COUNCILMEMBER CHRIS CATE
COUNCILMEMBER CHRIS WARD
CITY OF SAN DIEGO

MEMORANDUM

DATE: **October 29, 2020**

TO: **Andrea Tevlin, Independent Budget Analyst**

FROM: **Councilmember Chris Cate**

SUBJECT: **Request for Financial Analysis of New Gas & Electric Franchise Agreements**

As you are aware, the City of San Diego's existing franchise agreements with San Diego Gas and Electric Company will expire on January 17, 2021. Per Charter Section 103, all franchises must be renewed thirty days prior to expiration and approved by two-thirds of the City Council. In order to select a utility to provide natural gas and electricity services under a new franchise agreement, Mayor Faulconer released a competitive Invitation to Bid on September 23, 2020. Bids were to be submitted by October 23, 2020, however we have not been informed about the number of utilities who have submitted a bid or if any of those bids meet or exceed the conditions that have been identified by the Mayor. In fact, we will not be informed of the number of bids or the terms of their bid until they are unsealed at an upcoming City Council meeting.

This situation creates tremendous uncertainty for the City and for the City Council. To ensure we can fully evaluate our options and the potential consequences of each option in advance of the Council meeting at which bids will be unsealed, we respectfully request responses to the following questions prior to said City Council meeting:

1. How much does the existing franchise pay the City of San Diego each year?
2. Would a short-term extension of the existing agreement potentially jeopardize any funding sources?
3. Per SDG&E, they have stated that they are not legally allowed to collect the additional surcharges applied to City of San Diego customer bills beyond the expiration of the existing franchise agreement. To that end, what are the financial loss implications to

the City in the current fiscal year and what would be the annualized loss to the City's Fiscal Year 2022 budget?

4. Would the loss of this revenue have any impact on the City's bonding capacity?
5. What is the amount of City revenue that could be lost moving forward if a new agreement is not reached before December 17, 2021?

The City's recent loss of tax revenues due to the COVID-19 pandemic makes it more important than ever that we maintain City revenues provided for under our existing franchise agreement. Your responses to the forgoing questions will help ensure the City Council is fully informed regarding the potential impacts to City revenue that could result from the options we may want to consider as the franchise expiration date approaches.

Thank you for your prompt attention to this matter.