

AGENDA ITEM 7c
Treasure Island Development Authority
City and County of San Francisco
Meeting of November 9, 2022

Subject: Resolution Authorizing the Adjustment of Fees for Treasure Island Development Authority Utility System Customers on Treasure Island and Yerba Buena Island (*Action Item*).

Contact: Robert Beck, Treasure Island Director

SUMMARY

Treasure Island Development Authority (the “Authority”) provides water, sewer, electric, and natural gas services on Treasure Island and Yerba Buena Island. To accomplish this task, the Authority contracts with the San Francisco Public Utilities Commission (“SFPUC”) to supply water, electricity and natural gas to the Islands, to operate and maintain the utility infrastructure, and to invoice customers for services.

Through the course of development, newly constructed buildings, including The Bristol on Yerba Buena Island and Maceo May Apartments on Treasure Island, and older buildings served by new infrastructure, like the Administration Building, will become PG&E customers for power and gas services and SFPUC customers for water service. When the new sewage treatment plant is constructed, they will also become SFPUC wastewater customers.

From 1999 to 2014 the fees charged to Treasure Island users for utility services were unchanged resulting in significant under recovery of expenses. Beginning in 2014, increases to the water, sewer, and electric fees were made to bring fees in line with the cost of service. Subsequent increases were made to the water fees in 2015, 2017, 2018 and 2020 to match the increasing cost of water delivered to the islands as the SFPUC implemented its \$4.8 billion Water System Improvement Program. Additional increases were made to gas fees in 2017 and to sewer and electric fees in 2020 to keep those fees in line with cost of providing service and maintaining utility infrastructure on Treasure Island.

After reviewing the projected cost to SFPUC of providing utility services on the island, Authority staff anticipates that it is currently recovering sufficient revenue from the assessed water and sewer utility fees to compensate the SFPUC for the costs of operating the utility systems on the island and does not recommend changes to the current water and sewer fees.

For gas and electric services, the Authority recommends an increase to the fee for metered natural gas service to reflect the cost of natural gas delivered to the island and in the fee for metered electric service to match the current FY2023 San Francisco residential electric rate. No

change is proposed in the utility fee charged to housing providers for the utility services to each residential unit.

These rates exclude certain necessary repair and rehabilitation projects on the wastewater system and any emergency repairs to the electrical, water, or wastewater systems which would be paid out of other Authority funds.

BACKGROUND

The Authority performs Base Caretaker duties on behalf of the United States Navy pursuant to the Base Caretaker Cooperative Agreement, as amended (the "Cooperative Agreement") between United States Navy and the Authority. The Cooperative Agreement was initially signed on March 12, 1997, between the City and the Navy. In November 1998, the Board of Supervisors authorized the Authority to enter into the Cooperative Agreement and assume the City's obligations thereunder. Under the Cooperative Agreement, the Authority is referred to as the "Caretaker."

Obligations of the Caretaker are described generally in Articles I – XI of the Cooperative Agreement, and specific duties of the Caretaker are described in Functional Annexes 1 – 9. Functional Annex 6 – Utilities Services, describes the responsibilities of the Caretaker with respect to operation and maintenance of the utilities systems at Treasure Island and Yerba Buena Island. The SFPUC has been performing the Caretaker's responsibilities under Functional Annex 6 on the behalf of the Authority.

Utility use fees were initially established by the Navy to defray costs of utility commodities, operations and maintenance. Although the US Navy assigned the Caretaker the responsibility to manage the utility system in 1998, the US Navy continued to set fees through 1999. On October 1, 2000, Modification No. P00013 amended the Cooperative Agreement to allow the Caretaker to establish uniform fees for utilities consumers on Treasure Island and Yerba Buena Island. Section 6.2.3.1 of Functional Annex 6 in Modification No. P00013 provides that the Caretaker will operate and maintain the utility systems on the islands and "defray associated costs through revenues generated by charging uniform fees established by the Caretaker."

Although much of the former base has transferred from Navy ownership to TIDA ownership, the management and operation of the utility systems by TIDA and the SFPUC continue to follow the framework established under the Caretaker agreement for Navy and TIDA lands that have not yet been redeveloped. As new infrastructure is built out and accepted by the SFPUC and PG&E, the buildings served by that new infrastructure will be customers of those utilities and charged rates established by those utilities.

