

File No. 200836

Committee Item No. 9

Board Item No. 12

COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget & Appropriations Committee Date August 13, 2020

Board of Supervisors Meeting Date September 29, 2020

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Completed by: Linda Wong Date August 7, 2020

Completed by: Linda Wong Date September 8, 2020

1 [San Francisco Public Utilities Commission Power Revenue Bond Issuance - Various Capital
2 Projects Benefitting the Power Enterprise - Not to Exceed \$142,970,073]

3 **Ordinance authorizing the issuance and sale of tax-exempt or taxable Power Revenue**
4 **Bonds and other forms of indebtedness by the San Francisco Public Utilities**
5 **Commission in an aggregate principal amount not to exceed \$142,970,073 to finance**
6 **the costs of various capital projects benefitting the Power Enterprise pursuant to**
7 **Charter, Sections 9.107(6) and 9.107(8); authorization to issue Refunding Power**
8 **Revenue Bonds and the retirement of outstanding Power Enterprise Commercial**
9 **Paper; declaring the Official Intent of the Commission to Reimburse Itself with one or**
10 **more issues of tax-exempt bonds; and ratifying previous actions taken in connection**
11 **therewith, as defined herein.**

12 NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
13 **Additions to Codes** are in *single-underline italics Times New Roman font*.
14 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.
15 **Board amendment additions** are in double-underlined Arial font.
16 **Board amendment deletions** are in ~~strikethrough Arial font~~.
17 **Asterisks (* * * *)** indicate the omission of unchanged Code
18 subsections or parts of tables.

16 Be it ordained by the People of the City and County of San Francisco:

18 Section 1. Findings. The Board of Supervisors ("Board") of the City hereby finds and
19 declares as follows:

20 A. Pursuant to Charter Sections 9.107(6) and 9.107(8), together with the provisions
21 of Proposition A (approved by the voters in June 5, 2018) to authorize the San Francisco
22 Public Utilities Commission ("Commission") to issue revenue bonds, including notes,
23 commercial paper or other forms of indebtedness (which forms of indebtedness may include
24 without limitation, loans and other forms of indebtedness provided by governmental agencies

1 and/or commercial or investment banks), when authorized by ordinance approved by a two-
2 thirds vote of the Board of Supervisors, for the purpose of reconstructing, replacing,
3 expanding, repairing or improving power facilities under the jurisdiction of the Commission.

4 B. The Commission adopted the Trust Indenture dated as of May 1, 2015, as
5 further amended and supplemented from time to time ("Indenture"), between the Commission
6 and U. S. Bank National Association and in connection therewith, has from time to time issued
7 revenue bonds to finance projects benefitting the Power Enterprise; and

8 C. By Resolution 20-0031 adopted by the Commission on February 11, 2020
9 ("Commission Resolution") the Commission has determined to issue Power Revenue Bonds
10 ("Power Revenue Bonds") and other forms of indebtedness, including commercial paper,
11 revolving credit notes and other forms of notes, to finance the costs of various capital Power
12 projects benefitting the Power Enterprise ("Capital Improvement Projects," such projects being
13 more fully described in the Commission Resolution), pursuant to Charter Sections 9.107(6)
14 and 9.107(8), and has formally requested this Board to authorize the issuance and sale of
15 Power Revenue Bonds for such purposes, such Commission Resolution being on file with the
16 Clerk of the Board in File No. 200836; and

17 D. In order to finance the costs of the Capital Improvement Projects, the Board now
18 desires to authorize the issuance and sale of Power Revenue Bonds and other forms of
19 indebtedness (including, without limitation and for illustrative purposes only), New Clean
20 Renewable Energy Bonds and Qualified Energy Conservation Bonds, commercial paper,
21 revolving credit notes, and bond anticipation notes) for such purposes; and

22 E. The Commission has paid, beginning no earlier than 60 days prior to the
23 adoption of this Ordinance and will pay, on and after the date hereof, certain expenditures (the
24 "Expenditures") in connection with the acquisition, construction and/or equipping of the Capital
25 Improvement Projects, and

1 F. This Board is concurrently considering with this ordinance another Ordinance
2 approving a Capital Improvement Program related supplemental appropriations totaling
3 \$260,351,806 for fiscal years ending 2021 and 2022, such amount being inclusive of the
4 Power Revenue Bonds and other forms of indebtedness (including, without limitation and for
5 illustrative purposes only, New Clean Renewable Energy Bonds, Qualified Energy
6 Conservation Bonds, commercial paper, revolving credit notes, and bond anticipation notes)
7 approved hereby; and

8 G. This Board of Supervisors, on behalf of the Commission, adopts this Ordinance
9 as official action of the Commission in order to comply with Treasury Regulation §1.150-2 and
10 any other regulations of the Internal Revenue Service relating to the qualification for
11 reimbursement of Commission expenditures incurred prior to the date of issue of the Power
12 Revenue Bonds.

13 H. In order to refinance the costs of any Power Enterprise facilities or
14 improvements financed with bonds issued pursuant to Charter Sections 9.107(6) and
15 9.107(8), together with the provisions of Proposition A, the Board now desires to authorize the
16 issuance and sale of Power Revenue Refunding Bonds.

