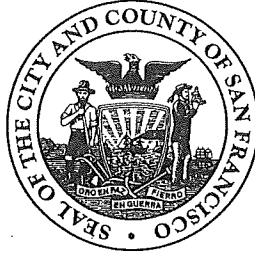


BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

BUDGET AND FINANCE COMMITTEE

SAN FRANCISCO BOARD OF SUPERVISORS

TO: Supervisor Sandra Lee Fewer, Chair
Budget and Finance Committee

FROM: Linda Wong, Assistant Clerk

DATE: June 17, 2019

SUBJECT: **COMMITTEE REPORT, BOARD MEETING**
Tuesday, June 18, 2019

The following file should be presented as a **COMMITTEE REPORT** at the Board meeting on Tuesday, June 18, 2019, at 2:00 p.m. This item was acted upon at a Special Committee Meeting on June 14, 2019, at 10:00 a.m., by the votes indicated.

Item No. 49 File No. 190545

Ordinance appropriating \$27,922,599 of Hetch Hetchy Power and Water Revenue Bonds for the San Francisco Public Utilities Commission (SFPUC) Hetch Hetchy Capital Improvement Program for FY2019-2020, decreasing Hetch Hetchy Power and Water Revenue and increasing Hetch Hetchy Power and Water Revenue Bond sources by \$21,561,397 and de-appropriating and re-appropriating \$75,911,397 of Hetch Hetchy Capital Project appropriations for FY2019-2020, approved by Ordinance No. 139-18, de-appropriation of \$15,000,000 Streetlight funding in FY2018-2019 and placing \$27,922,599 of Power and Water Bonds, by project on Controller's reserve subject to the Controller's certification of funds availability, including proceeds of indebtedness, and for construction related expenditures (excluding program management, planning and design) for these projects, as applicable, is also subject to the prior occurrence of the SFPUC's and the Board of Supervisors' discretionary adoption of California Environmental Quality Act findings for projects, following review and consideration of completed project related environmental analysis, where required.

RECOMMENDED AS A COMMITTEE REPORT

Vote: Supervisor Sandra Lee Fewer - Aye
Supervisor Catherine Stefani - Aye
Supervisor Rafael Mandelman - Aye
Supervisor Hillary Ronen - Aye
Supervisor Norman Yee - Aye

c: Board of Supervisors
Angela Calvillo, Clerk of the Board
Jon Givner, Deputy City Attorney
Alisa Somera, Legislative Deputy Director

File No. 190545

Committee Item No. 4

Board Item No. 49

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date June 14, 2019

Board of Supervisors Meeting Date June 18, 2019

Cmte Board

- | | | |
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| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
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| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
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| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
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Completed by: Victor Young Date June 7, 2019

Completed by: Linda Wong Date June 17, 2019

1 [Appropriation - Hetch Hetchy Power and Water Revenue Bonds - Power Capital
2 Improvements - \$27,922,599 - FY2019-20 - De-Appropriation and Re-Appropriation - Capital
3 Projects - \$75,911,397 - De-Appropriation Power Capital Projects - \$15,000,000 -
4 FY2018-19]

4 **Ordinance appropriating \$27,922,599 of Hetch Hetchy Power and Water Revenue**
5 **Bonds for the San Francisco Public Utilities Commission (SFPUC) Hetch Hetchy**
6 **Capital Improvement Program for FY2019-2020, decreasing Hetchy Power and Water**
7 **Revenue and increasing Hetchy Power and Water Revenue Bond sources by**
8 **\$21,561,397 and de-appropriating and re-appropriating \$75,911,397 of Hetch Hetchy**
9 **Capital Project appropriations for FY2019-2020, approved by Ordinance No. 139-18,**
10 **de-appropriation of \$15,000,000 Streetlight funding in FY2018-2019 and placing**
11 **\$27,922,599 of Power and Water Bonds, by project on Controller's reserve subject to**
12 **the Controller's certification of funds availability, including proceeds of indebtedness,**
13 **and for construction related expenditures (excluding program management, planning**
14 **and design) for these projects, as applicable, is also subject to the prior occurrence of**
15 **the SFPUC's and the Board of Supervisors' discretionary adoption of California**
16 **Environmental Quality Act findings for projects, following review and consideration of**
17 **completed project related environmental analysis, where required.**

18
19 Note: **Unchanged Code text and uncodified text** are in plain Arial font.
20 **Additions to Codes** are in *single-underline italics Times New Roman font*.
21 **Deletions to Codes** are in ~~*strikethrough italics Times New Roman font*~~.
22 **Board amendment additions** are in double-underlined Arial font.
23 **Board amendment deletions** are in ~~strikethrough Arial font~~.
24 **Asterisks (* * *)** indicate the omission of unchanged Code
25 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 2019-2020.

