

File No. 220498

Committee Item No. 9

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Appropriations Committee Date May 25, 2022

Board of Supervisors Meeting Date _____

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
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| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>SFPUC Request for Supplemental Appropriation 4/4/2022</u> |
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Completed by: Brent Jalipa Date May 20, 2022

Completed by: Brent Jalipa Date _____

1 [Appropriation - \$211,004,676 in Proceeds from Revenue Bonds, Hetch Hetchy Revenue,
2 Cap and Trade Allowance - Hetch Hetchy Water and Power Capital Improvements - FY2022-
3 2023]

4 **Ordinance appropriating a total of \$211,004,676 of Hetch Hetchy revenue, Cap and**
5 **Trade Revenue and Power and Water Revenue Bonds for the San Francisco Public**
6 **Utilities Commission (SFPUC) Hetch Hetchy Capital Improvement Program for Fiscal**
7 **Year (FY) 2022-2023; and placing \$140,889,875 of Power Bonds and \$67,069,801 of**
8 **Water Bonds by project on Controller’s Reserve subject to the Controller's certification**
9 **of funds availability, including proceeds of indebtedness, and for construction related**
10 **expenditures (excluding program management, planning and design) for these**
11 **projects, as applicable, is also subject to the prior occurrence of the SFPUC's and the**
12 **Board of Supervisors' discretionary adoption of California Environmental Quality Act**
13 **Findings for projects, following review and consideration of completed project related**
14 **environmental analysis, where required.**

15

16 Note: **Unchanged Code text and uncodified text** are in plain Arial font.
17 **Additions to Codes** are in *single-underline italics Times New Roman font*.
18 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.
19 **Board amendment additions** are in double-underlined Arial font.
20 **Board amendment deletions** are in ~~strikethrough Arial font~~.
21 **Asterisks (* * *)** indicate the omission of unchanged Code
22 Subsections or parts of tables.

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

22

23 Section 1. The sources of funding outlined below are herein appropriated to reflect the
24 funding available for Fiscal Year 2022-2023.

25

1 **SOURCES Appropriation**

2	Fund /	Project & Activity /	Account	Description	Amount
3	Department ID	Authority			
4	25337 HHP 2021	10014121-0001	480111	Proceeds from Sale	\$140,889,875
5	Bond Fund/	Hetchy Water-Power	Proceeds from Sale	of Bonds	
6	231621 HHP01	Bonds /	of Bonds- Face		
7	General	15366 UH Hetchy	Amount		
8	Administration	Water-Power Bonds			
9					
10	26602 WTR CPF	10014121-0001	480111	Proceeds from Sale	\$67,069,801
11	HHW 2021 Bond	Hetchy Water-Power	Proceeds from Sale	of Bonds	
12	Fund/	Bonds /	of Bonds- Face		
13	231621 HHP01	15366 UH Hetchy	Amount		
14	General	Water-Power Bonds			
15	Administration				
16					
17	24990 HHWP	10014672-0001	495029	Hetch Hetchy	\$2,265,000
18	Continuing Authority /	Hhp: Revenue	ITI Fr 5T-Hetch	Revenue	
19	231621 HHP01	Transfer-Sub Fund /	Hetchy W&P Fds		
20	General	15405 UH HHP			
21	Administration	Revenue Transfer			
22					
23					
24					
25					

1	Fund /	Project & Activity /	Account	Description	Amount
2	Department ID	Authority			
3	24990 HHWP	10014665-0001	479988	Cap and Trade	\$780,000
4	Continuing Authority /	Hetchy Cap and	Hetchy Cap & Trade	Revenue	
5	298648 HHP0903	Trade Allowance /	Revenue		
6	Energy Services	15404 UH Hetchy			
7		Cap and Trade			
8		Allowance			
9	Total SOURCES Appropriation				\$211,004,676

10
11 Section 2. The uses of funding outlined below are herein appropriated in Accounts
12 567000 (Buildings, Structures, and Improvements), 584030 (Capital Renewal Project), 581130
13 (CON-Internal Audits), 573110 (Bond Issuance Cost-Unamortized), and 567000 (Revenue
14 Bond Oversight Committee), reflecting projected uses of funding to support the Hetch Hetchy
15 Capital Improvement Program at the San Francisco Public Utilities Commission for Fiscal Year
16 2022-2023.

