and Finance Committee reserve.

SFPUC has System Impact Mitigation Agreements with six private energy companies that connect to the electric grid at the SFPUC's Warnerville Substation in Modesto Country. SFPUC has received \$9,073,260 in mitigation fee revenues, shown in Table 2 below, of which the Board of Supervisors previously appropriated \$3,135,666 (File 12-1007) and \$5,937,594 would be appropriated under the proposed ordinance (File 16-0470).

Table 2: System Impact Mitigation Agreement Fee Revenues

Developer	Project Name	Mitigation Fees
Enco	Corcoran West	\$557,548
SunEdison	FRV Regulus Solar	470,026
North Star Solar	North Star Solar I	1,693,173
Recurrent	Kent South	414,919
Adera Solar	Chowchilla	2,200,000
Sunpower	Henrietta	<u>3,737,594</u>
Total		\$9,073,260
Previously Appropriated (File 12-0007)		<u>(3,135,666)</u>
Proposed Appropriation (File 16-0470)		\$5,937,594

Of the \$3,135,666 previously appropriated by the Board of Supervisors, \$375,000 was allocated to planning, design and permitting for a project to upgrade the Warnerville Substation and \$2,760,666 was placed on Budget and Finance Committee reserve. File 16-0475 would release the \$2,760,666 from Budget and Finance Committee reserve.

The Warnerville Substation upgrade project budget is \$16,523,601, as shown in Table 3 below.

Table 3: Warnerville Substation Upgrade Project Budget

Sources	
System Impact Mitigation Fees (File 12-1007)	\$3,135,666
System Impact Mitigation Fees (File 16-0470)	<u>5,937,594</u>
Subtotal, System Impact Mitigation Fees	9,073,260
Hetch Hetchy Capital Project Fund (Prior Board of Supervisors' Appropriations)	<u>7,450,575</u>
Total Sources	\$16,523,835
Uses	
Design, Permitting, Environmental Documentation, Construction Management, Other	\$4,406,294
Design-Build Contract	11,015,734
Contingency (10% of Design-Build Contract)	<u>1,101,573</u>
Total Uses	\$16,523,601

SFPUC advertised the design-build contract in April 2016, and plans to select a contractor and issue a notice to proceed in July 2016.

FISCAL IMPACT

The Public Utilities Commission annually adopts a 10-Year Capital Plan and 10-Year Financial Plan in accordance with Charter Section 8B.123. The 10-Year Financial Plan evaluates the SFPUC's revenue requirements for the Water Enterprise, Wastewater Enterprise and Hetch Hetchy Enterprise to fund operations, maintenance and capital investment activities. The Public Utilities Commission adopted the FY 2016-17 to FY 2025-26 Capital Plan and Financial Plan at the February 9, 2016 Commission meeting.

Electricity Rate Increases in FY 2016-17 and FY 2017-18

The Power Bonds are repaid from SFPUC Hetch Hetchy Power Enterprise revenues, which are generated largely from the sale of electricity. Currently, SFPUC charges different electricity rates to different customers. The Airport, Port, and SFPUC pay rates equal to rates set by Pacific, Gas and Electric (PG&E). Other City departments pay the different rates shown in Table 4 below. The SFPUC adopted new rates for the other City departments in FY 2016-17 and FY 2017-18, increasing the rates by 0.50 cents per kilowatt hour (kWh) in each year, as shown in Table 4 below.

Table 4: FY 2015-16 Electric Rates Adopted by the SFPUC

	FY 2015-16 Rates	FY 2016-17 Rates	FY 2017-18 Rates
General Fund Departments	6.75 ¢/kWh	7.25 ¢/kWh	7.75 ¢/kWh
Public Libraries	10.13 ¢/kWh	10.63 ¢/kWh	11.13 ¢/kWh
Moscone Convention Center Facilities	8.70 ¢/kWh	9.20 ¢/kWh	9.70 ¢/kWh
San Francisco General Hospital	3.70 ¢/kWh	4.20 ¢/kWh	4.70 ¢/kWh
Laguna Honda Hospital	4.49 ¢/kWh	4.99 ¢/kWh	5.49 ¢/kWh
Public Buildings & City Street Lights	3.00 ¢/kWh	3.50 ¢/kWh	4.00 ¢/kWh

Source: Public Utilities Commission

In accordance with Charter Section 8B.125, the SFPUC is responsible for setting the rates, fees and other charges for the sale of electricity. The SFPUC's action on all rates, fees and charges is subject to rejection, within 30 days of submission, by resolution of the Board of Supervisors. If the Board of Supervisors does not act within 30 days, the SFPUC proposed rates become effective without further Board of Supervisors action.

POLICY CONSIDERATION

According to the SFPUC's Chief Financial Officer, the SFPUC's policy is to seek bond authorization and capital program appropriation approval from the Board of Supervisors, and subsequently submit legislation to the Board of Supervisors to approve the actual sale of the

bonds and associated financing documents. Therefore, SFPUC will submit future legislation to the Board of Supervisors to approve the sale of up to \$32,483,088 in Power Bonds.²

However, according to the proposed ordinance (File 16-0473), the "Board hereby authorizes the issuance and sale of Power Bonds and other forms of indebtedness in one or more series from time to time by the Commission pursuant to the Charter...in an aggregate principal amount not to exceed \$32,483,088..." While the proposed ordinance requires Public Utilities Commission approval of the final offering document related to the sale of bonds and related financing documents, the proposed ordinance does not require Board of Supervisors approval. Therefore, the File 16-0473 should be amended to specify that SFPUC will submit future legislation to the Board of Supervisors to approve the sale of bonds authorized by the subject ordinance (other than refunding bonds), and the related offering and financing documents.