3
 4 **SOURCES Appropriation**

| 5 | Fund / | Project & Activity / | Account | Description | Amount |
|----|------------------------------------|----------------------|----------------|--------------|---------------------|
| 6 | Department ID | Authority | | | |
| 7 | 25353 Hetchy Power | 10014121_0001 Hetchy | 480111 | Proceeds | |
| 8 | Bond Fund / | Water/Power Bonds / | Proceeds from | from Sale of | \$25,745,570 |
| 9 | 231621 HHP01 | 15366 UH Hetchy | Sale of Bonds- | Bonds | |
| 10 | Gen Admin | Power Bonds | | | |
| 11 | | | | | |
| 12 | 25352 Hetchy Water | 10014121_0001 Hetchy | 480111 | Proceeds | \$2,177,029 |
| 13 | Bond Fund / | Water/Power Bonds / | Proceeds from | from Sale of | |
| 14 | 231621 HHP01 | 15366 UH Hetchy | Sale of Bonds- | Bonds | |
| 15 | Gen Admin | Water Bonds | | | |
| 16 | Total SOURCES Appropriation | | | | <u>\$27,922,599</u> |

17
 18 Section 2. The uses of funding outlined below are herein appropriated in Account 567000
 19 Buildings Structures and Improvements, 581130 Internal Audits, 573110 (Bond Issuance
 20 Cost-Unamortized), and 567000 Revenue Bond Oversight Committee, and reflects the
 21 projected uses of funding to support the Hetch Hetchy Capital Improvement Program at the
 22 San Francisco Public Utilities Commission for Fiscal Year 2019-2020.

1 USES Appropriation

| 2 | Fund / | Project & Activity / | Account | Description | Amount |
|----|----------------------|----------------------|--------------------|---------------|--------------|
| 3 | Department ID | Authority | | | |
| 4 | 25353 Hetchy Power | 10014227_0001 | 567000 | Bay Corridor | \$19,000,000 |
| 5 | Bond Fund / | Bay Corridor | Blds; Structures & | Project | |
| 6 | 298648 HHP0903 | Project / | Improvements | | |
| 7 | Energy Services | 15372 Distribution | | | |
| 8 | | Services | | | |
| 9 | | | | | |
| 10 | 25353 Hetchy Power | 10014121_0001 | 573110 | Hetchy | \$6,661,559 |
| 11 | Bond Fund / | Hetchy Water / | Bond Issuance | Power | |
| 12 | 298647 HHP0901 | Power Bonds | Cost-Unamortized | Financing | |
| 13 | Power Administration | /15366 UH Hetchy | | Costs | |
| 14 | | Water-power Bonds | | | |
| 15 | | | | | |
| 16 | 25353 Hetchy Power | 10014121_0001 | 581130 | City Services | |
| 17 | Bond Fund / | Hetchy Water / | GF-CON-Internal | Auditor | \$61,529 |
| 18 | 298647 HHP0901 | Power Bonds / | Audits | | |
| 19 | Power Administration | 15366 UH Hetchy | | | |
| 20 | | Water-power Bonds | | | |

| 1 | Fund / | Project & Activity / | Account | Description | Amount |
|----|---------------------------------|----------------------|--------------------|-----------------|---------------------|
| 2 | Department ID | Authority | | | |
| 3 | 25353 Hetchy Power | 10014121_0001 | 567000 | Revenue | |
| 4 | Bond Fund / | Hetchy Water / | Blds; Structures & | Bond | \$22,482 |
| 5 | 298647 HHP0901 | Power Bonds / | Improvements | Oversight | |
| 6 | Power Administration | 15366 UH Hetchy | | Committee | |
| 7 | | Water-power Bonds | | | |
| 8 | | | | | |
| 9 | 25352 Hetchy Water | 10014121_0001 | 573110 | Hetchy Water | \$2,169,772 |
| 10 | Bond Fund /298646 | Hetchy Water / Power | Bond Issuance | Financing Costs | |
| 11 | HHP10 Hetchy Water | Bonds / 15366 UH | Costs | | |
| 12 | | Hetchy | | | |
| 13 | | Water Bonds | | | |
| 14 | | | | | |
| 15 | 25352 Hetchy Water | 10014121_0001 | 567000 | Revenue Bond | \$7,257 |
| 16 | Bond Fund /298646 | Hetchy Water / Power | Blds; Structures | Oversight | |
| 17 | HHP10 Hetchy Water | Bonds / | & Improvements | Committee | |
| 18 | | 15366 UH Hetchy | | | |
| 19 | | Water Bonds | | | |
| 20 | | | | | |
| 21 | Total USES Appropriation | | | | <u>\$27,922,599</u> |

23 Section 3: Of the above appropriated amount, \$61,529 representing 0.2% of the
24 expenditure budget net of bond financing and audit costs, is to be allocated and
25 available to support the Controller's Audit Fund, pursuant to Charter Appendix F1.113;

1 and \$22,482 representing 0.05% of gross bond proceeds is to be allocated and
2 available to support the San Francisco Public Utilities Commission Revenue Bond
3 Oversight Committee, pursuant to Administrative Code Section 5A.31.
4