17 **USES Appropriation**

18	Fund /	Project & Activity /	Account	Description	Amount
19	Department ID	Authority			
20	25337 HHP 2021	10014226-0001	567000	Distribution	\$57,032,000
21	Bond Fund/	Distribution Services	Blds; Structures &	Services Retail	
22	298648 HHP0903	Retail C/	Improvements		
23	Energy Services	22141 Distribution			
24		Services Retail			
25					

1	Fund /	Project & Activity /	Account	Description	Amount
2	Department ID	Authority			
3	24990 HHWP	10014281-0001	584030	Streetlight	\$2,258,910
4	Continuing Authority /	Streetlight	Capital Renewal	Replacement	
5	298648 HHP0903	Replacement	Projects		
6	Energy Services	15377			
7		UH Streetlight			
8		Replacement			
9					
10	25337 HHP 2021	10014576-0001	567000	Treasure Island	\$1,482,543
11	Bond Fund/	Treasure Island	Blds; Structures &	Capital	
12	298648 HHP0903	Capital	Improvements	Improvements	
13	Energy Services	Improvements /			
14		22142 Treasure			
15		Island			
16					
17	24990 HHWP	10014665-0001	584030	General Fund	\$780,000
18	Continuing Authority /	Hetchy Cap and	Capital Renewal	Energy Efficiency	
19	298648 HHP0903	Trade Allowance /	Projects		
20	Energy Services	15404 UH Hetchy			
21		Cap and Trade			
22		Allowance			
23					
24					
25					

1	Fund /	Project & Activity /	Account	Description	Amount
2	Department ID	Authority			
3	25337 HHP 2021	10034512-0001	567000	Power Asset	\$3,406,000
4	Bond Fund/	Power Asset	Blds; Structures &	Acquisition	
5	298648 HHP0903	Acquisition	Improvements		
6	Energy Services	15383 UH Alternative			
7		Transmission Pr			
8					
9	26602 WTR CPF	10014065-0001	567000	Hetchy Water –	\$45,723,000
10	HHW 2021 Bond	Hetchy Water - Water	Blds; Structures &	Water Infrastructure	
11	Fund/	Only /	Improvements		
12	298646 HHP10	15363 UH Hetchy			
13	Hetchy Water	Water - Water Only			
14					
15	25337 HHP 2021	10014073-0001	567000	Hetchy Water -	\$44,140,154
16	Bond Fund/	Hetchy Water -	Blds; Structures &	Power	
17	298646 HHP10	Power /	Improvements	Infrastructure	
18	Hetchy Water	15364 UH Hetchy			
19		Water - Power			
20		Infrastructure			
21					
22					
23					
24					
25					

1	Fund /	Project & Activity /	Account	Description	Amount
2	Department ID	Authority			
3	26602 WTR CPF	10014093-0001	567000	Hetchy Joint	\$11,286,331
4	HHW 2021 Bond	Hetchy Water - Joint	Blds; Structures &	Projects – Water	
5	Fund/	Projects /	Improvements		
6	298646 HHP10	15365 UH Hetchy			
7	Hetchy Water	Water - Joint Projects			
8					
9	25337 HHP 2021	10014093-0001	567000	Hetchy Joint	\$13,794,404
10	Bond Fund/	Hetchy Water - Joint	Blds; Structures &	Projects – Power	
11	298646 HHP10	Projects /	Improvements		
12	Hetchy Water	15365 UH Hetchy			
13		Water - Joint Projects			
14					
15	26602 WTR CPF	10014121-0001	573110	Hetchy Water	\$9,912,917
16	HHW 2021 Bond	Hetchy Water-Power	Bond Issuance	Financing Costs	
17	Fund/	Bonds /	Cost- Unamortized		
18	298646 HHP10	15366 UH Hetchy			
19	Hetchy Water	Water-power Bonds			
20					
21	26602 WTR CPF	10014121-0001	581130	CSA 0.2%	\$114,018
22	HHW 2021 Bond	Hetchy Water-Power	GF-CON-Internal	Controller's Audit	
23	Fund/	Bonds /	Audits	Fund	
24	298646 HHP10	15366 UH Hetchy			
25	Hetchy Water	Water-power Bonds			

