

File No. 260474

Committee Item No. 8

Board Item No. \_\_\_\_\_

## COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget and Appropriations Committee Date May 20, 2026

Board of Supervisors Meeting Date \_\_\_\_\_

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Completed by: Brent Jalipa Date May 14, 2026

Completed by: Brent Jalipa Date \_\_\_\_\_

# CITY AND COUNTY OF SAN FRANCISCO

## PUBLIC UTILITIES COMMISSION CAPITAL PROJECTS BUDGET AND SUPPLEMENTAL APPROPRIATION ORDINANCE

AS OF MAY 1, 2026



File No. 260474

Ordinance No. \_\_\_\_\_

FISCAL YEAR ENDING JUNE 30, 2027 and  
FISCAL YEAR ENDING JUNE 30, 2028

FILE NO. \_\_\_\_\_ ORDINANCE NO. \_\_\_\_\_

**AN ORDINANCE APPROPRIATING ALL ESTIMATED CAPITAL PROJECT RECEIPTS  
AND ALL ESTIMATED CAPITAL PROJECTS EXPENDITURES FOR THE  
PUBLIC UTILITIES COMMISSION**

**FOR THE FISCAL YEAR ENDING JUNE 30, 2027**

**and**

**THE FISCAL YEAR ENDING JUNE 30, 2028**

BE IT ORDAINED BY THE PEOPLE OF THE CITY AND COUNTY OF SAN FRANCISCO

**SECTION 1.** The amounts of estimated receipts, income, prior-year fund balance, prior-year reserves, de-appropriations, and revenue enumerated herein are hereby appropriated to the funds and departments indicated in this ordinance for the purpose of meeting appropriations herein provided.

**SECTION 2.** The amounts of proposed expenditures are hereby appropriated to the funds and departments as enumerated herein. Each department for which an expenditure appropriation is herein made is hereby authorized to use, in the manner provided by the law, the amounts so appropriated for the purposes specified in this appropriation ordinance.

**SECTION 3.** The Controller is authorized to record transfers between funds and adjust the accounting treatment of sources and uses appropriated in this ordinance as necessary to conform to Generally Accepted Accounting Principles and other laws.

**SECTION 4.** Of the appropriated amount enumerated herein, \$1,772,796 in fiscal year 2026-27 and \$2,083,758 in fiscal year 2027-28 representing 0.2% of the expenditure budget net of bond financing and audit costs, shall be allocated to support the Controller's Audit Fund, pursuant to Charter Appendix F1.113. These appropriations may be decreased by the Controller based on changes to expenditure appropriations or actual gross bond proceeds to conform to the applicable Charter and Administrative Code formulas.

**SECTION 5.** \$875,731,280 in fiscal year 2026-27 and \$998,678,841 in fiscal year 2027-28 of the total appropriation in the respective fiscal year, is hereby placed on Controller's Appropriation Reserve, as set forth below. Release of appropriation reserves by the Controller is subject to the Controller's certification of funds availability, including proceeds of any Financing, and for construction related expenditures 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.

**SECTION 6.** Associated bond financing costs up to \$113,573,666 in fiscal year 2026-27 and \$128,672,194 in fiscal year 2027-28 are also hereby appropriated, including but not limited to, issuance costs, debt service reserve, capitalized interest, rating agency, and disclosure costs, all on Controller's Reserve pending receipt of bond proceeds. To the extent that net available

bond proceeds after financing costs are more than budgeted, the SFPUC may use such surplus bond proceeds as a substitute for other sources budgeted in this ordinance.

**Department: PUC Public Utilities Commission**

	2026-27 Proposed Budget	2027-28 Proposed Budget	2027-28 Change From 2026-27
<b><u>Uses Summary</u></b>			
Capital Outlay	1,028,860,022	1,169,685,420	140,825,398
Carry-Forward Budgets Only	(4,000,000)		4,000,000
Debt Service	113,573,666	128,672,194	15,098,528
Services Of Other Depts	1,772,795	2,083,759	310,964
<b>Total Uses by Chart of Accounts</b>	<b>1,140,206,483</b>	<b>1,300,441,373</b>	<b>160,234,890</b>

<b><u>Sources Summary</u></b>			
Other Revenues	15,399,023	6,880,888	(8,518,135)
IntraFund Transfers In	216,553,930	258,869,106	42,315,176
Transfers In	32,522,250	36,012,538	3,490,288
Other Financing Sources	875,731,280	998,678,841	122,947,561
General Fund Support			
<b>Total Sources by Chart of Accounts</b>	<b>1,140,206,483</b>	<b>1,300,441,373</b>	<b>160,234,890</b>

<b><u>Fund Summary</u></b>			
CleanPowerSF	72,928	140,712	67,784
Hetch Hetchy Water and Power	119,303,908	195,192,456	75,888,548
San Francisco Water Enterprise	431,265,145	348,086,919	(83,178,226)
San Francisco Wastewater Ent	589,564,502	757,021,286	167,456,784
<b>Total Uses by Funds</b>	<b>1,140,206,483</b>	<b>1,300,441,373</b>	<b>160,234,890</b>

<b><u>Division Summary</u></b>			
HHP CleanPowerSF	72,928	140,712	67,784
WWE Wastewater Enterprise	589,564,502	757,021,286	167,456,784
HHP Hetch Hetchy Water & Power	210,506,338	248,231,645	37,725,307
PUB Public Utilities Bureaus	(645,918)		645,918
WTR Water Enterprise	340,708,633	295,047,730	(45,660,903)
<b>Total Uses by Division</b>	<b>1,140,206,483</b>	<b>1,300,441,373</b>	<b>160,234,890</b>

**Reserved Appropriations**

**Controller Reserves**

10002780	Drainage Basin/Early Implement Mayor Lurie	3,907,957	24,883,079	4 of 10
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**Department: PUC Public Utilities Commission**

		2026-27 Proposed Budget	2027-28 Proposed Budget	2027-28 Change From 2026-27
10014065	Hetchy Water - Water Only	38,595,787	3,100,559	
10014073	Hetchy Water - Power Infrastru	19,897,569	49,501,020	
10014093	Hetchy Water - Joint Projects	17,570,634	18,123,076	
10014121	Hetchy Water/Power Bonds	13,701,983	15,113,290	
10014228	Redevelopment Projects	6,133,925		
10015791	Collection System Improvements	4,553,064	11,530,124	
10015795	Biosolids/Digester Project Bud	36,889,474	53,313,321	
10015801	Flood Resilience/Hydraulic Imp	91,153,258	194,684,812	
10015813	Treatment Plant Improvements	59,169,876	106,118,781	
10026501	Water Bond/Commercial Paper Ex	35,591,447	28,945,270	
10026508	Bond/Commercial Paper Expense	65,731,700	86,320,856	
10026823	Treatment Plant Improvements-S	169,238,479	108,524,506	
10031235	WW Wwe Rnr Collection System	57,509,229	59,445,700	
10031247	WW Wwe Rnr Treatment Facilitie	15,790,000	16,972,050	
10039723	Spear Street Substation		13,898,711	
10040989	Reg Water Facilities and Infra	99,664,088	100,134,580	
10040990	Watersheds & Right of Way	2,010,000	1,610,000	
10040992	Loc Water Facilities and Infra	135,622,810	82,806,146	
10040993	Local Water Recourses (WRD)		8,417,746	
10043304	Carbon Free Steam		1,235,214	
10043305	Large Load Substation 1	3,000,000	14,000,000	
<b>Controller Reserves: Total</b>		<b>875,731,280</b>	<b>998,678,841</b>	