5 Section 4: \$27,922,599 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 A) proceeds of
8 indebtedness; B) receipt of commercial paper proceeds used as interim financing until
9 issuance of revenue bonds; and C) availability of commercial paper capacity authorizing
10 the San Francisco Public Utilities Commission to issue commercial paper as interim
11 financing for bond-funded capital projects and receipt from SFPUC of verification of
12 available commercial paper capacity; and for construction related expenditures
13 (excluding program management, planning and design) for these projects, as
14 applicable, is also subject to the prior occurrence of the SFPUC's and the Board of
15 Supervisors' discretionary adoption of California Environmental Quality Act (CEQA)
16 Findings for projects, following review and consideration of completed project related
17 environmental analysis, where required.
18

19 Section 5: Associated Bond financing costs up to \$8,831,331 is also hereby
20 appropriated, including but not limited to, issuance costs, debt service reserve,
21 capitalized interest, rating agency, and disclosure costs, all on Controller's reserve
22 pending receipt of bond proceeds.
23
24
25

1 Section 6. Decreasing Hetchy Revenue and increasing Hetchy Power and Water
 2 Revenue Bond sources by \$21,561,397 and de-appropriating and re-appropriating
 3 \$75,911,397 in Hetchy Capital Improvement uses for FY 2019-20, approved by
 4 Ordinance 139-18, The sources of funding outlined below are herein appropriated to
 5 reflect the funding available for Fiscal Year 2019-2020.

6
 7 **SOURCES De - Appropriation**

| 8 Fund / | Project & Activity / | Account | Description | Amount |
|--|----------------------|-----------------|--------------|------------------------------|
| 9 Department ID | Authority | | | |
| 10 24990 HHWP | 10014672_0001 | 495029 | Hetch Hetchy | (\$21,561,397) |
| 11 Revenue Continuing / | HHp:Revenue | ITI Fr 5T-Hetch | Revenue | |
| 12 231621 HHP01 | Transfer-Sub Fund / | Hetchy W&P Fds | | |
| 13 General Administration | 15405 UH HHP | | | |
| 14 | Revenue Transfer | | | |
| 15 Total SOURCES De-Appropriation | | | | <u><u>(\$21,561,397)</u></u> |

16
 17 **SOURCES Re - Appropriation**

| | | | | |
|-------------------------|-------------------|---------------|-----------|-------------|
| 18 25353 Hetchy Power | 10014121_0001 | 480111 | Proceeds | \$9,224,897 |
| 19 Bond Fund / | Hetchy Water / | Proceeds from | From Sale | |
| 20 231621 HHP01 General | Power Bonds / | Sale of Bonds | of Bonds | |
| 21 Administration | 15366 UH Hetchy | | | |
| 22 | Water-Power Bonds | | | |

| | | | | | |
|---|----------------------|-------------------|---------------|-----------|--------------|
| 1 | 25352 Hetchy Water | 10014121_0001 | 480111 | Proceeds | \$12,336,500 |
| 2 | Bond Fund / | Hetchy Water / | Proceeds from | From Sale | |
| 3 | 231621 HHP01 General | Power Bonds / | Sale of Bonds | of Bonds | |
| 4 | Administration | 15366 UH Hetchy | | | |
| 5 | | Water-Power Bonds | | | |

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Total SOURCES Re-Appropriation

\$21,561,397

Section 7. The uses of funding outlined below are herein appropriated in account 567000 Buildings Structures and Improvements, 581130 Internal Audits, 573110 (Bond Issuance Cost-Unamortized), and 567000 Revenue Bond Oversight Committee and reflects the projected uses of funding to support the Hetch Hetchy Capital Improvement Program at the San Francisco Public Utilities Commission for Fiscal Year 2019-2020.

USES De - Appropriation

| Fund / | Project & Activity / | Account | Description | Amount |
|----------------------|----------------------|-----------------|--------------|----------------|
| Department ID | Authority | | | |
| 24990 HHWP | 10014227_0001 | 584030 | Bay Corridor | (\$21,000,000) |
| Revenue Continuing / | Bay Corridor | Capital Renewal | Project | |
| 298648 HHP0903 | Project / 15372 | Projects | | |
| Energy Services | Distribution | | | |
| | Services | | | |