17 Section 2. Authorization to Issue Power Revenue Bonds. The Board hereby
18 authorizes the issuance and sale of Power Revenue Bonds and other forms of indebtedness
19 (including, without limitation and for illustrative purposes only, New Clean Renewable Energy
20 Bonds, Qualified Energy Conservation Bonds, commercial paper, revolving credit notes, and
21 bond anticipation notes) in one or more series from time to time by the Commission pursuant
22 to the Charter and in accordance with the Commission Resolution in an aggregate principal
23 amount not to exceed \$142,970,073 (inclusive of financing costs but exclusive of refunding
24 indebtedness), bearing a maximum rate or rates of interest of not to exceed twelve percent
25 (12%) per annum to finance a portion of the costs of the design, acquisition and construction

1 of the Capital Improvement Projects. The Commission is hereby authorized to determine the
2 timing, amount and manner of sale (i.e., competitive or negotiated) of each series of Power
3 Revenue Bonds or the delivery of other forms of indebtedness pursuant to this authorization;
4 provided however, the Commission's authorization to issue Power Revenue Bonds or incur
5 other forms of indebtedness (including, without limitation, New Clean Renewable Energy
6 Bonds, Qualified Energy Conservation Bonds, commercial paper, revolving credit notes, and
7 bond anticipation notes), is subject to approval by the Commission of the form of substantially
8 final offering document related to such bonds (if any) and the approval of any related financing
9 documents. The Commission shall also file, within 30 days of any bond sale authorized
10 hereby, with the Clerk of the Board of Supervisors a report showing the results of the sale of
11 Power Revenue Bonds or other form of indebtedness including (i) principal amount sold and
12 method of sale, (ii) true interest cost, (iii) final maturity, (iv) the facilities constructed and/or
13 improved, and (v) a statement about the remaining bonding authorization under this
14 Ordinance ("Bond Report"); provided that failure to provide such Bond Report shall not affect
15 the validity of any debt authorized hereby.

16 Section 3. Authorization to Retire Commercial Paper. In furtherance of the purpose of
17 managing the Commission outstanding indebtedness, the General Manager is hereby
18 authorized and directed, in consultation the City Attorney, from Available Power Enterprise
19 Revenues to retire outstanding Power Enterprise Commercial Paper at such times and in
20 such amounts advantageous to the Commission.

21 Section 34. Authorization to Issue Refunding Power Revenue Bonds. The Board
22 further authorizes and approves the issuance by the Commission of Refunding Power
23 Revenue Bonds and other forms of indebtedness ("Refunding Bonds") to refund any
24 outstanding obligations of the Power Enterprise, without limitation as to principal amount, in
25 one or more series on one or more dates, at a maximum interest rate or rates of interest not to

1 exceed twelve percent (12%) per annum, provided that each such Refunding Bond issue or
2 obligation is permitted under the applicable policies and procedures of the City and authorized
3 by Section 9.109 of the Charter (including related ordinances and resolutions of the Board).
4 The Refunding Bonds may be issued as tax-exempt or taxable obligations, or any
5 combination thereof. Refunding Bonds authorized hereunder shall be subject to the further
6 following conditions, that: (i) 3% net present value debt service savings or greater is achieved
7 to ensure ratepayer savings (exclusive of any issuance to refund commercial paper, revolving
8 credit notes or bond anticipation notes); (ii) that the maturity of the refunded bonds is not
9 extended; provided principal payments and term may be adjusted, where permitted under
10 federal and state tax law, only if and when the underlying capital asset funded through said
11 refunded bonds has a useful life not in excess of any limit permitted under federal and state
12 tax law than the refunded term; (iii) this authorization is subject to a ~~5~~ 6-year term through
13 June 30, 2026, at which time this Board may consider an extension; and (iv) the Commission
14 shall within 30 days of any executed refunding transaction provide a bond refunding savings
15 report ("Bond Refunding Savings Report") prepared by its financial advisor (that reflects at
16 least a 3% net present value debt service savings) to the Board, together with a copy of the
17 final Official Statement with respect to such series of Refunding Bonds, provided that failure to
18 provide such Bond Refunding Savings Report shall not affect the validity of any Refunding
19 Bonds.

20 Section 5. Certain Other Refunding Bonds. Notwithstanding the foregoing, the
21 Commission is authorized to issue Refunding Bonds for non-economic factors, including by
22 way of illustration, eliminating onerous covenants and obsolete provisions contained in the
23 Commission's indenture or other security documents. The Commission shall request a waiver
24 of the savings requirement under Section 4 for any Refunding Bonds issued for non-economic
25 reasons, which the Board may grant by resolution.

1 Section 46. Declaration of Official Intent. The Board, on behalf of the Commission,
2 hereby declares the official intent of the Commission to reimburse the Commission with
3 proceeds of the Power Revenue Bonds or other forms of indebtedness for the Expenditures
4 with respect to the Capital Improvement Projects made on and after a date that is no more
5 than 60 days prior to the adoption of this Ordinance. The Commission reasonably expects on
6 the date hereof that it will reimburse the Expenditures with proceeds of the Power Revenue
7 Bonds or other forms of indebtedness including, without limitation, New Clean Renewable
8 Energy Bonds and Qualified Energy Conservation Bonds. Each said Expenditure was and
9 will be either (A) of a type properly chargeable to a capital account under general federal
10 income tax principles (determined in each case as of the date of the Expenditure), (B) a cost
11 of issuance with respect to the Power Revenue Bonds or other forms of indebtedness, (C) a
12 nonrecurring item that is not customarily payable from current revenues, or (D) a grant to pay
13 a party that is not related to or an agent of the issuer so long as such grant does not impose
14 any obligation or condition (directly or indirectly) to repay any amount to or for the benefit of
15 the Commission. The Commission will make a reimbursement allocation, which is a written
16 allocation by the Issuer that evidences the Commission’s use of proceeds of the Power
17 Revenue Bonds or other forms of indebtedness to reimburse an Expenditure, no later than 18
18 months after the later of the date on which the Expenditure is paid or the component of the
19 Capital Improvement Projects is placed in service or abandoned, but in no event more than
20 three years after the date on which the Expenditure is paid. The Commission recognizes that
21 exceptions are available for certain “preliminary expenditures,” costs of issuance, certain de
22 minimis amounts, expenditures by “small issuers” (based on the year of issuance and not the
23 year of expenditure) and expenditures for construction projects of at least 5 years.