**Uses of Funds Detail Appropriation**

Fund Code	Fund Title	Code	Title	2026-27 Proposed Budget	2027-28 Proposed Budget	2027-28 Change From 2026-27
<b>Continuing Projects - Authority Control</b>						
20530	WWE CPF Capacity Fee Prog	19141	WW Wwe Repair And Replacement	3,718,772	3,830,335	111,563
<b>20530 Total</b>				<b>3,718,772</b>	<b>3,830,335</b>	<b>111,563</b>
20550	WWE CPF Repair & Replace	19139	WW Facilities & Infrastructure	(2,309,343)	3,477,162	5,786,505
		19141	WW Wwe Repair And Replacement	70,455,482	71,960,528	1,505,046

**Department: PUC Public Utilities Commission**

Fund Code	Fund Title	Code	Title	2026-27 Proposed Budget	2027-28 Proposed Budget	2027-28 Change From 2026-27
<b>Continuing Projects - Authority Control</b>						
		19142	WW Sewer System Improvement Pr	13,756,554	15,960,032	2,203,478
		19471	WW Bond-commercial Paper Expen			
<b>20550 Total</b>				<b>81,902,693</b>	<b>91,397,722</b>	<b>9,495,029</b>
20725	WWE SSIP 2025 Bond Fund	19142	WW Sewer System Improvement Pr			
		19471	WW Bond-commercial Paper Expen			
<b>20725 Total</b>				<b>0</b>	<b>0</b>	<b>0</b>
20726	WWE NON-SSIP 2025 Bond Fund	19134	WW Treasure Island Capital Imp			
		19139	WW Facilities & Infrastructure			
		19141	WW Wwe Repair And Replacement			
		19471	WW Bond-commercial Paper Expen			
<b>20726 Total</b>				<b>0</b>	<b>0</b>	<b>0</b>
20731	WWE SSIP 2027 Bond Fund	19142	WW Sewer System Improvement Pr	364,912,108	499,054,623	134,142,515
		19471	WW Bond-commercial Paper Expen	54,736,816	74,858,193	20,121,377
<b>20731 Total</b>				<b>419,648,924</b>	<b>573,912,816</b>	<b>154,263,892</b>
20732	WWE NON-SSIP 2027 Bond Fund	19141	WW Wwe Repair And Replacement	73,299,229	76,417,750	3,118,521
		19471	WW Bond-commercial Paper Expen	10,994,884	11,462,663	467,779
<b>20732 Total</b>				<b>84,294,113</b>	<b>87,880,413</b>	<b>3,586,300</b>
24761	CleanPowerSF Cap Revenue Fund	80233	CleanPowerSF Capital	72,928	140,712	67,784
<b>24761 Total</b>				<b>72,928</b>	<b>140,712</b>	<b>67,784</b>
24990	HHWP ContinuingAuthorityCtrl	15364	UH Hetchy Water - Power Infrs	20,268,655	42,583,728	22,315,073
		15365	UH Hetchy Water - Joint Projec	24,314,091	40,931,492	16,617,401
		15371	UH Alice Griffith-candlestick	(6,993,105)		6,993,105
		15377	UH Streetlight Replacement	4,424,000	625,092	(3,798,908)
		15383	UH Alternative Transmission Pr	10,955,000	8,004,000	(2,951,000)
		15394	UH Transbay Transit Center	(797,730)		797,730
		15400	UH Renewable-generation - Smal	1,000,000	1,000,000	
		15404	UH Hetchy Cap And Trade Allowa	6,000,000	1,000,000	(5,000,000)
		80427	Distribution Services Retail	19,913,279	3,102,925	(16,810,354)
<b>24990 Total</b>				<b>79,084,190</b>	<b>97,247,237</b>	<b>18,163,047</b>
25338	HHP 2025 Bond Fund	15364	UH Hetchy Water - Power Infrs			

**Department: PUC Public Utilities Commission**

Fund Code	Fund Title	Code	Title	2026-27 Proposed Budget	2027-28 Proposed Budget	2027-28 Change From 2026-27
<b>Continuing Projects - Authority Control</b>						
		15365	UH Hetchy Water - Joint Projec			
		15366	UH Hetchy Water-power Bonds			
		80427	Distribution Services Retail			
<b>25338 Total</b>				<b>0</b>	<b>0</b>	<b>0</b>
25339	HHP 2027 Bond Fund	15364	UH Hetchy Water - Power Infrs	19,897,569	49,501,020	29,603,451
		15365	UH Hetchy Water - Joint Projec	5,942,174	6,534,811	592,637
		15366	UH Hetchy Water-power Bonds	5,246,050	12,775,463	7,529,413
		80427	Distribution Services Retail	9,133,925	29,133,925	20,000,000
<b>25339 Total</b>				<b>40,219,718</b>	<b>97,945,219</b>	<b>57,725,501</b>
25960	WTR ContinuingAuthorityCtrl	80529	UW Loc Water Fac and Infra	34,675,320	27,866,421	(6,808,899)
		80530	UW Local Water Resources (WRD)	8,648,368	12,297,993	3,649,625
<b>25960 Total</b>				<b>43,323,688</b>	<b>40,164,414</b>	<b>(3,159,274)</b>
26231	WTR/HHW ContinuingAuthorityCtr	15363	UH Hetchy Water - Water Only	19,524,737	8,923,552	(10,601,185)
		15365	UH Hetchy Water - Joint Projec	12,997,513	27,088,986	14,091,473
<b>26231 Total</b>				<b>32,522,250</b>	<b>36,012,538</b>	<b>3,490,288</b>
26423	WTR Regional 2025 Bond Fund	17731	UB Non Wsip Water Bond-cp Expe			
		80526	UW Reg Water Facilities and In			
<b>26423 Total</b>				<b>0</b>	<b>0</b>	<b>0</b>
26424	WTR Local 2025 Bond Fund	17731	UB Non Wsip Water Bond-cp Expe			
		80529	UW Loc Water Fac and Infra			
<b>26424 Total</b>				<b>0</b>	<b>0</b>	<b>0</b>
26432	WTR Regional 2027 Bond Fund	17731	UB Non Wsip Water Bond-cp Expe	15,248,026	15,261,687	13,661
		80526	UW Reg Water Facilities and In	99,664,088	100,134,580	470,492
		80528	UW Reg Alternative Water Suppl	2,010,000	1,610,000	(400,000)
<b>26432 Total</b>				<b>116,922,114</b>	<b>117,006,267</b>	<b>84,153</b>
26433	WTR Local 2027 Bond Fund	17731	UB Non Wsip Water Bond-cp Expe	20,343,421	13,683,583	(6,659,838)
		80529	UW Loc Water Fac and Infra	135,622,810	82,806,146	(52,816,664)
		80530	UW Local Water Resources (WRD)		8,417,746	8,417,746
<b>26433 Total</b>				<b>155,966,231</b>	<b>104,907,475</b>	<b>(51,058,756)</b>
26434	HHW 2027 Bond Fund	15363	UH Hetchy Water - Water Only	38,595,787	3,100,559	(35,495,228)