| 1 | Fund / | Project & Activity / | Account | Description | Amount |
|----|----------------------|----------------------|-----------------|-------------------|---------------|
| 2 | Department ID | Authority | | | |
| 3 | 24990 HHWP | 10014576_0001 | 584030 | Treasure Island | (\$1,707,065) |
| 4 | Revenue Continuing / | Treasure Island | Capital Renewal | Capital | |
| 5 | 298648 HHP0903 | Capital Improv / | Projects | Improvements | |
| 6 | Energy Services | 15391 UH Treasure | | | |
| 7 | | Island Capital | | | |
| 8 | | Improvements | | | |
| 9 | | | | | |
| 10 | 24990 HHWP | 10014221_0001 | 584030 | Alice Griffith/ | (\$7,814,332) |
| 11 | Revenue Continuing / | Alice | Capital Renewal | Candlestick Point | |
| 12 | 298648 HHP0903 | Griffith/Candlestick | Projects | | |
| 13 | Energy Services | Point / 15371 UH | | | |
| 14 | | Alice Griffith- | | | |
| 15 | | Candlestick Point | | | |
| 16 | | | | | |
| 17 | 24990 HHWP | 10014226_0001 | 584030 | Distribution | (\$7,000,000) |
| 18 | Revenue Continuing / | Distribution | Capital Renewal | Services Retail | |
| 19 | 298648 HHP0903 | Services Retail | Projects | | |
| 20 | Energy Services | Customers / | | | |
| 21 | | 15372 Distribution | | | |
| 22 | | Services | | | |
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| Fund / | Project & Activity / | Account | Description | Amount |
|--------------------|----------------------|--------------------|-----------------|----------------|
| Department ID | Authority | | | |
| 25353 Hetchy Power | 10014121_0001 | 567000 | Streetlights | (\$6,010,000) |
| Bond Fund / | Hetchy | Bids; Structures & | | |
| 298648 HHP0903 | Water/Power Bonds | Improvements | | |
| Energy Services | / 15377 Streetlights | | | |
| 25353 Hetchy Power | 10033821_0001 | 567000 | Intervening | (\$9,950,000) |
| Bond Fund / | Intervening | Bids; Structures & | Facilities | |
| 298648 HHP0903 | Facilities - PUC | Improvements | | |
| Energy Services | HHP / | | | |
| | 15372 Intervening | | | |
| | Facilities | | | |
| 25353 Hetchy Power | 10014113_0001 | 567000 | Mountain Tunnel | (\$12,336,500) |
| Bond Fund / | Mountain Tunnel | Bids; Structures & | Project | |
| 298646 HHP10 | Inspection & Repair | Improvements | Joint Power | |
| Hetchy Water | / 15365 Water Joint | | | |
| | Projects | | | |

| 1 | Fund / | Project & Activity / | Account | Description | Amount |
|----|-------------------------------------|----------------------|--------------------|-----------------|------------------------------|
| 2 | Department ID | Authority | | | |
| 3 | 25352 Hetchy Water | 10014113_0001 | 567000 | Mountain Tunnel | (\$10,093,500) |
| 4 | Bond Fund / | Mountain Tunnel | Blds; Structures & | Project | |
| 5 | 298646 HHP10 | Inspection & Repair | Improvements | Joint Water | |
| 6 | Hetchy Water | / 15365 Water Joint | | | |
| 7 | | Projects | | | |
| 8 | | | | | |
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| 10 | Total USES De- Appropriation | | | | <u><u>(\$75,911,397)</u></u> |

| 14 | USES Re - Appropriation | | | | |
|----|--------------------------------|----------------------|--------------------|--------------|--------------|
| 15 | Fund / | Project & Activity / | Account | Description | Amount |
| 16 | Department ID | Authority | | | |
| 17 | 25353 Hetchy Power | 10014227_0001 | 567000 | Bay Corridor | \$21,000,000 |
| 18 | Bond Fund / | Bay Corridor | Blds; Structures & | Project | |
| 19 | 298648 HHP0903 | Project / 15372 | Improvements | | |
| 20 | Energy Services | Distribution | | | |
| 21 | | Services | | | |
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| 1 | Fund / | Project & Activity / | Account | Description | Amount |
|----|--------------------|----------------------|--------------------|-------------------|-------------|
| 2 | Department ID | Authority | | | |
| 3 | 25353 Hetchy Power | 10014576_0001 | 567000 | Treasure Island | \$1,707,065 |
| 4 | Bond Fund / | Treasure Island | Blds; Structures & | Capital | |
| 5 | 298648 HHP0903 | Capital Improv / | Improvements | Improvements | |
| 6 | Energy Services | 15391 UH Treasure | | | |
| 7 | | Island Capital | | | |
| 8 | | Improvements | | | |
| 9 | | | | | |
| 10 | 25353 Hetchy Power | 10014221_0001 | 567000 | Alice Griffith/ | \$7,814,332 |
| 11 | Bond Fund / | Alice | Blds; Structures & | Candlestick Point | |
| 12 | 298648 HHP0903 | Griffith/Candlestick | Improvements | | |
| 13 | Energy Services | Point / 15371 UH | | | |
| 14 | | Alice Griffith- | | | |
| 15 | | Candlestick Point | | | |
| 16 | | | | | |
| 17 | 25353 Hetchy Power | 10014226_0001 | 567000 | Distribution | \$7,000,000 |
| 18 | Bond Fund / | Distribution | Blds; Structures & | Services Retail | |
| 19 | 298648 HHP0903 | Services Retail | Improvements | | |
| 20 | Energy Services | Customers / | | | |
| 21 | | 15372 Distribution | | | |
| 22 | | Services | | | |
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| 1 | Fund / | Project & Activity / | Account | Description | Amount |
|----|----------------------|----------------------|--------------------|-----------------|--------------|
| 2 | Department ID | Authority | | | |
| 3 | 24990 HHWP | 10014281_0001 | 584030 | Streetlights | \$6,010,000 |
| 4 | Revenue Continuing / | Streetlight | Capital Renewal | | |
| 5 | 298648 HHP0903 | Replacement / | Projects | | |
| 6 | Energy Services | 15377 Streetlights | | | |
| 7 | | | | | |
| 8 | 24990 HHWP | 10033821_0001 | 584030 | Intervening | \$9,950,000 |
| 9 | Revenue Continuing / | Intervening | Capital Renewal | Facilities | |
| 10 | 298648 HHP0903 | Facilities - PUC | Projects | | |
| 11 | Energy Services | HHP / 15372 | | | |
| 12 | | Intervening | | | |
| 13 | | Facilities | | | |
| 14 | | | | | |
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| 18 | 25352 Hetchy Water | 10014113_0001 | 567000 | Mountain Tunnel | \$12,336,500 |
| 19 | Bond Fund / | Mountain Tunnel | Blds; Structures & | Project | |
| 20 | 298646 HHP10 | Inspection & Repair | Improvements | | |
| 21 | Hetchy Water | / 15363 Hetchy | | | |
| 22 | | Water Projects | | | |
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| Fund / | Project & Activity / | Account | Description | Amount |
|-------------------------------------|----------------------|--------------------|-----------------|---------------------|
| Department ID | Authority | | | |
| 25352 Hetchy Water | 10014113_0001 | 567000 | Mountain Tunnel | \$10,093,500 |
| Bond Fund / | Mountain Tunnel | Blds; Structures & | Project | |
| 298646 HHP10 | Inspection & Repair | Improvements | | |
| Hetchy Water | /15363 Hetchy | | | |
| | Water Projects | | | |
| Total USES Re- Appropriation | | | | \$75,911,397 |