24 Section 57. General Authority. The Controller, Treasurer, the City Attorney and other
25 officers of the City and their duly authorized deputies and agents are hereby authorized and

1 directed, jointly and severally, to take such actions and to execute and deliver such
2 certificates, agreements, requests or other documents, as they may deem necessary or
3 desirable to facilitate the issuance, sale and delivery of the Power Revenue Bonds or other
4 forms of indebtedness (including, without limitation and for illustrative purposes only, New
5 Clean Renewable Energy Bonds, Qualified Energy Conservation Bonds, commercial paper,
6 revolving credit notes, and bond anticipation notes), any Power Refunding Bonds, and to
7 obtain bond insurance or other credit or liquidity enhancements with respect to any such
8 obligations and otherwise to carry out the provisions of this Ordinance. The Commission is
9 hereby directed to provide the final form to the Clerk of the Board of any disclosure document
10 prepared in connection with the execution of any Power Revenue Bonds and other forms of
11 indebtedness (including, without limitation and for illustrative purposes only, New Clean
12 Renewable Energy Bonds and Qualified Energy Conservation Bonds, commercial paper,
13 revolving credit notes, and bond anticipation notes) or Refunding Bonds, or other document
14 reflecting the incurrence of another obligation payable from the Power Enterprise, within 30
15 days of the closing of such transactions, provided that the failure to deliver such document
16 shall not affect the validity of the obligations authorized hereunder. The Commission is further
17 directed as a part of the two-year budget review to provide to this Board of Supervisors a
18 written report about Power Revenue Bonds authorized hereunder, detailing the total amount
19 authorized, the total amount sold, the remaining authorized but unissued amount, and the
20 bond authorization no longer necessary due to changes in projects and project financing.

21 Section 68. Ratification of Prior Actions. All actions authorized and directed by this
22 Ordinance in connection with the issuance of the Power Revenue Bonds and other forms of
23 indebtedness (including, without limitation and for illustrative purposes only, New Clean
24 Renewable Energy Bonds, Qualified Energy Conservation Bonds, commercial paper,
25

1 revolving credit notes, and bond anticipation notes), and Refunding Power Revenue Bonds,
2 and heretofore taken are hereby ratified, approved and confirmed by this Board.

3 Section 79. File Documents. All documents referred to as on file with the Clerk of the
4 Board are in File Nos. 200836.

5 Section 810. Effective Date. Pursuant to Charter Section 2.105, Section 4 of this
6 Ordinance and Sections 7 and 8 of this Ordinance as they pertain to Refunding Bonds
7 authorized under Section 4 shall take effect immediately after its adoption. Pursuant to
8 Charter Section 8B.124, the remainder of this Ordinance shall take effect thirty (30) days after
9 its adoption.

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

12
13 By: /s/ Mark D. Blake
14 Mark D. Blake
15 Deputy City Attorney
16 n:\financ\as2016\1300183\01109131.docx

LEGISLATIVE DIGEST

[San Francisco Public Utilities Commission Power Revenue Bond Issuance - Various Capital Projects Benefitting the Power Enterprise - Not to Exceed \$142,970,073]

Ordinance authorizing the issuance and sale of tax-exempt or taxable Power Revenue Bonds and other forms of indebtedness by the San Francisco Public Utilities Commission in an aggregate principal amount not to exceed \$142,970,073 to finance the costs of various capital projects benefitting the Power Enterprise pursuant to Charter, Sections 9.107(6) and 9.107(8); authorization to issue Refunding Power Revenue Bonds and the retirement of outstanding Power Enterprise Commercial Paper; declaring the Official Intent of the Commission to Reimburse Itself with one or more issues of tax-exempt bonds; and ratifying previous actions taken in connection therewith, as defined herein.

Existing Law

This is new legislation.

Background Information

The proposed Ordinance authorizes the issuance by the SFPUC of its power enterprise revenue bonds (the "Power Revenue Bonds") in an amount not to exceed \$142,970,073 to finance the costs of various capital water projects benefitting the SFPUC Power Enterprise. The Power Revenue Bonds will be issued pursuant to amendments to the Charter sections enacted by the voters November 5, 2020 as Proposition E, at a maximum rate of 12% per annum. The Ordinance delegates to the SFPUC the authority to determine the timing, amount and manner of sale of Power Revenue Bonds (i.e., competitive or negotiated), subject to the SFPUC approving the form of a substantially final offering document.

The Power Revenue Bonds will be issued pursuant to the terms of a Trust Indenture dated as of May 1, 2015, as further amended and supplemented from time to time ("Indenture"), between the Commission and U. S. Bank National Association, as trustee thereunder.