**Department: PUC Public Utilities Commission**

Fund Code	Fund Title	Code	Title		2026-27 Proposed Budget		2027-28 Proposed Budget	2027-28 Change From 2026-27
<b>Continuing Projects - Authority Control</b>								
		15365	UH Hetchy Water - Joint Projec		11,628,460		11,588,265	(40,195)
		15366	UH Hetchy Water-power Bonds		8,455,933		2,337,827	(6,118,106)
<b>26434 Total</b>					<b>58,680,180</b>		<b>17,026,651</b>	<b>(41,653,529)</b>
26510	WTR CPF Capacity Fee Prog	80529	UW Loc Water Fac and Infra		1,468,887		1,527,643	58,756
<b>26510 Total</b>					<b>1,468,887</b>		<b>1,527,643</b>	<b>58,756</b>
26570	WTR CPF Other Fund	19058	UW Water Supply & Storage		(659,551)			659,551
		80526	UW Reg Water Facilities and In		659,551			(659,551)
<b>26570 Total</b>					<b>0</b>		<b>0</b>	<b>0</b>
26600	WTR CPF Wholesale Customer	19058	UW Water Supply & Storage		(2,579,189)			2,579,189
		80526	UW Reg Water Facilities and In		2,579,189			(2,579,189)
<b>26600 Total</b>					<b>0</b>		<b>0</b>	<b>0</b>
26603	WTR CPF Regional Revenue Fund	19058	UW Water Supply & Storage		(3,477,002)			3,477,002
		80526	UW Reg Water Facilities and In		12,268,841		17,578,235	5,309,394
		80527	UW Watersheds and Right of Way		13,589,956		13,863,696	273,740
		80528	UW Reg Alternative Water Suppl					
<b>26603 Total</b>					<b>22,381,795</b>		<b>31,441,931</b>	<b>9,060,136</b>
26680	WTR CPF 2025 HHW	15363	UH Hetchy Water - Water Only					
		15365	UH Hetchy Water - Joint Projec					
		15366	UH Hetchy Water-power Bonds					
<b>26680 Total</b>					<b>0</b>		<b>0</b>	<b>0</b>
<b>Continuing Projects - Authority Control Total</b>					<b>1,140,206,483</b>		<b>1,300,441,373</b>	<b>160,234,890</b>
<b>Total Uses of Funds</b>					<b>1,140,206,483</b>		<b>1,300,441,373</b>	<b>160,234,890</b>

**CAPITAL SUPPLEMENTAL APPROPRIATION RESERVES**

Department Reserve Description	FY 2026-27	FY 2027-28	Releasing Authority	Reserve Reason/ Follow up Action Required
PUBLIC UTILITIES COMMISSION DISTRIBUTION SERVICES RETAIL	\$ 9,133,925	\$ 15,235,214	CONTROLLER	Pending Receipt of Revenue
PUBLIC UTILITIES COMMISSION GRID CONNECTIONS	\$ -	\$ 13,898,711	CONTROLLER	Pending Receipt of Revenue
PUBLIC UTILITIES COMMISSION LOCAL WATER RES (WRD)- BUDGET	\$ -	\$ 8,417,746	CONTROLLER	Pending Receipt of Revenue
PUBLIC UTILITIES COMMISSION LOC WATER FAC AND INFRA- BUDGET	\$ 135,622,810	\$ 82,806,146	CONTROLLER	Pending Receipt of Revenue
PUBLIC UTILITIES COMMISSION REG ALT WTR SUPPLIES-BUDGET	\$ 2,010,000	\$ 1,610,000	CONTROLLER	Pending Receipt of Revenue
PUBLIC UTILITIES COMMISSION REG WATER FAC & INFRA- BUDGET	\$ 99,664,088	\$ 100,134,580	CONTROLLER	Pending Receipt of Revenue
PUBLIC UTILITIES COMMISSION UB NON WSIP WATER BOND-CP EXPE	\$ 35,591,447	\$ 28,945,270	CONTROLLER	Pending Receipt of Revenue
PUBLIC UTILITIES COMMISSION UH HETCHY WATER - JOINT PROJEC	\$ 17,570,634	\$ 18,123,076	CONTROLLER	Pending Receipt of Revenue
PUBLIC UTILITIES COMMISSION UH HETCHY WATER-POWER BONDS	\$ 13,701,983	\$ 15,113,290	CONTROLLER	Pending Receipt of Revenue
PUBLIC UTILITIES COMMISSION UH HETCHY WATER - POWER INFRAS	\$ 19,897,569	\$ 49,501,020	CONTROLLER	Pending Receipt of Revenue
PUBLIC UTILITIES COMMISSION UH HETCHY WATER - WATER ONLY	\$ 38,595,787	\$ 3,100,559	CONTROLLER	Pending Receipt of Revenue
PUBLIC UTILITIES COMMISSION WW BOND-COMMERCIAL PAPER EXPEN	\$ 65,731,700	\$ 86,320,856	CONTROLLER	Pending Receipt of Revenue
PUBLIC UTILITIES COMMISSION WW COLLECTION SYSTEM IMPROVEME	\$ 4,553,064	\$ 11,530,124	CONTROLLER	Pending Receipt of Revenue
PUBLIC UTILITIES COMMISSION WW FLOOD RESILIENCE- HYDRAULIC	\$ 91,153,258	\$ 194,684,812	CONTROLLER	Pending Receipt of Revenue
PUBLIC UTILITIES COMMISSION WW SSIP BIOSOLIDS-DIGESTER PRO	\$ 36,889,474	\$ 53,313,321	CONTROLLER	Pending Receipt of Revenue
PUBLIC UTILITIES COMMISSION WW STORMWATER MANAGEMENT	\$ 3,907,957	\$ 24,883,079	CONTROLLER	Pending Receipt of Revenue
PUBLIC UTILITIES COMMISSION WW TREATMENT PLANT IMPROVEMENT	\$ 228,408,355	\$ 214,643,287	CONTROLLER	Pending Receipt of Revenue
PUBLIC UTILITIES COMMISSION WW WWE RNR COLLECTION SYSTEM	\$ 57,509,229	\$ 59,445,700	CONTROLLER	Pending Receipt of Revenue
PUBLIC UTILITIES COMMISSION WW WWE RNR TREATMENT FACILITIE	\$ 15,790,000	\$ 16,972,050	CONTROLLER	Pending Receipt of Revenue
<b>Grand Total</b>	<b>\$ 875,731,280</b>	<b>\$ 998,678,841</b>		

APPROVED AS TO FORM:  
DAVID CHIU, City Attorney

FUNDS AVAILABLE:  
GREG WAGNER, Controller

By:           /s/ Bradley Russi            
BRADLEY RUSSI  
Deputy City Attorney

By:           /s/ Greg Wagner            
GREG WAGNER  
Controller

<b>Items 8 - 11</b> <b>Files 26-0474, 26-0475, 26-0476, 26-0477</b>	<b>Department:</b> Public Utilities Commission
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**EXECUTIVE SUMMARY**

**Legislative Objectives**

- **File 26-0474** is an ordinance appropriating or re-appropriating \$1,158,611,060 in FY 2026-27 and \$1,300,411,374 in FY 2027-28 for capital project spending. The ordinance places \$875,731,280 in FY 2026-27 and \$998,678,841 in FY 2027-28 on Controller’s Appropriation Reserve pending Controller certification of the availability of funds.
- **File 26-0475** is an ordinance authorizing \$138,164,937 in Power revenue bonds.
- **File 26-0476** is an ordinance authorizing \$1,165,736,266 in Wastewater revenue bonds.
- **File 26-0477** is an ordinance authorizing \$570,508,918 in Water revenue bonds.