1	Fund /	Project & Activity /	Account	Description	Amount
2	Department ID	Authority			
3	26602 WTR CPF	10014121-0001	567000	Revenue Bond	\$33,535
4	HHW 2021 Bond	Hetchy Water-Power	Blds; Structures &	Oversight	
5	Fund/	Bonds /	Improvements	Committee 0.05%	
6	298646 HHP10	15366 UH Hetchy			
7	Hetchy Water	Water-power Bonds			
8					
9	25337 HHP 2021	10014121-0001	573110	Hetchy Power	\$20,724,619
10	Bond Fund/	Hetchy Water-Power	Bond Issuance	Financing Costs	
11	298647 HHP0901	Bonds /	Cost- Unamortized		
12	Power Administration	15366 UH Hetchy			
13		Water-power Bonds			
14					
15	25337 HHP 2021	10014121-0001	581130	CSA 0.2%	\$239,710
16	Bond Fund/	Hetchy Water-Power	GF-CON-Internal	Controller's Audit	
17	298647 HHP0901	Bonds /	Audits	Fund	
18	Power Administration	15366 UH Hetchy			
19		Water-power Bonds			
20					
21	25337 HHP 2021	10014121-0001	567000	Revenue Bond	\$70,445
22	Bond Fund/	Hetchy Water-Power	Blds; Structures &	Oversight	
23	298647 HHP0901	Bonds /	Improvements	Committee 0.05%	
24	Power Administration	15366 UH Hetchy			
25		Water-power Bonds			

1	Fund /	Project & Activity /	Account	Description	Amount
2	Department ID	Authority			
3	24990 HHWP	10014121-0001	581130	CSA 0.2%	6,090
4	Continuing Authority /	Hetchy Water-Power	GF-CON-Internal	Controller's Audit	
5	298647 HHP0901	Bonds /	Audits	Fund	
6	Power Administration	15366 UH Hetchy			
7		Water-power Bonds			
8	Total USES Appropriation				<u>\$211,004,676</u>

9

10 Section 3. Of the above appropriated amount, \$359,818, representing 0.2% of the

11 expenditure budget net of bond financing and audit costs, shall be allocated to support the

12 Controller's Audit Fund, pursuant to Charter Appendix F1.113; and \$103,980, representing

13 0.05% of gross bond proceeds, shall be allocated to support the Public Utilities Commission

14 Revenue Bond Oversight Committee, pursuant to Administrative Code Section 5A.31. These

15 appropriations may be decreased by the Controller based on changes to expenditure

16 appropriations or actual gross bond proceeds to conform to the applicable Charter and

17 Administrative Code formulas.

18

19 Section 4. \$207,959,676 of the total appropriation is hereby placed on Controller's

20 Appropriation Reserve, as set forth below. Release of appropriation reserves by the Controller

21 is subject to the Controller's certification of funds availability, including proceeds of

22 indebtedness, and for construction related expenditures (excluding program management,

23 planning and design) for these projects, as applicable, is also subject to the prior occurrence of

24 the SFPUC's and the Board of Supervisors' discretionary adoption of California Environmental

25

1 Quality Act (CEQA) Findings for projects, following review and consideration of completed
 2 project related environmental analysis, where required.