The Commission is authorized to determine the timing, amount and manner of sale (i.e., competitive or negotiated) of each series of Power Revenue Bonds or other forms of indebtedness (including without limitation State Revolving Fund (SRF) Loans, as well as interim funding vehicles such as commercial paper, revolving credit agreements, bond anticipation notes or other forms of notes, which interim funding vehicles will be issued in advance of being paid off by either Water Revenue Bonds and other forms of indebtedness (including without limitation SRF Loans) to finance the costs of various capital projects benefitting the Water Enterprise (the "Capital Improvement Projects"), pursuant to Proposition E; but the Commission's authority to issue Power Revenue Bonds or incur other forms of indebtedness is subject to further approval by the Commission of the form of substantially final offering document related to such bonds (if any) and the approval of any related financing documents.

FILE NO. 200386

Finally the Ordinance provides for the issuance of Refunding Bonds under Charter Section 9.109 without returning to the Board for approval provided that the Commission achieves at least 3% present value debt service savings, and satisfies other conditions contained in the Ordinance. The Commission is required to provide a savings report to the Board within 30 days of the date of execution of any refunding.

The authority to issue Refunding Bonds is for a 6-year term through June 30, 2026, at which time this Board may consider an extension.

Upon issuance of the Bonds, to the extent permitted by law, one-twentieth of one percent (0.05%) of the gross proceeds of the Bonds will be deposited in a fund established by the City Controller's Office and appropriated by the Board at the direction of the Public Utilities Revenue Bond Oversight Committee established by Proposition P.

Items 3 & 7 Files 20-0834 & 20-0836	Department: Public Utilities Commission
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • <u>File 20-0834</u> would appropriate \$260,351,806 Hetch Hetchy revenue, Low Carbon Fuel Standard, Cap and Trade Revenue and Power and Water Revenue Bonds for the SFPUC's Hetch Hetchy Capital Improvement Program for FY 2020-21 and FY 2021-22. Bond proceeds would be placed on Controller's Reserve pending receipt of revenues and the Board of Supervisors' discretionary adoption of California Environmental Quality Act (CEQA) Findings for projects • <u>File 20-0836</u> would authorize the issuance of \$142,970,073 in taxable or tax-exempt Power Revenue Bonds and other forms of indebtedness authorized by the SFPUC. <p>Key Points</p> <ul style="list-style-type: none"> • The Hetch Hetchy enterprise includes Hetchy Water, which is responsible for the water system in and around the Hetch Hetchy reservoir, Hetchy Power, which is responsible for power generation, and CleanPowerSF. A description of the projects proposed to be funded by File 20-0834 is included in Attachment I of this report. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • The SFPUC anticipates issuing the proposed \$143 million in Power Bonds in 1 or 2 series beginning in FY 2020-21 and FY 2021-22. The expected annual debt service on the proposed new debt would be \$9.6 million. <p>Policy Consideration</p> <ul style="list-style-type: none"> • As of July 2020, the Board of Supervisors previously authorized the issuance and sale of \$280.4 million in Power Revenue Bonds and other debt, of which \$103.1 million of Power Revenue Bonds and commercial paper have been sold with \$177.2 million in authorized and unsold bonds. The proposed ordinance (File 20-0836) authorizes an additional \$143 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, even if it has unused bond authority. <p>Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed ordinances 	

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 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.

Charter Section 5A.31(d) states that one-twentieth of one percent (0.05%) from the proceeds of each issuance or sale of public utility revenue bonds must be set aside for use by the Public Utilities Commission Revenue Bond Oversight Committee to cover the costs of Committee activities.

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 SFPUC maintains three utility enterprises: Water, Wastewater, and Hetch Hetchy. The Hetch Hetchy enterprise includes Hetchy Water, which is responsible for the water system in and around the Hetch Hetchy reservoir, Hetchy Power, which is responsible for power generation, and CleanPowerSF. Because power is generated hydroelectrically, certain capital projects benefit both the Hetchy Water and Hetchy Power operations. Hetchy Power primarily provides electricity to City agencies and other government entities.

Hetch Hetchy Capital Improvement Program

According to the San Francisco Public Utilities Commission's (SFPUC) 10-Year Financial Plan, the Hetch Hetchy Enterprise Capital Improvement Program for FY 2020-21 through FY 2029-30 is \$1.56 billion, of which \$1.02 billion is for the Hetchy Water Capital Program and \$542.45 million is for the Power Enterprise. Major funding sources include power revenues, power revenue bonds, and water revenue bonds.

DETAILS OF PROPOSED LEGISLATION

File 20-0834 is a proposed ordinance that would appropriate \$260,351,806 Hetch Hetchy revenue, Low Carbon Fuel Standard, Cap and Trade Revenue and Power and Water Revenue Bonds for the SFPUC's Hetch Hetchy Capital Improvement Program for FY 2020-21 and FY 2021-22. The detailed sources and uses of these funds are shown below in Table 1.