Section 8: In FY 2018-19, de-appropriating \$15,000,000 previously appropriated Hetchy Revenue funds for Streetlight Improvements and return it to Hetchy's Fund Balance.

USES De - Appropriation

| Fund / | Project & Activity / | Account | Description | Amount |
|----------------------|----------------------|-----------------|--------------|----------------|
| Department ID | Authority | | | |
| 24990 HHWP | 10014281_0001 | 584030 | Streetlights | (\$15,000,000) |
| Revenue Continuing / | Streetlight | Capital Renewal | | |
| 298648 HHP0903 | Replacement / | Projects | | |
| Energy Services | 15377 Streetlights | | | |

1 **USES Re - Appropriation**

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| Fund / | Project & Activity / | Account | Description | Amount |
|-----------------------|----------------------|---------------|-----------------|------------|
| Department ID | Authority | | | |
| 24970 HHWP Op | 10029992_0004 UH | Adjustment to | Increase Hetchy | 15,000,000 |
| Annual Account Ctrl / | Administration HHP | Hetchy Fund | Fund Balance | |
| 231621 HHP01 | - General Power | Balance | through 499999 | |
| General | Administration / | | or Other | |
| Administration | 10000 Hetchy Fund | | Operating | |
| | Balance | | Account | |
| | | | Adjustment | |

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14 Section 9: The Controller is authorized to record transfers between funds and adjust

15 the accounting treatment of sources and uses appropriated in this ordinance as

16 necessary to conform to Generally Accepted Accounting Principles.

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

By: 
BUCK DELVENTHAL
Deputy City Attorney

FUNDS AVAILABLE
BEN ROSENFELD, Controller

By: 
BEN ROSENFELD
Controller

| | |
|--|---|
| Items 3 and 4 Files 19-0546 and 19-0545 | Department: Public Utilities Commission (PUC) |
| EXECUTIVE SUMMARY | |
| Legislative Objectives | |
| <p>File 18-0546 is an ordinance amending Ordinance No. 142-18 to authorize an increase of the issuance and sale of tax-exempt and taxable Power Revenue Bonds by \$44,970,467 from \$154,928,058 to \$199,898,526 to finance various capital projects.</p> | |
| <p>File 19-0545 is an ordinance (a) appropriating \$27,922,599 of Hetch Hetchy Power and Water Revenue Bonds for the San Francisco Public Utilities Commission (SFPUC) Hetch Hetchy Capital Improvement Program for FY 2019-20; (b) re-appropriating \$21,561,397 from Hetchy Power and Water revenue to Hetchy Power and Water Revenue Bonds as a source of funds for projects; (c) re-appropriating \$75,911,397 in Hetch Hetchy Enterprise revenue and Hetch Hetchy Power and Water revenue bonds as sources of funds for existing power and water capital projects; (d) de-appropriating \$15,000,000 previously appropriated to streetlight projects in FY 2018-19 and return these funds to fund balance; and (e) placing \$27,922,599 of new Power and Water Bond authorization on Controller's Reserve.</p> | |
| Key Points | |
| <ul style="list-style-type: none"> • SFPUC's Hetch Hetchy Water and Power Enterprise is responsible for power trading and scheduling, customer relations and billing, in-City facilities, distribution infrastructure, street lights, public policy and financial planning. Power sales must generate sufficient revenues to fund the Hetch Hetchy Enterprise's operating expenses and capital program. • Proposition A, approved by voters in June 2018, allows SFPUC to issue revenue bonds to fund power facilities projects, subject to two-thirds vote of the Board of Supervisors. As a result, SFPUC proposes to de-appropriate Hetch Hetchy revenue funds that had been budgeted for certain power capital improvement projects and replace the revenue funds with bond proceeds. The Board of Supervisors previously authorized the issuance and sale of \$351.9 million in Power Revenue Bonds. • SFPUC's 10-Year Capital Plan provides for \$867.5 million in Hetch Hetchy Water capital project expenditures through FY 2028-29, and \$360.2 million in Hetch Hetchy Power capital project expenditures through FY 2028-29, totaling \$1.23 billion over ten years. | |
| Fiscal Impact | |
| <ul style="list-style-type: none"> • According to the SFPUC's 10-Year Financial Plan for FY 2019-20 to FY 2028-29, total annual debt service for the Hetch Hetchy Power Enterprise is within the SFPUC's debt service coverage policy requirements. • Electricity rates paid by the City's General Fund departments increase by \$0.005 (1/2-cent) per kilowatt hour (kWh) in FY 2019-20 and FY 2020-21 to fund Hetch Hetchy Power Enterprise operating, maintenance, and capital costs. | |
| Policy Consideration | |
| <ul style="list-style-type: none"> • Replacing revenue funds with bond proceeds will contribute to higher electricity rates for retail and wholesale customers over time. | |
| Recommendation | |
| <ul style="list-style-type: none"> • Approve Files 19-0545 and 19-0546. | |