**Key Points**

- The proposed ordinances pertain to the SFPUC’s two-year capital budget for the Water, Wastewater, Power, and CleanPowerSF divisions.

**Fiscal Impact**

- The average annual debt service for the proposed \$1.9 billion in Water, Wastewater, and Power bonds over 30 years is approximately \$139.2 million, or \$4.2 billion in total debt service, excluding any capitalized interest for interim financing. Actual debt service costs may be lower due to bond refunding and access to state and federal lending.
- The SFPUC projects that each division will have sufficient net revenues and unrestricted fund balance to maintain debt service coverage ratios in compliance with its financial policies.

**Policy Consideration**

- While the current adopted water and wastewater rates do not exceed the SFPUC’s affordability targets, water and sewer bills are projected to exceed affordability targets beginning in FY 2033-34 and remain above the target rates until FY 2044-45.

**Recommendations**

- Approve Files 26-0475, 26-0476, and 26-0477, the Power, Wastewater, and Water Revenue Bond authorizations, and File 26-0474, the appropriation ordinance pertaining to the SFPUC’s two-year capital budget.
- Request a report from the SFPUC regarding strategies and future plans to (a) meet affordability targets for water and sewer bills, and (b) establish affordability targets for Hetch Hetchy and CleanPowerSF bills.

**MANDATE STATEMENT**

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.

Charter Section F1.113 states that 0.2 percent of the City’s budget, excluding bond debt, must be set aside for the Controller’s audit fund.

**BACKGROUND**

The San Francisco Public Utilities Commission (SFPUC) plans its capital spending over two-, 10-, and 20-year time frames. The two-year capital budget accompanies the SFPUC’s two-year operating budget and both two-year spending plans are subject to Board of Supervisors approval.

The SFPUC’s FY 2026-27 to FY 2035-36 10-Year Capital Plan totals \$12.5 billion across the four major enterprises described below.

**Wastewater Enterprise Capital Improvement Plan**

The Wastewater Enterprise’s major capital improvement programs total **\$5.9 billion** over the 10-year period from FY 2026-27 to FY 2035-36.

1. Sewer System Improvement Program (SSIP) (**\$4.1 billion**): This program consists of multiple projects for treatment plant upgrades and improvements to the collection system. Major treatment plant upgrades include projects to address facilities beyond their service lives, treatment optimization, and responding to new regulatory requirements. Collection system improvements include sewer discharge structure improvements, conveyance pump and force mains upgrades, and stormwater management and flood resilience projects.
2. Non-SSIP programs (**\$1.8 billion**): Non-SSIP programs include: the Collection System Renewal and Replacement program (\$1.3 billion) to maintain the structural integrity and hydraulic capacity of sewer mains, force mains, and sewer laterals; the Treatment Facilities Renewal and Replacement program (\$286 million) to maintain and extend the useful life of water treatment infrastructure; and the Facilities and Infrastructure program (\$202 million) to support strategic facility improvements, infrastructure investments, and adaptation projects.

**Water Enterprise Capital Improvement Program**

The Water Enterprise provides both regional water conveyance and local (in-city) water distribution. The regional water system includes the New Irvington Tunnel conveying water from the Hetch Hetchy Reservoir, the San Antonio and Calaveras Reservoirs in Alameda County, and the San Andreas and Crystal Springs Reservoirs on the Peninsula. The in-city distribution system is a series of pipelines that distributes water from the regional water system to residences and businesses in San Francisco. The Water Enterprise’s FY 2026-27 to FY 2035-36 10-Year Capital

Plan includes \$1.2 billion for regional systems and \$1.3 billion for the local system, totaling **\$2.5 billion**.

### **Hetch Hetchy Water and Power Capital Improvement Program**

The Hetch Hetchy Enterprise is composed of Hetch Hetchy Water and Hetch Hetchy Power. Hetch Hetchy Water manages the water system in and around the Hetch Hetchy Reservoir and throughout the Sierras and is responsible for power generation. Because power is generated hydroelectrically, some capital projects benefit both Hetch Hetchy Water and Hetch Hetchy Power operations. Hetch Hetchy Power primarily provides electricity to local City agencies, government-affiliated entities, as well as redevelopment areas and low-income housing. Hetch Hetchy Water's FY 2026-27 to FY 2035-36 10-Year Capital Plan totals **\$1.9 billion**, including \$168.2 million for the Water Infrastructure program, \$440.6 million for the Power Infrastructure program, and \$1.3 billion for joint Water and Power infrastructure projects.

Hetch Hetchy Power's Plan includes **\$2.2 billion** for local power projects, including transmission and distribution projects, City streetlights, energy efficiency improvements, renewable generation power projects, and the Public Power Expansion project to fund efforts to support the potential acquisition of PG&E's distribution infrastructure.

### **CleanPowerSF Capital Improvement Program**

CleanPowerSF, which provides renewable electricity to residential and commercial customers in San Francisco, is also part of the Hetch Hetchy Enterprise. The FY 2026-27 to FY 2035-36 10-Year Capital Plan for CleanPowerSF totals **\$37.2 million**, all of which is revenue-funded and for the Local Energy Renewable Program, which funds new solar and battery storage projects.

## **DETAILS OF PROPOSED LEGISLATION**

**File 26-0476** is an ordinance (a) authorizing the issuance and sale of tax-exempt or taxable Wastewater revenue bonds and other forms of indebtedness by the San Francisco Public Utilities Commission (SFPUC) in an aggregate principal amount not to exceed \$1,165,736,266 to finance the costs of Wastewater Enterprise capital projects; (b) authorizing the issuance of Wastewater revenue refunding bonds and the retirement of outstanding Wastewater Enterprise commercial paper; (c) declaring the intent of the SFPUC to reimburse itself with one or more issues of tax-exempt or taxable bonds or other forms of indebtedness; and (d) ratifying previous actions taken in connection with the issuance of the bonds.

**File 26-0477** is an ordinance (a) authorizing the issuance and sale of tax-exempt or taxable Water revenue bonds and other forms of indebtedness by the San Francisco Public Utilities Commission (SFPUC) in an aggregate principal amount not to exceed \$570,508,918 to finance the costs of Water Enterprise capital projects; (b) authorizing the issuance of Water revenue refunding bonds and the retirement of outstanding Water Enterprise commercial paper; (c) declaring the intent of the SFPUC to reimburse itself with one or more issues of tax-exempt bonds or other forms of indebtedness; and (d) ratifying previous actions taken in connection with the issuance of the bonds.

**File 26-0475** is an ordinance authorizing (a) the issuance and sale of tax-exempt or taxable Power revenue bonds and other forms of indebtedness by the San Francisco Public Utilities Commission (SFPUC) in an aggregate principal amount not to exceed \$138,164,937 to finance the costs of various Power Enterprise capital projects; (b) the issuance of Power revenue refunding bonds and the retirement of outstanding Power Enterprise commercial paper; (c) declaring the intent of the SFPUC to reimburse itself with one or more issues of tax-exempt or taxable bonds or other forms of indebtedness; and (d) ratifying previous actions taken for purpose of issuing the bonds.