Table 1: Sources of Uses for Hetch Hetchy Capital Improvement Program

	FY 2020-21	FY 2021-22	Total
Sources			
Hetch Hetchy Power Bond Proceeds (see File 20-0836)	56,937,158	86,032,915	142,970,073
Water Bond Proceeds (see File 20-0838)	33,374,293	75,252,440	108,626,733
Low Carbon Fuel Standard Funds	2,500,000	2,000,000	4,500,000
Hetch Hetchy Revenue	569,000	1,686,000	2,255,000
Cap & Trade Auction Revenue	1,000,000	1,000,000	2,000,000
Total Sources	94,380,451	165,971,355	260,351,806
Uses			
Retail Customer Program - Power	2,069,000	2,686,000	4,755,000
Retail Distribution Services	23,327,415	21,285,526	44,612,941
Bay Corridor Project	10,353,000		10,353,000
Small Renewable Generation	1,000,000	1,000,000	2,000,000
Energy Efficiency	1,000,000	1,000,000	2,000,000
Treasure Island Capital Improvements	4,582,543	4,332,543	8,915,086
Hetch Hetchy Water Infrastructure	20,077,000	33,733,000	53,810,000
Hetch Hetchy Power Infrastructure	0	10,560,207	10,560,207
Joint Water Projects	694,249	21,756,724	22,450,973
Joint Power Projects	848,526	26,591,552	27,440,078
Mountain Tunnel Project - Water	7,596,900	8,474,850	16,071,750
Mountain Tunnel Project - Power	9,285,100	10,358,150	19,643,250
Subtotal, Project Uses	80,833,733	141,778,552	222,612,285
Water Financing Costs	4,989,457	11,250,240	16,239,697
Power Financing Costs	8,503,967	12,852,549	21,356,516
Revenue Bond Oversight Committee (0.05%)	45,156	80,642	125,798
Controller's Audit Fund (0.2%)	8,138	9,372	17,510
Subtotal, Other Uses	13,546,718	24,192,803	37,739,521
Total Uses	94,380,451	165,971,355	260,351,806

Source: File 20-0834

A description of these projects is included in Attachment I.

The proposed ordinance would also transfer \$341,001 of surplus funds among existing capital projects in FY 2020-21, as shown in Table 2 below.

Table 2: Transfer of Previously Appropriated Funds

	FY 2020-21
Sources	
Transmission Distribution Systems	9,999
Underground Assessment Fund	331,002
Total Sources	341,001
Uses	
Electric Distribution System	21,246
Distribution System Assessment	319,755
Total Uses	341,001

Source: File 20-0834

The following funds would be placed on Controller’s Reserve pending receipt of bond revenues:

- \$90,311,451 of the \$94,380,451 in new sources in FY 2020-21
- \$161,285,355 of the \$165,971,355 in new sources in FY 2021-22

Use of the appropriated funds is also subject to 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.

File 20-0836 is a proposed ordinance authorizing the issuance of \$142,970,073 in taxable or tax-exempt Power Revenue Bonds and other forms of indebtedness authorized by the SFPUC, including New Clean Renewable Energy Bonds and Qualified Energy Conservation Bonds, commercial paper, revolving credit notes, and bond anticipation notes to finance the Hetch Hetchy Capital Improvement Program.

The ordinance would authorize the Controller, Treasurer, and City Attorney to take necessary actions to facilitate the issuance of the debt. Finally, the SFPUC would be required to provide a report to the Board of Supervisors that includes the amount of Power Revenue Bonds issued under the proposed and prior authorizations, total amount sold, the remaining authorized but unissued amount, and the bond authorization no longer necessary due to changes in projects and project financing.

FISCAL IMPACT

Bond Authorization

File 20-0836 would authorize the issuance of \$142,970,073 of Power Revenue Bonds and other forms of indebtedness authorized by the SFPUC. That ordinance would also authorize issuance of Refunding Bonds to refinance outstanding debt held by the Hetch Hetchy Enterprise.

Commercial Paper

The SFPUC currently has \$63,585,000 in outstanding commercial paper which could be retired by the issuance of new Power Revenue Bonds under the proposed ordinance.

Refunding Bonds

The proposed ordinance does not specify the amount of Refunding Bonds that could be issued to refinance outstanding Hetch Hetchy Enterprise Bond debt. According to the SFPUC, the Power Enterprise anticipates issuing refunding bonds if market conditions result in savings exceeding the minimum 3 percent debt service savings threshold and not extend the maturity date of the bonds that would be refinanced. This provision would end on June 30, 2025 unless extended by resolution of the Board of Supervisors. If the SFPUC issues refunding bonds, a Refunding Savings Report and copy of the final Official Statement would be submitted to the Board of Supervisors.

The proposed ordinance also provides for the SFPUC to issue refunding bonds for non-economic reasons, but issuance of refunding bonds for non-economic reasons would need to be approved by the Board of Supervisors by resolution. According to the SFPUC, the Commission has never issued refunding bonds for non-economic reasons.

SFPUC Debt Management Policy

SFPUC's Debt Policy provides for issuance of short-term debt, such as commercial paper, and refunding bonds.

The SFPUC's financial policies requires that each Enterprise generate net revenues of at least 1.35 times of annual debt service to remain compliant with the Department's Bond Indenture Agreement and that annual revenues are at least 1.10 times of annual debt service.

The SFPUC is expected to remain complaint with these debt service coverage ratios. According to the SFPUC's 10 Year Financial Plan, estimated Hetch Hetchy Enterprise annual debt service coverage ratio in FY 2020-21 would be 4.15 times annual revenues and 5.14 times annual revenues in FY 2021-22. Net revenues are expected to be 23.85 times debt service in FY 2020-21- and 29.94-times debt service in FY 2021-22.

Bond Issuance and Debt Service

The SFPUC anticipates issuing the proposed \$143 million in Power Bonds in 1 or 2 series in FY 2020-21 and FY 2021-22.

The debt service for the proposed \$143 Power bonds is expected to be \$9.6 million annually. According to the SFPUC's 10 Year Financial Plan from FY 2020-21 to FY 2029-30, total estimated Hetch Hetchy Enterprise annual debt service in FY 2020-21 would be \$4.1 million, increasing to \$49.4 million in FY 2029-30.