MANDATE STATEMENT

Charter Section 9.107(6, 8) states that the Board of Supervisors is authorized to provide for the issuance of revenue bonds 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 8B.124 states that the Public Utilities Commission is authorized to issue revenue bonds and other forms of indebtedness, when authorized by two-thirds vote of the Board of Supervisors, for Water Enterprise and Wastewater Enterprise capital projects.

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.

BACKGROUND

The San Francisco Public Utilities Commission (SFPUC) Hetch Hetchy Water and Power Enterprise, of which the Power Enterprise is a component, 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 Water and Power 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.

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. For FY 2019-20 to FY 2028-29, the 10-Year Capital Plan provides for \$867.5 million in Hetch Hetchy Water capital project expenditures through FY 2028-29, and \$360.2 million in Hetch Hetchy Power capital project expenditures through FY 2028-29, totaling \$1.23 billion over ten years. These projects are funded primarily by Power Revenue Bonds, Water Revenue Bonds, operating revenue, and Cap and Trade Allowances¹.

DETAILS OF PROPOSED LEGISLATION

File 19-0545: The proposed ordinance would (a) appropriate \$27,922,599 of Hetch Hetchy Power and Water Revenue Bonds for the SFPUC Hetch Hetchy Capital Improvement Program

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.

for FY 2019-20; (b) re-appropriate \$21,561,397 from Hetchy Power and Water revenue to Hetchy Power and Water Revenue Bonds as a source of funds for projects; (c) re-appropriate \$75,911,397 in Hetch Hetchy Enterprise revenue and Hetch Hetchy Power and Water revenue bonds as sources of funds for existing power and water capital projects; (d) de-appropriate \$15,000,000 previously appropriated to streetlight projects in FY 2018-19 and return these funds to fund balance; and (e) place \$27,922,599 of new Power and Water Bond authorization on Controller's Reserve subject to the certification of available funds.

File 19-0546: The proposed ordinance would (a) amend Ordinance No. 142-18 to authorize an increase of the issuance and sale of tax-exempt or taxable Power Revenue Bonds and other forms of indebtedness by SFPUC to an aggregate principal amount not to exceed \$199,898,526 from \$154,928,059, (b) authorize the issuance of Power Revenue Refunding Bonds, (c) declare the official intent of the Public Utilities Commission to reimburse itself with one or more issues of tax-exempt or taxable bonds or other forms of indebtedness; and (d) ratify previous actions.

File 19-0546: Power Revenue Bonds

In June 2018, the Board of Supervisors authorized SFPUC to issue and sell not-to-exceed \$154,928,059 of Power Revenue Bonds (File No. 18-0450; Ordinance No. 142-18). Approval of the proposed ordinance (File 19-0546) would amend Ordinance No. 142-18 to increase the bonding authority by \$44,970,467 to \$199,898,526 to finance various capital projects benefitting the Power Enterprise.

Table 1: Amended Allocation of \$199,898,526 in Power Revenue Bonds

| Use | Original | Amendment | Total |
|--|----------------------|---------------------|----------------------|
| Capital Project Appropriation | \$131,688,850 | \$38,224,897 | \$169,913,747 |
| Financing Costs (17%) | 22,898,366 | 6,661,559 | 29,559,925 |
| City Services Auditor (0.2%) | 263,378 | 61,529 | 324,907 |
| Revenue Bond Oversight Committee (0.05%) | 77,464 | 22,482 | 99,946 |
| Total | \$154,928,058 | \$44,970,467 | \$199,898,526 |

Financing costs of \$29,559,925, equal to approximately 17 percent of the bond allocation to capital projects, are for issuance costs, debt service reserve, capitalized interest², bond counsel, and other costs.