**File 26-0474** is an ordinance that:

1. (a) Appropriates \$1,346,585,789 of proceeds from Wastewater revenue bonds, Wastewater revenues, and Wastewater capacity fees, and (b) de-appropriates \$3,898,000 of funds from Wastewater projects that have been delayed, canceled, or completed and re-appropriates these funds to current ongoing Wastewater projects, for a total two-year San Francisco Public Utilities Commission (SFPUC) Wastewater Enterprise Capital Improvement Program budget of \$1,350,483,789 for FY 2026-27 and FY 2027-28.
2. (a) Appropriates \$635,110,445 of proceeds from Water revenue bonds, Water revenues, and Water capacity fees, and (b) de-appropriates \$6,715,741 of funds from Water projects that have been delayed, canceled, or completed and re-appropriates these funds to current ongoing Water projects, for a total two-year San Francisco Public Utilities Commission (SFPUC) Water Enterprise Capital Improvement Program budget of \$641,826,186 for FY 2026-27 and FY 2027-28.
3. (a) Appropriates \$458,737,983 of proceeds from Water revenue bonds, Power revenue bonds, Hetch Hetchy revenues, and Cap and Trade revenues, and (b) de-appropriates \$7,790,835 of funds from Hetch Hetchy projects that have been delayed, canceled, or completed and re-appropriates these funds to current ongoing Hetch Hetchy projects, for a total two-year San Francisco Public Utilities Commission (SFPUC) Hetch Hetchy Water & Power Enterprise Capital Improvement Program budget of \$466,528,818 for FY 2026-27 and FY 2027-28.
4. Appropriates \$213,640 in CleanPowerSF customer revenues for ITS Capital Projects and the Workforce Management System in FY 2026-27 and FY 2027-28.

In addition to revenue bond proceeds, the sources of funds may also include loans and grants from state or federal entities, when available.

**File 26-0474 also places** \$875,731,280 in FY 2026-27 and \$998,678,841 in FY 2027-28 of funding on Controller's Appropriation Reserve pending Controller certification of the availability of funds.

Projects funded by the appropriated funds are subject to final approval of the California Environmental Quality Act (CEQA) findings by the SFPUC and the Board of Supervisors.

### **Revenue Bond Issuance**

At the February 10, 2026 Commission meeting, the SFPUC approved the issuance of new Wastewater, Water, and Power revenue bonds to finance capital projects. The proposed ordinances allow the issuance of commercial paper or other interim debt to finance the projects

prior to the issuance of the revenue bonds and provide for the SFPUC to access California Water Resources Control Board revolving loan funds or grant funds.

The SFPUC may issue taxable or tax-exempt bonds in one or more series through either a negotiated or competitive sale. Each bond authorization ordinance requires the SFPUC to report to the Board of Supervisors within 30 days of the bond issuance: (i) the principal amount sold and method of sale, (ii) true interest cost, (iii) final maturity, (iv) the facilities constructed and/or improved, and (v) a statement about the remaining bonding authorization.

In addition, the SFPUC may issue refunding bonds to repay outstanding revenue bond debt if the issuance of the refunding bonds results in net present value debt service savings of 3 percent or more and does not extend the maturity date. If the SFPUC issues refunding bonds, then the SFPUC needs to submit to the Board of Supervisors the final official statement for the refunding bonds and a statement from the financial advisor on the 3 percent net present value debt service savings. The Commission may also authorize refunding bonds if other benefits accrue. The authorization to issue refunding bonds extends through June 2031.

### **Wastewater Capital Budget**

The proposed appropriation ordinance appropriates or re-appropriates a total of \$1,350,483,789 in FY 2026-27 and FY 2027-28 of Wastewater bond proceeds, Wastewater revenues, Wastewater capacity fees, and de-appropriated Wastewater project funding to various SSIP and other Wastewater projects, as shown in Exhibit 1 below.

**Exhibit 1: Wastewater Appropriation**

<b>Sources of Funds</b>	<b>FY 2026-27</b>	<b>FY 2027-28</b>	<b>Total</b>
Wastewater Bond Proceeds (File 26-0476)	\$503,943,037	\$661,793,229	\$1,165,736,266
De-appropriations and Re-appropriations	3,898,000	0	3,898,000
Wastewater Revenues	81,902,693	91,397,722	173,300,415
Wastewater Capacity Fees	3,718,772	3,830,335	7,549,107
<b>Total Sources of Funds</b>	<b>\$593,462,503</b>	<b>\$757,021,286</b>	<b>\$1,350,483,789</b>
<b>Uses of Funds</b>			
	<b>FY 2026-27</b>	<b>FY 2027-28</b>	<b>Total</b>
<b>Sewer System Improvement Project (SSIP)</b>			
Collection System Improvements	4,553,064	11,530,124	16,083,188
Biosolids/Digester Project	36,889,474	53,313,321	90,202,795
Drainage Basin/Early Implementation	3,907,957	25,593,111	29,501,068
Flood Resilience/Hydraulic Improvements	91,159,812	196,184,812	287,344,624
Treatment Plant Improvements - Southeast	169,238,479	108,524,506	277,762,985
Treatment Plant Improvements - Other	59,169,876	106,118,781	165,288,657
Planning/Budget	13,750,000	13,750,000	27,500,000
<b>Total, SSIP Uses</b>	<b>\$378,668,662</b>	<b>515,014,655</b>	<b>\$893,683,317</b>
<b>Other Wastewater Programs</b>			
Renewal & Replacement-Collection System	131,520,005	135,054,132	266,574,137
Renewal & Replacement-Treatment Facilities	15,790,000	16,972,050	32,762,050
Facilities Infra. / Customer Service System	1,588,657	3,477,162	5,065,819
<b>Total, Other Wastewater Programs Uses</b>	<b>\$148,898,662</b>	<b>\$155,503,344</b>	<b>\$304,402,006</b>
<b>Financing Costs</b>	<b>65,895,179</b>	<b>86,503,287</b>	<b>152,398,466</b>
<b>Total Uses of Funds</b>	<b>\$593,462,503</b>	<b>\$757,021,286</b>	<b>\$1,350,483,789</b>

Source: SFPUC.

Note: Total sources of funds may not add due to rounding.

Financing costs include the costs of interim, short-term funding for projects by the Commercial Paper Program, such as accrued interest and credit bank and dealer fees associated with outstanding commercial notes as well as capitalized interest and other issuance costs. It also includes the funding for the Controller's Audit Fund, as required by the City Charter.

**Water Capital Budget**

The proposed appropriation ordinance appropriates or re-appropriates a total of \$641,826,186 in FY 2026-27 and FY 2027-28 of Water revenue bond proceeds, Water revenues, Water capacity fees, and de-appropriated Water project funding to various Water projects, as shown in Exhibit 2 below.