Power Rate Increases

In order to meet operating, capital, and debt expenses, the SFPUC adopted annual rate increases of 1 cent per year for Municipal customers¹ and 3 percent annually for other customers in FY 2020-21 and in FY 2021-2.

¹ The proposed electricity rates for Municipal customers are \$8.88 c/kWh in FY 2020-21 and \$9.88 c/kWh in FY 2021-22.

POLICY CONSIDERATION**Status of Authorized and Issued Power Enterprise Debt**

The Board of Supervisors previously authorized the issuance and sale of \$280.4 million in Power Revenue Bonds and other debt, of which \$103.1 million of Power Revenue Bonds and commercial paper have been sold with \$177.2 million in authorized and unsold bonds. The proposed ordinance (File 20-0836) authorizes an additional \$143 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, even if it has unused bond authority.

RECOMMENDATION

Approve the proposed ordinances.

Retail Customer Program – Hetchy Power (increase of \$4.7 million)

The proposed ordinance appropriates \$4.7 million over two years to fund Hetch Hetchy Power customer programs. These programs include retrofit electrification programs, electric vehicle charging and storage infrastructure, and support for residential energy efficiency and renewable projects in the retrofit of existing and construction of new affordable residential housing developments, as well as market rate existing buildings.

The total expected cost through FY 2029-30 is \$32.8 million.

Retail Distribution Services (increase of \$44.6 million)

This project funds enhancements to the electric distribution system for various major development projects in San Francisco, including Port projects and Redevelopment projects. The SFPUC, as the electric utility provider, will install the conductors in the conduits, transformers, switches, and metering equipment required for the electric distribution system.

The total expected cost through FY 2029-30 is \$224.9 million.

Bay Corridor Project (increase of \$10.4 million)

This project funds distribution infrastructure from the Potrero substation and a new substation facility at proposed to be located at Quinn Street. The scope of work includes underground ductbank work, cable pulls, transformer substation and transmission connections to PG&E Potrero and related customer interface equipment and cables. Work will extend initially from Southeast Plant to the Mission Rock.

The total expected cost through FY 2029-30 is \$10.4 million.

Small Renewable Generation (increase of \$2 million)

This project funds planning and procurement costs for municipal renewable energy projects. Costs include site identification, site development, RFQ qualification process, RFP preparation, bidding process, contract negotiation, award of contracts, and management of construction and commissioning.

The total expected cost through FY 2029-30 is \$10 million.

Energy Efficiency (increase of \$2 million)

Funded by California Cap and Trade auction revenue, this project funds planning, design and construction for energy efficiency projects for City Departments, including Police, Fire, SFUSD, Real Estate, Recreation & Parks, Public Health, Fine Arts Departments, and others.

The total expected cost through FY 2029-30 is \$10 million.

Treasure Island Capital Improvements (increase of \$8.9 million)

This project funds the installation of the wires in conduits, transformers, switches, and metering equipment and connecting the existing electrical distribution system with the new system being developed on Treasure Island.

The total expected cost through FY 2029-30 is \$13.7 million.

Hetch Hetchy Water Infrastructure (increase of \$53.8 million)

This program funds improvements to Hetchy Water infrastructure and assets that are 100% funded by the Water Enterprise. Projects includes continued rehabilitation to the San Joaquin Pipeline, including evaluation and assessment of structural integrity, structural upgrade of the pipeline and other projects

including pipeline cathodic protection, coating, valve replacement projects and the portion of improvements to Mountain Tunnel that are funded 100% by the Water Enterprise.

The total expected cost though FY 2029-30 is \$277.9M.

Hetch Hetchy Power Infrastructure (increase of \$10.6 million)

This program funds improvements to Hetchy Power infrastructure and assets that are 100% funded by the Power Enterprise. Many Power Infrastructure facilities and equipment have reached their life expectancy and power generation will become less reliable if upgrades are not performed. Projects include improvements to the Moccasin Powerhouse and transmission line upgrades, clearance and mitigation. All the \$10.6M funding is in FY 2021-22.

The total expected cost over though FY 2029-30 is \$152.3M.

Joint Power Hetchy Water and Hetchy Power Projects (increase of \$49.9 million)

This program funds improvements to Hetchy Joint Water/Power infrastructure and assets that are funded 55% by the Water Enterprise and 45% by the Power Enterprise. Project include improvements to Hetchy up-country facilities, condition assessments and rehabilitation of various dam in the Hetchy watershed, improvements to roads and bridges and security and communication projects.

The total expected cost though FY 2029-30 is \$523.2M.

Mountain Tunnel Project – Hetchy Water & Hetchy Power (increase of \$35.7 million)

This project funds repairs to the Mountain Tunnel, which conveys SFPUC water from Kirkwood Powerhouse to Priest Reservoir.

The total expected cost though FY 2029-30 is \$71 million.

PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO. 20-0031

WHEREAS, The General Manager of the San Francisco Public Utilities Commission (SFPUC) and staff presented the proposed FY 2020-21 and FY 2021-22 Capital Budget for the Water Enterprise, Wastewater Enterprise and Hetch Hetchy Water & Power, including the Power Enterprise and CleanPowerSF (“Capital Budget”) including the list of projects, cost estimates, and schedules to the Commission at public hearings held on January 16, January 23, January 30, and February 11, 2020, and copies of those presentations are on file with the Commission Secretary and incorporated herein by reference; and

WHEREAS, An overview of the proposed FY 2020-21 and FY 2021-22 Capital Budget for each enterprise is set forth as Attachment A to the staff report for the February 11, 2020 Commission hearing is on file with the Commission Secretary; and

WHEREAS, As a preliminary step to development of the Two-Year Capital Budget, a baseline review of all existing project appropriations was completed for potential closeout or repurposing to new capital budget need; and

WHEREAS, The Two-Year Capital Budget submittals went through a quality review to assure the budget addressees the Enterprises immediate capital improvement needs and reflects a sound project prioritization process; and

WHEREAS, The quality review included a validation of costs and schedule of all proposed projects and an assessment of the ability to deliver the projects within the 2-year timeframe; and

WHEREAS, If the Two-Year Capital Budget shown on Attachment A is adopted by this Commission, the General Manager would have authority during the next two years to re-allocate project appropriations within the same Authority Code, which is the five-digit code on the far left column of Attachment A, but any reallocation of project appropriations from one Authority Code to a different one would require Commission and Board of Supervisors approval; and

WHEREAS, The proposed FY 2020-21 and FY 2021-22 Capital Budget must be submitted to, and approved by the Mayor and the Board of Supervisors; and

WHEREAS, The SFPUC General Manager recommends that the Commission request a supplemental appropriation ordinance for the capital expenditures for each of the three Enterprises presented in the proposed FY 2020- 21 and FY 2021-22 Capital Budget to timely implement public improvement projects; and

WHEREAS, The subsequent approvals of projects to be funded through this Capital Budget would only be granted following the consideration of environmental review pursuant to the California Environmental Quality Act (CEQA), Administrative Code Chapter 31, and Proposition E (approved by the voters in 2002 for Water and Wastewater projects) by this Commission; and

WHEREAS, The Water Enterprise is de-appropriating \$3,528,113 in Revenue Funded Water Capital Projects being closed-out with the unspent balance returned to the Water Operating Fund, and de-appropriating and re-appropriating \$15,324,167 in Water Capital Projects to fund project spending in FY 2020-21; and

WHEREAS, The Wastewater Enterprise is de-appropriating and re-appropriating \$391,415,748 in Wastewater Capital Projects to fund project spending in FY 2020-21; and

WHEREAS, The Hetch Hetchy Enterprise is de-appropriating and re-appropriating \$341,001 in Hetchy Capital Projects for project close out in FY 2020-21; and

WHEREAS, This Commission has considered the proposed FY2020-21 and FY2021-22 Capital Budget for the Water Enterprise, Wastewater Enterprise, and Hetch Hetchy Water and Power, including the Power Enterprise and CleanPowerSF, which total \$397,225,012 for FY 2020-21 and \$739,135,844 for FY 2021-22, as set forth in Attachment A to the February 11, 2020 staff report, a copy of which is attached hereto; now, therefore, be it

RESOLVED, That this Commission hereby adopts the FY2020-21 and FY2021-22 SFPUC Capital Budget in the amount of \$435,699,986 for FY 2020-21 and \$835,878,748 for FY 2021-22 for the Water Enterprise, the Wastewater Enterprise, and Hetch Hetchy Water and Power, including the Power Enterprise and CleanPowerSF as presented at the public hearings on January 16, January 23, and January 30, 2020 and as set forth in the attached Attachment A, as follows:

FY 2020-21 Capital Budget	Amount	Financing Costs	Total
Wastewater Enterprise	\$ 179,421,679	\$ 9,834,208	\$ 189,255,887
Water Enterprise	134,686,937	15,094,048	149,780,985
Hetchy Water	38,501,775	5,006,144	43,507,919
Hetchy Power	42,331,958	8,540,574	50,872,532
CleanPowerSF	<u>2,282,663</u>	<u>0</u>	<u>2,282,663</u>
Total	\$ 397,225,012	\$ 38,474,974	\$ 435,699,986
FY 2021-22 Capital Budget	Amount	Financing Costs	Total
Wastewater Enterprise	\$ 399,405,834	\$ 48,323,725	\$ 447,729,559
Water Enterprise	195,902,795	24,226,376	220,129,171
Hetchy Water	111,474,483	11,287,866	122,762,349
Hetchy Power	30,304,069	12,904,937	43,209,006
CleanPowerSF	<u>2,048,663</u>	<u>0</u>	<u>2,048,663</u>
Total	\$ 739,135,844	\$ 96,742,904	\$ 835,878,748

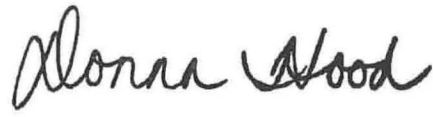
and be it;

FURTHER RESOLVED, That this Commission authorizes the General Manager to seek Board of Supervisors approval for the de-appropriation of \$3,528,113 in Revenue Funded Water Capital Projects, the de-appropriation and re-appropriation of \$15,324,167 in Water Capital Projects, de-appropriation and re-appropriation of \$391,415,748 in Wastewater Capital Project funding, and de-appropriation and re-appropriation of \$341,001 in Power Capital Project funding; and, be it

FURTHER RESOLVED, That the SFPUC General Manager is authorized to make further technical adjustments to these approved amounts as may be necessary, or upon further direction from the Commission, the Mayor and the Board of Supervisors; and, be it

FURTHER RESOLVED, The General Manager is hereby authorized and directed to submit to the Board of Supervisors proposed ordinances authorizing the issuance of (1) not to exceed \$370,762,889 aggregate principal amount of Water Revenue Bonds and other forms of indebtedness, including commercial paper and State Revolving Fund (SRF) loans, (2) \$387,719,556 aggregate principal amount of Wastewater Revenue Bonds and other forms of indebtedness, including commercial paper and SRF loans, under the terms of Proposition E (approved by the voters November 2002), and (3) \$142,970,073 aggregate principal amount of Power Revenue Bonds and other forms of indebtedness, including commercial paper and loans, subject to the terms of Charter Sections 9.107(6) and 9.107(8). The General Manager shall return to this Commission for a subsequent discretionary approval of any disclosure and transaction related documents prepared in connection with the issuance of such Bonds and other forms of indebtedness.