File 19-0545: Appropriation to Support Hetch Hetchy Capital Improvement Program

The proposed ordinance appropriates \$27,922,599 in Hetch Hetchy Power and Water Revenue Bonds (File 19-0546) and re-appropriates \$75,922,397 in previously approved revenue and bond appropriations, totaling \$103,833,996, to Hetch Hetchy capital projects and bond financing costs, as shown in Table 2 below. Of the \$103,833,996:

- \$27,922,599 are new funding to the Bay Corridor project, including associated financing costs; and
- \$75,911,397 are reallocation of funding sources to existing projects.

² Capitalized interest is the accrual of interest prior to the receipt of revenues to repay the bonds.

Table 2: Proposed Appropriation and Re-appropriation

| | Revenue | Power | Water | Total |
|-------------------------------------|---------------------|---------------------|---------------------|----------------------|
| Sources | | | | |
| <u>Appropriation</u> | | | | |
| Bond proceeds (File 15-0546) | | \$25,745,570 | \$2,177,029 | \$27,922,599 |
| <u>Re-appropriation</u> | | | | |
| From revenues: | (\$21,561,397) | \$9,224,897 | \$12,336,500 | \$0 |
| From projects: | | | | |
| Bay Corridor | 21,000,000 | 0 | 0 | 21,000,000 |
| Treasure Island | 1,707,065 | 0 | 0 | 1,707,065 |
| Candlestick Point/ Alice Griffith | 7,814,332 | 0 | 0 | 7,814,332 |
| Distribution | 7,000,000 | 0 | 0 | 7,000,000 |
| Streetlights | 0 | 6,010,000 | 0 | 6,010,000 |
| Facilities | 0 | 9,950,000 | 0 | 9,950,000 |
| Mountain Tunnel | 0 | 12,336,500 | 10,093,500 | 22,430,000 |
| <i>Subtotal Projects</i> | <u>\$37,521,397</u> | <u>\$28,296,500</u> | <u>\$10,093,500</u> | <u>\$75,911,397</u> |
| Total Sources | \$15,960,000 | \$63,266,967 | \$24,607,029 | \$103,833,996 |
| Uses | | | | |
| <u>Appropriation</u> | | | | |
| Bay Corridor | | \$19,000,000 | | \$19,000,000 |
| Financing, reserves, audits | | <u>6,745,570</u> | <u>2,177,029</u> | <u>8,922,599</u> |
| <i>Subtotal Bond (File 15-0546)</i> | | <u>\$25,745,570</u> | <u>\$2,177,029</u> | <u>\$27,922,599</u> |
| <u>Re-appropriation</u> | | | | |
| Bay Corridor | 0 | 21,000,000 | 0 | 21,000,000 |
| Treasure Island | 0 | 1,707,065 | 0 | 1,707,065 |
| Candlestick Point/ Alice Griffith | 0 | 7,814,332 | 0 | 7,814,332 |
| Distribution | 0 | 7,000,000 | 0 | 7,000,000 |
| Streetlights | 6,010,000 | 0 | 0 | 6,010,000 |
| Facilities | 9,950,000 | 0 | 0 | 9,950,000 |
| Mountain Tunnel | | 0 | 10,093,500 | 10,093,500 |
| Mountain Tunnel (File 19-0571) | 0 | 0 | <u>12,336,500</u> | <u>12,336,500</u> |
| <i>Subtotal Re-appropriation</i> | <u>\$15,960,000</u> | <u>\$37,521,397</u> | <u>\$22,430,000</u> | <u>\$75,911,397</u> |
| Total Uses | \$15,960,000 | \$63,266,967 | \$24,607,029 | \$103,833,996 |

In addition, the proposed ordinance de-appropriates \$15,000,000 in Hetch Hetchy Power revenues, previously appropriated to Streetlight projects, and returns these funds to the Enterprise fund balance.

FISCAL IMPACT

SFPUC Debt Service Coverage Policy and Financial Plan

According to the SFPUC Comprehensive Annual Financial Report (CAFR), as of June 30, 2018, SFPUC had \$43.0 million in outstanding Power Revenue Bonds. Total outstanding Hetch Hetchy

Power Enterprise debt as of June 30, 2018, including Clean Renewable Energy Bonds and Certificates of Participation, was \$69.8 million. Total annual Hetch Hetchy Power Enterprise debt service in FY 2018-19 is \$4.8 million and is projected to increase to \$41.2 million by the end of FY 2028-29.

According to SFPUC's bond covenants with bondholders and debt service coverage policy, the ratio of net revenues to annual debt service must meet the following minimum coverage:

- Indenture coverage³: net revenues equal to a minimum of 1.35 times annual debt service
- Current coverage⁴: net revenues equal to a minimum of 1.10 times annual debt service

According to the SFPUC's 10-Year Financial Plan for FY 2019-20 to FY 2028-29, total annual debt service for the Hetch Hetchy Power Enterprise is within the SFPUC's debt service coverage policy requirements.

Electricity Rate Increases in FY 2019-20 and FY 2020-21

Power Revenue Bonds are repaid from SFPUC's Hetch Hetchy Power Enterprise revenues, which are generated largely from the sale of electricity. Currently, SFPUC charges different electricity rates to different customers.