RECOMMENDATIONS

1. Amend File 16-0473 to specify that SFPUC will submit future legislation to the Board of Supervisors to approve the sale of bonds authorized by the subject ordinance (other than refunding bonds), and the related offering and financing documents.
2. Approve File 16-0473 as amended, File 16-0470, and File 16-0475.

² The SFPUC will not submit legislation to the Board of Supervisors to approve refunding bonds that comply with the provisions of the proposed ordinance (File 16-0473), which are discussed above.

Attachment

Project	Description
Mountain Tunnel and Joint Water and Power Projects	<ul style="list-style-type: none"> The Mountain Tunnel conveys water from Kirkwood Powerhouse to Priest Reservoir. The Mountain Tunnel Project consists of (1) access improvements and an emergency restoration plan, (2) inspection and repair, and (3) rehabilitation of the existing tunnel or construction of a new 12-mile bypass tunnel. SFPUC will inspect the tunnel in 2017 to update the 2008 condition assessment, and make short-term repairs to the tunnel in 2017 and 2018.
Power Infrastructure	<ul style="list-style-type: none"> Renewal and replacement to Hetch Hetchy transmission and clearance mitigation and improvements to Kirkwood Penstock and Powerhouse.
Water Infrastructure	<ul style="list-style-type: none"> Upgrades for increased capacity and reliability to the Hetch Hetchy Water Infrastructure, including continued rehabilitation of the San Joaquin Pipeline.
Energy Efficiency	<ul style="list-style-type: none"> Planning, design and construction of building system improvements in developing the green Civic Center Sustainable District in accordance with the partnership MOU with the Clinton Global Initiative. This effort will employ new technologies in building management and energy efficiency, and obtain LEED certification for upgraded buildings from US Green Building Council. Energy efficiency investments in facilities of Power Enterprise's General Fund-rate customers. Funds cover the planning, design and construction of energy efficiency projects for "direct install" projects, as well as technical assistance and project assistance for departments with their own capital funds.
Renewable and Small Hydroelectric	<ul style="list-style-type: none"> Municipal renewable energy projects: site identification, site development, RFQ qualification process, RFP preparation, bidding process, contract negotiation, award of contracts, and management of construction and commissioning. Ongoing development support for the Calaveras Small Hydroelectric Plant (1MW, 7,000 MWH annually) to be constructed at the Sunol Filter Plant.
Retail Customers' Distribution Services	<ul style="list-style-type: none"> Design and construction of transmission and distribution facilities to serve new retail customers.
Streetlight Improvements	<ul style="list-style-type: none"> Various street lighting improvements, replacement & repairs, engineering and construction costs.
Treasure Island	<ul style="list-style-type: none"> The future development of Treasure Island (TI) will have a brand new underground 12-kV electrical distribution system on-island replacing the existing overhead 12-kV system.
Alice Griffith/Candlestick Park	<ul style="list-style-type: none"> This project provides for the second phase of development at Hunters Point Shipyard, Candlestick Point, and the Alice Griffith Housing Complex. The project will require the installation of new underground 12- kilovolt (kV) electrical distribution system in all three areas.

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE
MAYOR

May 2, 2016

Angela Calvillo, Clerk of the Board of Supervisors
City Hall, 1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Dear Ms. Calvillo:

Attached is the Mayor's proposed May 1 Budget comprised of the following 13 departments: Airport Commission, Board of Appeals, Child Support Services, Environment, Law Library, the Public Library, Municipal Transportation Agency, Port, Public Utilities Commission, Rent Board, Retirement System, and Office of County Education. Also attached are the following 11 pieces of legislation:

- One supplemental appropriation ordinance for the Two-Year Capital Budgets for the Municipal Transportation Authority (MTA)
- One resolution approving the issuance and sale of revenue bonds by the MTA
- One supplemental appropriation ordinance for Mission Bay Improvement Fund for Warrior Arena Improvement Capital Projects for the MTA
- One supplemental appropriation ordinance for surplus revenue and reappropriation for debt service payment for the Public Library
- Three supplemental appropriation ordinances for the Two-Year Capital Budgets of each of the Public Utilities Commission (PUC) Enterprises – Water, Wastewater, and Hetch Hetchy
- Three resolutions approving the issuance and sale of Power, Water, and Wastewater revenue bonds by the PUC
- One Proposition J Contract/Certification resolution of Specified Contracted-Out Services Previously Approved for Enterprise Departments (MTA, PUC, Airport, and Port)

Additionally, there are two letters attached; one memo from the Controller related to the MTA budget and a release of reserve request for the PUC. We request that all items be scheduled for the May 18, 2016 Budget and Finance meeting.

If you have any questions please feel free to contact me at 554-6253.

Sincerely,

A handwritten signature in black ink, appearing to read "Melissa Whitehouse".

Melissa Whitehouse
Mayor's Budget Director, Acting

cc: Members of the Board of Supervisors
Harvey Rose
Controller

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200
SAN FRANCISCO, CALIFORNIA 94102-4681
TELEPHONE: (415) 554-6141

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