I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting of February 11, 2020.



Secretary, Public Utilities Commission



TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Sophia Kittler
RE: San Francisco Public Utilities Commission Power Revenue Bond
Issuance----Not to Exceed \$142,970,073
DATE: July 31, 2020

Ordinance authorizing the issuance and sale of tax-exempt or taxable Power Revenue Bonds and other forms of indebtedness by the San Francisco Public Utilities Commission in an aggregate principal amount not to exceed \$142,970,073 to finance the costs of various capital projects benefitting the Power Enterprise pursuant to Charter Sections 9.107(6) and 9.107(8); authorization to issue Refunding Power Revenue Bonds and the retirement of outstanding Power Enterprise Commercial Paper; declaring the Official Intent of the Commission to Reimburse Itself with one or more issues of tax-exempt bonds; and ratifying previous actions taken in connection therewith.

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



To: Angela Calvillo, Clerk of the Board of Supervisors
From: Ashley Groffenberger, Acting Mayor's Budget Director
Date: July 31, 2020
Re: Mayor's FY 2020-21 and FY 2021-22 Budget Submission

Madam Clerk,

In accordance with the Seventh Supplement to the Mayoral Proclamation Declaring the Existence of a Local Emergency dated February 25, 2020, the Mayor's Office hereby submits the Mayor's proposed budget by August 1, corresponding legislation, and related materials for Fiscal Year 2020-21 and Fiscal Year 2021-22.

In addition to the Mayor's Proposed FY 2020-21 and FY 2021-22 Budget Book, the following items are included in the Mayor's submission:

- The Annual Appropriation Ordinance and Annual Salary Ordinance, along with Administrative Provisions, physical copies of which will be delivered by the Controller's Office
- The proposed budget for the Office of Community Investment and Infrastructure for FY 2020-21
- 21 separate pieces of trailing legislation (see list attached)
- A Transfer of Function letter detailing the transfer of positions from one City department to another
- A letter addressing funding levels for nonprofit corporations or public entities for the coming two fiscal years

Please note the following:

- There are no Interim Exceptions proposed.
- Technical adjustments to the budget are being prepared, but are not submitted with this set of materials.

If you have any questions, please contact my office.

Sincerely,

Ashley Groffenberger
Acting Mayor's Budget Director

cc: Members of the Board of Supervisors
Budget and Legislative Analyst
Controller

Department	Item	Relevance to Budget	Type
HOM	Homelessness and Supportive Housing Fund Expenditure Plan for 2020-21 and 2021-22	Expenditure plan included in budget.	Resolution
CON	Neighborhood Beautification Fund	Neighborhood Beautification Fund contribution levels assumed in budget.	Ordinance
CON	Access Line Tax CPI increase	Sets Access Line Tax. Revenues assumed in budget.	Resolution
CON	Prop J Certification - previously approved	Costs related to Prop J services assumed in budget.	Resolution
CON	Prop J Certification - new	Costs related to Prop J services assumed in budget.	Resolution
PUC	Hetch Hetchy Capital Budget	Appropriates funds to support PUC Hetch Hetchy capital budget expenditures.	Ordinance
PUC	CleanPowerSF Capital Budget	Appropriates funds to support PUC CleanPowerSF capital budget expenditures.	Ordinance
PUC	Wastewater Capital Budget	Appropriates funds to support PUC Wastewater Enterprise capital budget expenditures.	Ordinance
PUC	Water Capital Budget	Appropriates funds to support PUC Water Enterprise capital budget expenditures.	Ordinance
PUC	Power Debt Authorization	Authorizes debt issuance for Hetch Hetchy and CleanPowerSF capital projects.	Ordinance
PUC	Wastewater Debt Authorization	Authorizes debt issuance for Wastewater Enterprise capital projects.	Ordinance
PUC	Water Debt Authorization	Authorizes debt issuance for Water Enterprise capital projects.	Ordinance
LIB	In-Kind Grant of Friends of San Francisco Public Library	Grant assumed in budget.	Resolution
ADM	Medical Examiner Fees	Fee revenue assumed in budget.	Ordinance
ADM	Permit Center Fees	Fee revenue assumed in budget.	Ordinance
ADM	COP Refunding Authorization	Debt savings assumed in budget.	Ordinance
ADM	COP Refunding Appropriation	Appropriates and de-appropriates COP savings.	Ordinance
ADM	County Clerk Fee	Fee revenue assumed in budget.	Resolution
DPH	DPH Patient Rates	Fee revenue assumed in budget.	Ordinance
MOHCD	ESG Cares 2	Grant assumed in budget.	Resolution
CON	BSIF Reserve Use	Use of reserve assumed in budget.	Resolution