**Exhibit 2: Water Appropriation**

<b>Sources of Funds</b>	<b>FY 2026-27</b>	<b>FY 2027-28</b>	<b>Total</b>
Water Bond Proceeds (File 26-0477)	\$272,888,345	\$221,913,742	\$494,802,087
De-appropriations and Re-appropriations	6,715,741	0	6,715,741
Water Revenues	65,705,483	71,606,345	137,311,828
Water Capacity Fees	1,468,887	1,527,643	2,996,530
<b>Total Sources of Funds</b>	<b>\$346,778,456</b>	<b>\$295,047,730</b>	<b>\$641,826,186</b>
<b>Uses of Funds</b>			
	<b>FY 2026-27</b>	<b>FY 2027-28</b>	<b>Total</b>
<b>Regional Water</b>			
Regional Water Facilities and Infrastructure	115,171,668	117,712,815	232,884,484
Watersheds & Right of Way	13,589,956	13,863,696	27,453,652
Regional Alternative Water Supplies	2,010,000	1,610,000	3,620,000
<b>Total Regional Water Uses</b>	<b>\$130,771,624</b>	<b>\$133,186,511</b>	<b>\$263,958,136</b>
<b>Local Water</b>			
Local Water Facilities and Infrastructure	171,767,017	112,200,210	283,967,226
Local Water Resources	8,648,368	20,715,739	29,364,107
<b>Total Local Water Uses</b>	<b>\$180,415,385</b>	<b>\$132,915,949</b>	<b>\$313,331,333</b>
<b>Financing Costs</b>	<b>35,591,448</b>	<b>28,945,271</b>	<b>64,536,718</b>
<b>Total Uses of Funds</b>	<b>\$346,778,456</b>	<b>\$295,047,731</b>	<b>\$641,826,187</b>

Source: SFPUC.

Financing costs include the costs of interim, short-term funding for projects by the Commercial Paper Program, such as accrued interest and credit bank and dealer fees associated with outstanding commercial notes as well as capitalized interest and other issuance costs. It also includes the funding for the Controller's Audit Fund, as required by the City Charter.

**Hetch Hetchy Water & Power Capital Budget**

The proposed appropriation ordinance appropriates or re-appropriates a total of \$641,826,186 in FY 2026-27 and FY 2027-28 of Power revenue bonds, Water revenue bonds, Hetch Hetchy revenues, Cap and Trade revenues, and de-appropriated Hetch Hetchy project funding to various Water, Power, and joint Water/Power projects, along with local power projects, as shown in Exhibit 3 below.

**Exhibit 3: Hetch Hetchy Water & Power Appropriation**

<b>Sources of Funds</b>	<b>FY 2026-27</b>	<b>FY 2027-28</b>	<b>Total</b>
Water Bond Proceeds (File 26-0477)	\$58,680,180	\$17,026,651	\$75,706,831
Power Bond Proceeds (File 26-0475)	40,219,718	97,945,219	138,164,937
De-appropriations and Re-appropriations	7,790,835	0	7,790,835
Hetch Hetchy Water Revenues	32,522,250	36,012,538	68,534,788
Hetch Hetchy Power Revenues	73,295,956	96,349,419	169,645,375
Cap and Trade Revenue	5,788,234	897,818	6,686,052
<b>Total Sources of Funds</b>	<b>\$218,297,173</b>	<b>\$248,231,645</b>	<b>\$466,528,818</b>
<b>Uses of Funds</b>			
<b>Uses of Funds</b>	<b>FY 2026-27</b>	<b>FY 2027-28</b>	<b>Total</b>
<b>Upcountry Water and Power</b>			
Water Infrastructure Projects	58,120,524	12,024,111	70,144,635
Power Infrastructure Projects	40,166,224	92,084,748	132,250,972
Joint Water/Power Projects	54,724,385	85,949,448	140,673,833
<b>Total Upcountry Water and Power Uses</b>	<b>\$153,011,133</b>	<b>\$190,058,307</b>	<b>\$343,069,440</b>
<b>Local Power</b>			
Distribution Services Retail	22,710,902	17,959,114	40,670,015
Distribution Services Retail - Program	202,376	379,025	581,401
Distribution Services Retail - Grid Connections	6,133,926	13,898,711	20,032,637
Streetlight Replacement	4,424,000	625,092	5,049,092
Small Renewables	1,000,000	1,000,000	2,000,000
Cap and Trade Projects	6,000,000	1,000,000	7,000,000
Public Power Expansion	10,955,000	8,004,000	18,959,000
<b>Total Local Power Uses</b>	<b>\$51,426,204</b>	<b>\$42,865,942</b>	<b>\$94,292,145</b>
<b>Financing Costs, Water</b>	<b>8,613,786</b>	<b>2,531,933</b>	<b>11,145,719</b>
<b>Financing Costs, Power</b>	<b>5,246,050</b>	<b>12,775,463</b>	<b>18,021,513</b>
<b>Total Uses of Funds</b>	<b>\$218,297,173</b>	<b>\$248,231,645</b>	<b>\$466,528,818</b>

Source: SFPUC.

Financing costs include the costs of interim, short-term funding for projects by the Commercial Paper Program, such as accrued interest and credit bank and dealer fees associated with outstanding commercial notes as well as capitalized interest and other issuance costs. It also includes the funding for the Controller's Audit Fund, as required by the City Charter.

**CleanPowerSF Capital Budget**

Finally, the proposed appropriation ordinance appropriates \$213,640 of CleanPowerSF customer revenue for ITS Capital Projects and the Workforce Management System.

**Proposition E Bond Funds**

San Francisco voters approved Proposition E in 2002 and Proposition A in 2018, providing for the Board of Supervisors to authorize issuance of Water, Power, Wastewater Revenue Bonds and other forms of debt with two-thirds approval of the Board members. As shown below in Exhibit 4, the Board has authorized \$15.3 billion, of which \$12.1 billion has been issued and \$3.2 billion is authorized but not issued.

**Exhibit 4: Proposition E Bond Authorizations**

SFPUC Division	Authorized	Issued	Unissued	Proposed	New Total Authorized
Wastewater	\$8,052,606,653	\$5,930,155,128	\$2,122,451,525	\$1,165,736,266	\$9,218,342,919
Water	6,171,641,818	5,692,330,982	479,310,836	570,508,918	6,742,150,736
Power	1,029,790,456	480,174,000	549,616,456	138,164,937	1,167,955,393
<b>Total</b>	<b>\$15,254,038,927</b>	<b>\$12,102,660,110</b>	<b>\$3,151,378,817</b>	<b>\$1,874,410,121</b>	<b>\$17,128,449,048</b>

Source: SFPUC

Approval of the proposed bond authorization ordinances would increase the amount of bonds authorized in accordance with Propositions E and A to \$17.1 billion. The SFPUC plans to issue approximately \$11.3 billion in new revenue bonds between FY 2026-27 to FY 2035-36, according to the 10-Year Capital Plan (amounts are preliminary are subject to change due to market conditions and actual project spending).

**FISCAL IMPACT**

**Debt Service**

The SFPUC’s 10-Year Financial Plan assumes future bond issuances after FY 2027-28 will have a 6.0 percent interest rate and a thirty-year term. This assumption is unchanged from the 6.0 percent interest rate assumed in last year’s Financial Plan. Transactions in FY 2026-27 and FY 2027-28 are assumed to have lower interest rates of 4.75 percent and 5.0 percent, respectively, given the expected near-term rate environment.

Assuming a fixed 6.0 percent interest rate, the average annual debt service for the proposed \$1.9 billion in Water, Wastewater, and Power bonds over 30 years is approximately \$139.2 million, or \$4.2 billion in total debt service, excluding any capitalized interest for interim financing. Actual debt service costs may be lower due to bond refunding, access to state and federal lending and other capital revenues, and the lower interest rates assumed for FY 2026-27 and FY 2027-28.