On March 8, 2006, the Authority's Board of Directors adopted Resolution No. 06-17-03/08 approving the establishment of uniform utility fees for all metered utility consumers on Treasure Island and Yerba Buena Island – federal utility consumers had previously been charged fees 15% below other users – and authorized Authority Staff to work with the SFPUC to make future recommendations to the Authority Board regarding utility fee adjustments.

On October 22, 2008, the Authority's Board of Directors adopted Resolution No. 08-63-10/22 which approved and authorized the execution of a Memorandum of Understanding with the SFPUC (the "MOU") which documented, but did not adjust, the electric, water, and sewer utility fees and established procedures for future fee adjustments. The MOU did adjust the pricing for natural gas service to reflect the California Department of General Services cost to purchase natural gas. The MOU called for Authority and SFPUC staff to work together to determine whether fees should be increased or decreased to pass through changes in the cost of supplies and materials and to recover the cost of unanticipated expenses. Under the MOU, when TIDA and SFPUC staff agree that a fee adjustment is necessary, TIDA staff would bring the recommendation to the Authority Board for review and approval.

On September 10, 2014, the Authority's Board of Directors adopted Resolution No. 14-37-09/10, authorizing adjustment of water and sewer metered utility fees for the first time since 1999. Although the required adjustments were substantial, the resulting fees charged on Treasure Island for water and sewer service were consistent with retail service rates charged by the SFPUC elsewhere in San Francisco. The fees for electrical and gas service were unchanged.

On May 13, 2015, the Authority's Board of Directors adopted Resolution No. 15-08-05/13 authorizing adjustment of metered utility fees. Only the fee for water was changed in 2015.

In 2016, the SFPUC made recommendations to TIDA for increases to utility charges for FY 2016-17 and FY 2017-18. However, TIDA elected to spread out the increases and do a single mid-year adjustment in FY 2016-17 instead of two consecutive years of increases.

On January 11, 2017, the Authority's Board of Directors adopted Resolution No. 17-2-0111 authorizing adjustment of utility fees. Effective December 1, 2016 for residential customers and effective July 1, 2017 for non-residential tenants, the fees for water and gas were changed and fees for sewer and power were unchanged.

On January 10, 2018, the Authority's Board of Directors adopted Resolution No. 18-1-0110 authorizing adjustment of utility use fees. Effective December 1, 2017 for residential customers and effective July 1, 2018 for non-residential tenants, the fees for water and gas were changed and fees for sewer and power were unchanged.

On August 12, 2020, the Authority's Board of Director adopted Resolution No. 20-20-0812 authorizing adjustment of utility fees for metered users of water, sewer, electric, and gas services and the per-unit utility fee charged to housing providers.

During FY 2022 the SFPUC Rates Group evaluated the utility consumption on Treasure Island and Yerba Buena Island and proposed recommended utility fee changes to capture the increased cost of commodities for both metered and unmetered usage.

TIDA staff is seeking the Authority Board's approval for the Treasure Island Director to adopt new utility use fees for metered electric and gas service effective December 1, 2022 in accordance with the recommendations from the SFPUC and Authority staff. The proposed

electric fee adjustment is consistent with rates for electric service elsewhere in San Francisco the adjustment in the gas fee reflects increases in the cost of natural gas delivered to the island. See Exhibit A for the current and proposed utility use fees.

DISCUSSION

For electrical, gas and water services, the commodity cost of the electricity/gas/water provided accounts for approximately 70% of the total cost of service. Maintaining the island's aged infrastructure and responding to service calls account for the balance of expenses. By comparison, the costs of providing sewer services are driven primarily by the costs to operate the wastewater treatment plant and the Island's 43 pump stations. The plant and pump stations require round-the-clock supervision and monitoring to keep performance within operating parameters, and equipment routinely require maintenance and repair to keep the system operational.

TIDA and SFPUC staff have analyzed past and projected costs of service and have determined that an adjustment to the gas and electric utility service fees is advisable to address the increased cost of commodities supplied to Treasure Island and anticipated costs of system operation and upkeep. In increase in the fee for metered electric service aligns with SF residential electric rates and will allow TIDA to continue implementing measures to improve the reliability of power service on the islands. No increase is currently required for water and sewer fees.

