

File No. 190545

Committee Item No. 4

Board Item No. 32

### COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget and Finance Committee Date June 14, 2019

Board of Supervisors Meeting Date June 25, 2019

#### Cmte Board

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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

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 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  
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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>(\$21,561,397)</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			
6					
7	<b>Total SOURCES Re-Appropriation</b>				<u>\$21,561,397</u>

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9 Section 7. The uses of funding outlined below are herein appropriated in account.

10 567000 Buildings Structures and Improvements, 581130 Internal Audits, 573110 (Bond

11 Issuance Cost-Unamortized), and 567000 Revenue Bond Oversight Committee and

12 reflects the projected uses of funding to support the Hetch Hetchy Capital Improvement

13 Program at the San Francisco Public Utilities Commission for Fiscal Year 2019-2020.

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15 **USES De - Appropriation**

16	Fund /	Project & Activity /	Account	Description	Amount
17	Department ID	Authority			
18	24990 HHWP	10014227_0001	584030	Bay Corridor	(\$21,000,000)
19	Revenue Continuing /	Bay Corridor	Capital Renewal	Project	
20	298648 HHP0903	Project / 15372	Projects		
21	Energy Services	Distribution			
22		Services			
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Fund / Department ID	Project & Activity / Authority	Account	Description	Amount
24990 HHWP	10014576_0001	584030	Treasure Island	(\$1,707,065)
Revenue Continuing /	Treasure Island	Capital Renewal	Capital	
298648 HHP0903	Capital Improv /	Projects	Improvements	
Energy Services	15391 UH Treasure			
	Island Capital			
	Improvements			
24990 HHWP	10014221_0001	584030	Alice Griffith/	(\$7,814,332)
Revenue Continuing /	Alice	Capital Renewal	Candlestick Point	
298648 HHP0903	Griffith/Candlestick	Projects		
Energy Services	Point / 15371 UH			
	Alice Griffith-			
	Candlestick Point			
24990 HHWP	10014226_0001	584030	Distribution	(\$7,000,000)
Revenue Continuing /	Distribution	Capital Renewal	Services Retail	
298648 HHP0903	Services Retail	Projects		
Energy Services	Customers /			
	15372 Distribution			
	Services			

1	Fund /	Project & Activity /	Account	Description	Amount
2	Department ID	Authority			
3	25353 Hetchy Power	10014121_0001	567000	Streetlights	(\$6,010,000)
4	Bond Fund /	Hetchy	Blds; Structures &		
5	298648 HHP0903	Water/Power Bonds	Improvements		
6	Energy Services	/ 15377 Streetlights			
7					
8	25353 Hetchy Power	10033821_0001	567000	Intervening	(\$9,950,000)
9	Bond Fund /	Intervening	Blds; Structures &	Facilities	
10	298648 HHP0903	Facilities - PUC	Improvements		
11	Energy Services	HHP./			
12		15372 Intervening			
13		Facilities			
14					
15	25353 Hetchy Power	10014113_0001	567000	Mountain Tunnel	(\$12,336,500)
16	Bond Fund /	Mountain Tunnel	Blds; Structures &	Project	
17	298646 HHP10	Inspection & Repair	Improvements	Joint Power	
18	Hetchy Water	/ 15365 Water Joint			
19		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	Joint Water	
Hetchy Water	/ 15365 Water Joint			
	Projects			
<b>Total USES De- Appropriation</b>				<u>(\$75,911,397)</u>

USES Re - Appropriation

Fund /	Project & Activity /	Account	Description	Amount
Department ID	Authority			
25353 Hetchy Power	10014227_0001	567000	Bay Corridor	\$21,000,000
Bond Fund /	Bay Corridor	Blds; Structures &	Project	
298648 HHP0903	Project / 15372	Improvements		
Energy Services	Distribution			
	Services			

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			
23					
24					
25					

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			
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16					
17					
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			
<b>Total USES Re- Appropriation</b>				<b>\$75,911,397</b>

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)
<b>EXECUTIVE SUMMARY</b>	
<b>Legislative Objectives</b>	
<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>	
<b>Key Points</b>	
<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>	
<b>Fiscal Impact</b>	
<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>	
<b>Policy Consideration</b>	
<ul style="list-style-type: none"> <li>• Replacing revenue funds with bond proceeds will contribute to higher electricity rates for retail and wholesale customers over time.</li> </ul>	
<b>Recommendation</b>	
<ul style="list-style-type: none"> <li>• Approve Files 19-0545 and 19-0546.</li> </ul>	

**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 Allowances<sup>1</sup>.

**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

<sup>1</sup> 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
<b>Total</b>	<b>\$154,928,058</b>	<b>\$44,970,467</b>	<b>\$199,898,526</b>

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 interest<sup>2</sup>, 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.

<sup>2</sup> 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
<b>Sources</b>				
<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>	\$37,521,397	\$28,296,500	\$10,093,500	\$75,911,397
<b>Total Sources</b>	<b>\$15,960,000</b>	<b>\$63,266,967</b>	<b>\$24,607,029</b>	<b>\$103,833,996</b>
<b>Uses</b>				
<u>Appropriation</u>				
Bay Corridor		\$19,000,000		\$19,000,000
Financing, reserves, audits		6,745,570	2,177,029	8,922,599
<i>Subtotal Bond (File 15-0546)</i>		\$25,745,570	\$2,177,029	\$27,922,599
<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	12,336,500	12,336,500
<i>Subtotal Re-appropriation</i>	\$15,960,000	\$37,521,397	\$22,430,000	\$75,911,397
<b>Total Uses</b>	<b>\$15,960,000</b>	<b>\$63,266,967</b>	<b>\$24,607,029</b>	<b>\$103,833,996</b>

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 coverage<sup>3</sup>: net revenues equal to a minimum of 1.35 times annual debt service
- Current coverage<sup>4</sup>: 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.

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

<sup>4</sup> 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.<sup>5</sup> 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.

<sup>5</sup> Not including \$50.5 million in outstanding commercial paper.

OFFICE OF THE MAYOR  
SAN FRANCISCO



LONDON N. BREED  
MAYOR

OFFICE OF THE MAYOR  
SAN FRANCISCO

MAY 14 10 45 21

W. J. ...

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

*JK*

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.

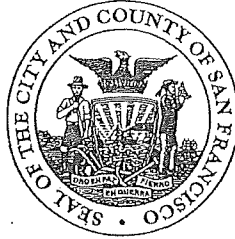
Please note that Supervisor Peskin is a co-sponsor of this legislation.

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





BOARD of SUPERVISORS



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San Francisco 94102-4689  
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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 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 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