**Financial Policies: Revenues**

The SFPUC’s 10-Year Financial Plan projects that the Water, Wastewater, and Hetch Hetchy Water and Power Enterprises will have sufficient net revenues and unrestricted fund balance to maintain debt service coverage ratios in compliance with the Department’s financial policies.

Water, Wastewater, and Power are in compliance with the Department’s Capital Financing policy, which requires operating revenues to fund between 15 and 30 percent of capital spending. The purpose of this policy is to manage the impact of debt service on utility charges.

**Financial Policies: Affordability**

In November 2023, the SFPUC adopted a new Affordability Policy that establishes two non-binding affordability targets. The Typical Customer Affordability Metric states that the average residential combined water and sewer bill should be no more than three percent of typical

household income.<sup>1</sup> The Low-Income Customer Affordability Metric states that the average residential combined water and sewer bill should be no more than seven percent of low-income household income,<sup>2</sup> and no more than five percent of low-income household income after accounting for enrollment in applicable bill discount programs. These targets are evaluated on a 20-year planning horizon, as established in the Affordability Policy.

According to the SFPUC's 10-Year Financial Plan, the combined water and sewer bill is projected to exceed the typical customer affordability metric target rate of three percent beginning in FY 2033-34 and not return to below three percent until FY 2044-45. Over the 20-year period, the combined water and sewer bill is forecast to grow to a maximum of 3.1 percent of typical household income (compared to the 3.0 percent target) and 7.4 percent of low-income household income (compared to the 7.0 percent target). Low-income households enrolled in applicable discount programs remain under the target during the 20-year forecast period (reaching a maximum of 4.4 percent, compared to the 5.0 percent target). According to the 10-Year Financial Plan, increases in sewer charges are the largest driver of the growth in customer bills due to capital spending and associated increases in debt service costs, primarily related to the replacement and modernization of the Southeast Treatment Plant.

However, the current adopted rates and the SFPUC's FY 2026-27 and FY 2027-28 budget do not exceed these affordability targets. Multiple factors, including construction cost inflation, interest rates, and the availability of external state or federal financing, will influence customer rates and the SFPUC's ability to meet its affordability targets in future years.

The SFPUC's Affordability Policy does not establish an affordability target for Hetch Hetchy and CleanPowerSF bills.<sup>3</sup> The Financial Plan projects that over the 20-year period, Hetch Hetchy Power's average and discounted bills will reach 1.6 percent of typical household income, 3.9 percent of low-income household income, and 2.8 percent of low-income household income enrolled in discount programs. The Financial Plan projects that CleanPowerSF average bills will reach 1.2 percent and 2.9 percent of typical and low-income household incomes, respectively, over the 10-year period through FY 2035-36. (Due to uncertainty regarding power supply expenses and PG&E rate increases, the Financial Plan only forecasts CleanPowerSF bills over a 10-year, rather than 20-year, period.)

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<sup>1</sup> Typical household income is defined as the 40<sup>th</sup> percentile of household income in San Francisco, as measured in the U.S. Census Bureau's most recent Five-Year American Community Survey.

<sup>2</sup> Low-income household income is defined as the 20<sup>th</sup> percentile of household income in San Francisco, as measured in the U.S. Census Bureau's most recent Five-Year American Community Survey.

<sup>3</sup> According to SFPUC staff, while the SFPUC has been considering a Power Affordability policy, power bill targets are more challenging to establish because power purchase costs continue to be volatile, Hetch Hetchy customers are primarily municipal, and the CleanPowerSF bill is largely driven by PG&E.

**Customer Rates**

Exhibit 5 below shows the projected rate increases for each utility service for the next five fiscal years, based on the 10-Year Financial Plan and adopted rates. Future rate estimates are subject to change prior to adoption. Rates for service pay for operating and capital expenditures.

**Exhibit 5: Utility Rate Increases (Red = higher than last year, Blue = lower than last year)**

Utility	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Retail Water	7.0%	7.0%	7.5%	7.5%	7.5%
Wholesale Water	7.4%	6.9%	3.9%	2.0%	4.5%
Wastewater	15.0%	14.5%	13.0%	13.0%	12.0%
Hetch Hetchy Power - Retail	6.0%	7.0%	6.5%	6.5%	6.5%
CleanPowerSF Generation	-23.1%	8.5%	8.0%	5.5%	5.5%

Source: SFPUC FY 2026-27 – FY 2035-36 10-Year Financial Plan

Notes: Red highlighting indicates higher increases than projected in last year’s financial plan, with increases ranging from 0.5 to 8.5 percentage points. Blue highlighting indicates lower increases than projected in the financial plan, with decreases ranging from 0.5 to 23.1 percentage points. Notably, CleanPowerSF is planning a rate decrease of 23.1% in FY 2026-27 in response to lower power supply costs and a difficult competitive environment.

The most recent retail Water and Wastewater rates for FY 2026-27 and FY 2027-28 were adopted by the SFPUC on April 28, 2026.

Wholesale Water rates are based on contracts with wholesale customers.

Hetch Hetchy Power and CleanPowerSF rates will be adopted annually, given recent volatility in energy markets. The SFPUC approved new FY 2026-27 Hetch Hetchy retail rates on April 28, 2026. A CleanPowerSF rate reduction of 20 to 25 percent, depending on customer class, was approved by the SFPUC in January 2026 and went into effect March 1, 2026. CleanPowerSF rates are expected to remain at the reduced rates through July 2027. This rate reduction was put in place in response to lower power supply costs and a difficult competitive environment. After this decrease, CleanPowerSF projects generation rate increases of between 5.5 and 8.5 percent between FY 2027-28 and FY 2030-31.

**POLICY CONSIDERATION**

**Debt Service Coverage Policy**

In prior reports, the Budget and Legislative Analyst has noted that the SFPUC’s Debt Service Coverage Policy includes two formulas: (1) for maintaining sufficient net revenues and fund balance to exceed debt service coverage requirements in bond indentures and (2) for maintaining sufficient net revenues to exceed debt service. The Indenture Coverage formula explicitly includes enterprise fund balance. The Current Coverage ratio does not explicitly include fund balance, which is consistent with how credit rating agencies and some PUC creditors evaluate

debt service coverage.<sup>4</sup> However, according to the 10-Year Financial Plan, on advice of bond counsel, the SFPUC may include appropriated fund balance in the calculation of an SFPUC Enterprise's Current Coverage, even though it is not specified in the policy formula, as it is a funding source for operating costs. In June 2025, we reported that the SFPUC was considering potential changes to update formal financial policies which would be incorporated in the following year's 10-year financial plan. However, according to SFPUC staff, the SFPUC determined that no changes were necessary, and no changes were made to SFPUC's adopted financial policies or debt service coverage policy.

### **Affordability Policy**

As discussed earlier in this report, over the 20-year Affordability Policy forecast period, the SFPUC is projecting that the combined water and sewer bill is forecast to grow to a maximum of 3.1 percent of typical household income (compared to the 3.0 percent target) and 7.4 percent of low-income household income (compared to the 7.0 percent target). Water and sewer bills are projected to exceed these affordability targets beginning in FY 2033-34 and remain above the target rates until FY 2044-45.