If adopted, the proposed utility fees effective December 1, 2022 on Treasure Island would be: (a) Water: \$16.16 per 1,000 gallons (kgal) (unchanged); (b) Sewer Service: \$19.24 per kgal (unchanged); (c) Electricity: \$0.23395 per kilowatt-hour (kWh); and (d) Natural Gas: \$0.93043 per therm. The proposed change in the electric use fees aligns with the SFPUC's currently adopted electric rate for retail customers. Exhibit A to this Staff Report compares these fees to fees currently charged to utility users on Treasure Island and to utility rates in San Francisco.

Residential units on Treasure Island are not individually metered to measure consumption. A uniform utility fee is levied for each residential unit averaging the unmetered consumption of water, electricity and gas across the occupied residential inventory. The monthly utility fee was increased to \$440.00/mo. in July 2020, and Authority staff does not recommend a change to the monthly fee at this time.

This fee is not charged to residents, but is paid by the housing providers out of rents collected from residents. Although no change in the residential fee is recommended at this time, rents in the former Navy housing on Treasure Island are inclusive of utility expenses, and housing providers are not allowed to raise the rents of existing tenants to "pass-through" increases in utilities or other expenses.

RECOMMENDATION

Staff recommends that the Authority Board of Directors authorize the adjustment of electric and gas utility fees for metered utility users on Treasure Island and Yerba Buena Island.

Prepared by Jamie Querubin,
Finance Manager, TIDA

Attachments:

Exhibit A – Comparison of Current TI Use Fees, Proposed TI Use Fees and SF Retail Rates

EXHIBIT A

Comparison of Current TI Use Fee, Proposed TI Use Fee, and SF Retail Rate

	Current Treasure Island Rate	Proposed Treasure Island Rate	SF Retail FY 2022-23 Rate**
Water - Commercial (\$/kgal)	16.16	16.16	9.55
Water - *Flat Residential (\$/kgal)	16.16	16.16	9.55
Sewer - Commercial (\$/kgal)	19.24	19.24	12.78
Sewer - *Flat Residential (\$/kgal)	19.24	19.24	12.78
Power - Commercial (\$/kWh)	0.15038	0.23395	0.23395
Power - *Flat Residential (\$/kWh)	0.15038	0.23395	0.23395
Gas - Commercial (\$/therm)	0.84280	0.93043	n/a
Gas - *Flat Residential (\$/therm)	0.84280	0.93043	n/a
Flat Residential Utility Fee (\$/month)	440.00	440.00	

* - Residential units are not individually metered. Total consumption is averaged to establish a uniform utility charge per unit.

** - SF Retail Rates provided by SFPUC, from Rates Schedules and Fees effective July 1, 2022. There is no SFPUC Gas Enterprise so a comparable retail rate is not provided.

1 [Resolution Authorizing the Adjustment of Utility Fees]

2 **Resolution Authorizing the Adjustment of Fees for Treasure Island Development**
3 **Authority Utility System Customers on Treasure Island and Yerba Buena Island.**

4 WHEREAS, Former Naval Station Treasure Island is a military base located on
5 Treasure Island and Yerba Buena Island (together, the "Base"), which is currently owned by
6 the United States of America, acting by and through the Department of the Navy (the "Navy");
7 and,

8 WHEREAS, The Base was selected for closure and disposition by the Base
9 Realignment and Closure Commission in 1993, acting under Public Law 101-510, and its
10 subsequent amendments; and,

11 WHEREAS, On March 12, 1997, the City and the Navy entered into the Base
12 Caretaker Cooperative Agreement ("Cooperative Agreement") for the management and
13 operation of the Base; and,

14 WHEREAS, In November 1998, the Board of Supervisors authorized the Treasure
15 Island Development Authority (the "Authority") to assume the City's obligations under the
16 Cooperative Agreement; and,

17 WHEREAS, The San Francisco Public Utilities Commission (the "SFPUC") has
18 performed the Authority's responsibilities under Functional Annex 6 – Utilities Services,
19 including the operation and maintenance of the utility systems and the delivery of utilities
20 services to the Base, as a contract provider to the Authority; and,