- Some City departments, including the Airport, Port, and SFPUC, pay enterprise rates, or rates equal to those set by Pacific, Gas and Electric (PG&E). These rates are adjusted automatically when PG&E's rates change.
- Other City departments and some non-City governmental entities such as the San Francisco Unified School District pay a General Use rate shown in Table 3 below.
- Retail customers in areas served by SFPUC (primarily redevelopment areas along the east side of the City) pay retail rates which are pegged to a 10 percent discount from the comparable PG&E rates. These rates are adjusted annually based on the equivalent PG&E rates as of April 1.

Table 3: Electric Rates Adopted by the SFPUC

| | FY 2018-19 Rates | FY 2019-20 Rates | FY 2020-21 Rates |
|------------------------------|---------------------|---------------------|---------------------|
| General Fund Departments | 8.48 ¢/kWh | 8.98 ¢/kWh | 9.48 ¢/kWh |
| Airport | 14.07 ¢/kWh | 14.35 ¢/kWh | 14.78 ¢/kWh |
| Other Enterprise Departments | 17.42 ¢/kWh | 17.77 ¢/kWh | 18.30 ¢/kWh |

In accordance with Charter Section 8B.125, SFPUC is responsible for setting the rates, fees and other charges for the sale of electricity. 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, SFPUC proposed rates become effective without further Board of Supervisors action.

³ Indenture coverage is the ratio of Net Revenues + Unappropriated Fund Balance to Annual Debt Service

⁴ Current coverage is the ratio of Net Revenues to Annual Debt Service

Combined with other miscellaneous sources of revenue, the adopted 10-Year Financial Plan projects that these rate increases provide sufficient revenues to fund the requested capital appropriation, including meeting all coverage and reserve policy targets.

POLICY CONSIDERATION

Exchange of Revenue-Based Funding Sources for Debt-Based Sources

As discussed above, in June 2018, San Francisco voters approved Proposition A, which amended the City Charter to allow SFPUC to issue revenue bonds for power facilities. As a result, SFPUC proposes to de-appropriate Hetch Hetchy revenue funds that had been budgeted for certain power capital improvement projects and replace the revenue funds with bond proceeds. Debt service payments on bonds and other forms of indebtedness have higher long-term costs than funding projects with operating revenues. According to the 10-Year Financial Plan, Hetch Hetchy Water and Power debt service payments are expected to begin increasing substantially in FY 2022-23 to \$8.1, from \$4.3 million in FY 2021-22, and continue increasing each year through the end of the 10-year projection to \$41.2 million in FY 2028-29. The increase in debt service payments, among other projected increases for operations and maintenance expenditures, will contribute to higher electricity rates for retail and wholesale customers over time.

Status of Authorized and Issued Bonds

To date, the Board of Supervisors previously authorized the issuance and sale of \$351.9 million in Power Revenue Bonds, of which \$38.8 million of Power Revenue Bonds have been sold with \$313.0 million in authorized and unsold bonds.⁵ The proposed ordinance (File 19-0546) authorizes an additional \$45.0 million in Power Revenue Bonds and other forms of debt. The SFPUC's policy is to request authorization for bonds and other forms of debt to fund new capital appropriations.

RECOMMENDATION

Approve Files 19-0545 and 19-0546.

⁵ Not including \$50.5 million in outstanding commercial paper

OFFICE OF THE MAYOR
SAN FRANCISCO



LONDON N. BREED
MAYOR

304210
SAN FRANCISCO

2019 MAY 14 11:45 21

BY _____

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Sophia Kittler
RE: Appropriation - Proceeds from Hetch Hetchy Power and Water Revenue Bonds \$27,922,599 for Hetch Hetchy Power Capital Improvements Fiscal Year 2019-2020 and de-appropriation and re-appropriation of \$75,911,397 for Hetch Hetchy Capital Projects, de-appropriation, \$15,000,000 from Hetchy Power Capital Projects in FY 2018-19.]
DATE: May 14, 2019

SK

Ordinance appropriating \$27,922,599 of Hetch Hetchy Power and Water Revenue Bonds for the San Francisco Public Utilities Commission (SFPUC) Hetch Hetchy Capital Improvement Program for Fiscal Year 2019-20, decreasing Hetchy Power and Water Revenue and increasing Hetchy Power and Water Revenue Bond sources by \$21,561,397 and de-appropriating and re-appropriating \$75,911,397 of Hetch Hetchy Capital Project appropriations for FY 2019-20, approved by Ordinance 139-18, de-appropriation of \$15,000,000 Streetlight funding in FY 2018-19 and placing \$27,922,599 of Power and Water Bonds, by project on Controller's reserve subject to the Controller's certification of funds availability, including proceeds of indebtedness, and for construction related expenditures (excluding program management, planning and design) for these projects, as applicable, is also subject to the prior occurrence of the SFPUC's and the Board of Supervisors' discretionary adoption of California Environmental Quality Act (CEQA) Findings for projects, following review and consideration of completed project related environmental analysis, where required.

Please note that Supervisor Peskin is a co-sponsor of this legislation.

Should you have any questions, please contact Sophia Kittler at 415-554-6153.