The Board of Supervisors could work with SFPUC and decide, either now or at a later time, to reduce SFPUC's capital plans and proposed debt issuances, or future capital plans and future proposed debt issuances, to reduce rate increases so that the SFPUC's water and sewer bills remain within their affordability targets. Such decisions would impact planned projects, many of which are important to meet regulatory and safety standards. While water and sewer bills are not projected to exceed affordability targets until FY 2033-34, the impacts of debt issuance reductions could be less drastic if action is taken now, depending on construction costs and interest rates.

## **RECOMMENDATIONS**

1. Approve Files 26-0475, 26-0476, and 26-0477, the Power, Wastewater, and Water Revenue Bond authorizations.
2. Approve File 26-0474, the appropriation ordinance pertaining to the SFPUC's two-year capital budget.
3. Request a report from the SFPUC regarding strategies and future plans to (a) meet affordability targets for water and sewer bills, and (b) establish affordability targets for Hetch Hetchy and CleanPowerSF bills.

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<sup>4</sup> As calculated in SFPUC's Debt Service Coverage Policy: The Indenture Coverage formula is: ((Annual Revenues – Operating Expenses) + Unappropriated Fund Balance)/ Annual Debt Service. The Current Coverage formula is: (Annual Revenues – Operating Expenses)/Annual Debt Service. The Indenture Coverage must be at least 1.35x debt service and the Current Coverage must 1.10x debt service.

OFFICE OF THE MAYOR  
SAN FRANCISCO



DANIEL LURIE  
MAYOR

To: Rafael Mandelman, President of the Board of Supervisors  
From: Sophia Kittler, Mayor's Budget Director  
Date: May 1, 2026  
Re: 30-Day Waiver Requests

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RECEIVED  
BOARD OF SUPERVISORS  
SAN FRANCISCO  
2026 MAY 01 PM02:06

A handwritten signature in blue ink, likely belonging to a staff member of the Board of Supervisors.

President Mandelman,

The Mayor's Office respectfully requests 30-day hold waivers for the following ordinances and trailing legislation introduced with the budget on Friday, May 1, 2026.

- Proposed Budget and Annual Appropriation Ordinance (AAO) for Selected Departments
- Proposed Annual Salary Ordinance (ASO) for Selected Departments
- Public Utilities Commission (PUC) Capital Budgets and Borrowing Ordinances
- Building Code – Building Inspection Permitting and Inspection Fees Adjustment
- Accept and Expend Grants – Recurring Grant Funds – San Francisco Public Library Friends of the Library Fund – FY 2026-2027

Should you have any questions, please email Adam Thongsavat at [adam.thongsavat@sfgov.org](mailto:adam.thongsavat@sfgov.org).

Sincerely,

A handwritten signature in black ink, likely belonging to Sophia Kittler.

Sophia Kittler  
Mayor's Budget Director

President, District 8  
BOARD of SUPERVISORS



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San Francisco, CA 94102-4689  
Tel. No. 554-6968  
Fax No. 554-5163  
TDD/TTY No. 544-5227

**RAFAEL MANDELMAN**

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**PRESIDENTIAL ACTION**

Date:

To: Angela Calvillo, Clerk of the Board of Supervisors

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Madam Clerk,

Pursuant to Board Rules, I am hereby:

Waiving 30-Day Rule (Board Rule No. 3.23)

File No.

(Primary Sponsor)

Title.

Transferring (Board Rule No 3.3)

File No.

(Primary Sponsor)

Title.

From:

Committee

To:

Committee

Assigning Temporary Committee Appointment (Board Rule No. 3.1)

Supervisor:

Replacing Supervisor:

For:

Meeting

(Date)

(Committee)

Start Time:

End Time:

Temporary Assignment:

Partial

Full Meeting

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Rafael Mandelman, President  
Board of Supervisors

OFFICE OF THE MAYOR  
SAN FRANCISCO



DANIEL LURIE  
MAYOR

RECEIVED  
BOARD OF SUPERVISORS  
SAN FRANCISCO  
2026 MAY 01 PM02:02

*BAH*

To: Angela Calvillo, Clerk of the Board of Supervisors  
From: Sophia Kittler, Mayor's Budget Director  
Date: May 1, 2026  
Re: Mayor's May 1 FY 2026-27 and FY 2027-28 Budget Submission

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Madam Clerk,

In accordance with City and County of San Francisco Administrative Code, Section 3.3, the Mayor's Office hereby submits the Mayor's proposed May 1 budget, corresponding legislation, and related materials for Fiscal Year (FY) 2026-27 and FY 2027-28.

In addition to the Mayor's Proposed FY 2026-27 and FY 2027-28 May 1 Budget Book, the following items are included in the Mayor's submission:

- The May 1 Proposed Budget and Annual Appropriation Ordinance (AAO) for Selected Departments
- The May 1 Proposed Annual Salary Ordinance (ASO) for Selected Departments
- The Municipal Transportation Agency (MTA) Budget Memo
- The Public Utilities Commission (PUC) Capital Budgets and Borrowing Ordinances
- Seven separate pieces of trailing legislation (see list attached)
- A Transfer of Function letter detailing the transfer of positions from one City department to another
- An Interim Exception letter
- Memo to the Board President requesting for 30-day rule waivers on ordinances

Please note the following:

- Technical adjustments to the budget are being prepared, but are not submitted with this set of materials.

Should you have any questions, please email Adam Thongsavat at [adam.thongsavat@sfgov.org](mailto:adam.thongsavat@sfgov.org).

Sincerely,

A handwritten signature in black ink, appearing to be "SK", written over a horizontal line.

Sophia Kittler  
Mayor's Budget Director

cc: Members of the Board of Supervisors  
Budget & Legislative Analyst's Office  
Controller

DEPT	Item	Description	Type of Legislation	File #
AIR	Continuing Prop J	Contracting for information and guest services, security services, parking operations, and shuttle bus services	Resolution	260480
DBI	Fee Change	Adjusts the fees for services provided by the Department of Building Inspection and Planning Department pursuant to the 2024 Fee Study	Ordinance	260478
LIB	Recurring A&E	The Friends and Foundation of the San Francisco Public Library – Annual Grant Award	Resolution	260481
MTA	Continuing Prop J	Contracting for citations processing, towing services, paratransit services, security services, transit shelter, and cleaning services	Resolution	260480
PRT	Continuing Prop J	Contracting for Janitorial services at Port facilities	Resolution	260480
PUC	Continuing Prop J	Contracting for security services at PUC Wastewater Enterprise facilities	Resolution	260480
PUC	Prop J (New)	Security services at PUC administrative office at 525 Golden Gate Avenue	Resolution	260479

OFFICE OF THE MAYOR  
SAN FRANCISCO



DANIEL LURIE  
MAYOR  
RECEIVED  
BOARD OF SUPERVISORS  
SAN FRANCISCO  
2026 MAY 01 PM02:21

*DLL*

To: Angela Calvillo, Clerk of the Board of Supervisors  
From: Sophia Kittler, Mayor's Budget Director  
Date: May 1, 2026  
Re: Public Utilities Commission Capital Projects Budget and Supplemental  
Appropriation Ordinance

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**An Ordinance appropriating all estimated capital project receipts and all estimated capital projects expenditures for the Public Utilities Commission for the fiscal year ending June 30, 2027 and the fiscal year ending June 30, 2028.**

Should you have any questions, please contact Adam Thongsavat at [adam.thongsavat@sfgov.org](mailto:adam.thongsavat@sfgov.org)