21 WHEREAS, On October 1, 2000, the Cooperative Agreement was amended by
22 Modification No. P00013, to allow the Authority, as the Caretaker under the Cooperative
23 Agreement, to establish uniform fees for utilities consumers on the Base; and,

1 WHEREAS, On March 8, 2006, the Authority's Board of Directors adopted Resolution
2 No. 06-17-03/08 establishing uniform utility use fees for all metered utility consumers on
3 Treasure Island and Yerba Buena Island, including federal utility consumers, and authorizing
4 Authority Staff to work with the SFPUC to make further recommendations to the Authority
5 Board regarding future utility fee adjustments; and,

6 WHEREAS, Residential rents on Treasure Island are inclusive of utility expenses and
7 housing providers may not raise the rents of existing tenants to pass-through increases in
8 utilities or other expenses; and,

9 WHEREAS, On October 22, 2008, the Authority's Board of Directors adopted
10 Resolution No. 08-63-10/22, authorizing a Memorandum of understanding with the SFPUC
11 documenting the utility fees in place since 1999, adjusting the fee for gas service, and
12 directing Authority and SFPUC staff to review fees on an as-needed basis and to make
13 recommendations to the Authority Board on future utility use fee adjustments; and,

14 WHEREAS, On September 10, 2014, the Authority's Board of Directors adopted
15 Resolution No. 14-37-09/10, authorizing the adjustment of utility fees; and,

16 WHEREAS, On May 13, 2015, the Authority's Board of Directors adopted Resolution
17 No. 15-08-05/13, authorizing the adjustment of utility fees, and only the water fee was
18 changed; and

19 WHEREAS, On January 11, 2017, the Authority's Board of Directors adopted
20 Resolution No. 17-2-01/11, authorizing the adjustment of utility use fees effective December
21 1, 2016 resulting in a mid-year adjustment to utility fees for water and gas; and

22 WHEREAS, On January 10, 2018, the Authority's Board of Directors adopted
23 Resolution No.18-1-0110, authorizing adjustment of utility fees effective December 1, 2017 for
24 residential customers and effective July 1, 2018 for non-residential tenants, the fees for water
25 and gas were changed and fees for sewer and power were unchanged; and

1 WHEREAS, On August 12, 2020, the Authority's Board of Directors adopted Resolution
2 No. 20-20-0812, authorizing adjustment of utility fees for metered users of water, sewer,
3 electric, and gas services and the per-unit utility fee charged to housing providers; and

4 WHEREAS, Newly constructed buildings, including The Bristol on Yerba Buena Island
5 and Maceo May Apartments on Treasure Island, and older buildings served by new
6 infrastructure, like the Administration Building, will be PG&E customers for power and gas
7 services and SFPUC customers for water service; and

8 WHEREAS, In preparation for the 2022-2023 Fiscal Year, Authority staff have reviewed
9 with the SFPUC current year and projected utility demand and operating costs and
10 recommend adjustments in the electric and gas utility use fees to reflect the increased cost to
11 recover the projected operating costs for Treasure Island for the 2022-2023 Fiscal Year; and,

12 WHEREAS, The age and condition of the utility infrastructure; the commodity costs for
13 electricity and natural gas; and staffing levels required for system operation provide little
14 margin for operation cost reductions; now, therefore, be it

15 RESOLVED, That the Board of Directors hereby approves the adjustment of electric
16 and gas utility fees charged to metered utility users on Treasure Island and Yerba Buena
17 Island TIDA to recover the costs of projected cost of providing utility services; and be it

18 FURTHER RESOLVED, That the adjusted electric and gas fees effective December 1,
19 2022 will be: (a) Electricity: \$0.23395 per kilowatt-hour (kW-hr); and (b) Natural Gas:
20 \$0.93043 per therm.
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22 **CERTIFICATE OF SECRETARY**
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I hereby certify that I am the duly elected Secretary of the Treasure Island Development Authority, a California nonprofit public benefit corporation, and that the above Resolution was duly adopted and approved by the Board of Directors of the Authority at a properly noticed meeting on November 9, 2022.

Mark Dunlop, Secretary