3

4 **Appropriation on Reserve**

5	Fund /	Project & Activity /	Account	Description	Amount
6	Department ID	Authority			
7	25337 HHP 2021	10014226-0001	567000	Distribution	\$57,032,000
8	Bond Fund/	Distribution Services	Blds; Structures &	Services Retail	
9	298648 HHP0903	Retail C /	Improvements		
10	Energy Services	22141 Distribution			
11		Services Retail			
12					
13	25337 HHP 2021	10014576-0001	567000	Treasure Island	\$1,482,543
14	Bond Fund/	Treasure Island	Blds; Structures &	Capital	
15	298648 HHP0903	Capital	Improvements	Improvements	
16	Energy Services	Improvements /			
17		22142 Treasure			
18		Island			
19					
20	25337 HHP 2021	10034512-0001	567000	Power Asset	\$3,406,000
21	Bond Fund/	Power Asset	Blds; Structures &	Acquisition	
22	298648 HHP0903	Acquisition	Improvements		
23	Energy Services	15383 UH Alternative			
24		Transmission Pr			
25					

1	Fund /	Project & Activity /	Account	Description	Amount
2	Department ID	Authority			
3	26602 WTR CPF	10014065-0001	567000	Hetchy Water –	\$45,723,000
4	HHW 2021 Bond	Hetchy Water - Water	Blds; Structures &	Water Infrastructure	
5	Fund/	Only /	Improvements		
6	298646 HHP10	15363 UH Hetchy			
7	Hetchy Water	Water - Water Only			
8					
9	25337 HHP 2021	10014073-0001	567000	Hetchy Water -	\$44,140,154
10	Bond Fund/	Hetchy Water -	Blds; Structures &	Power	
11	298646 HHP10	Power /	Improvements	Infrastructure	
12	Hetchy Water	15364 UH Hetchy			
13		Water - Power			
14		Infrastructure			
15					
16	26602 WTR CPF	10014093-0001	567000	Hetchy Joint	\$11,286,331
17	HHW 2021 Bond	Hetchy Water - Joint	Blds; Structures &	Projects – Water	
18	Fund/	Projects /	Improvements		
19	298646 HHP10	15365 UH Hetchy			
20	Hetchy Water	Water - Joint Projects			
21					
22					
23					
24					
25					

1	Fund /	Project & Activity /	Account	Description	Amount
2	Department ID	Authority			
3	25337 HHP 2021	10014093-0001	567000	Hetchy Joint	\$13,794,404
4	Bond Fund/	Hetchy Water - Joint	Blds; Structures &	Projects – Power	
5	298646 HHP10	Projects /	Improvements		
6	Hetchy Water	15365 UH Hetchy			
7		Water - Joint Projects			
8					
9	26602 WTR CPF	10014121-0001	573110	Hetchy Water	\$9,912,917
10	HHW 2021 Bond	Hetchy Water-Power	Bond Issuance	Financing Costs	
11	Fund/	Bonds /	Cost- Unamortized		
12	298646 HHP10	15366 UH Hetchy			
13	Hetchy Water	Water-power Bonds			
14					
15	26602 WTR CPF	10014121-0001	581130	CSA 0.2%	\$114,018
16	HHW 2021 Bond	Hetchy Water-Power	GF-CON-Internal	Controller's Audit	
17	Fund/	Bonds /	Audits	Fund	
18	298646 HHP10	15366 UH Hetchy			
19	Hetchy Water	Water-power Bonds			
20					
21	26602 WTR CPF	10014121-0001	567000	Revenue Bond	\$33,535
22	HHW 2021 Bond	Hetchy Water-Power	Blds; Structures &	Oversight	
23	Fund/	Bonds /	Improvements	Committee 0.05%	
24	298646 HHP10	15366 UH Hetchy			
25	Hetchy Water	Water-power Bonds			

1	Fund /	Project & Activity /	Account	Description	Amount
2	Department ID	Authority			
3	25337 HHP 2021	10014121-0001	573110	Hetchy Power	\$20,724,619
4	Bond Fund/	Hetchy Water-Power	Bond Issuance	Financing Costs	
5	298647 HHP0901	Bonds /	Cost- Unamortized		
6	Power Administration	15366 UH Hetchy			
7		Water-power Bonds			
8					
9	25337 HHP 2021	10014121-0001	581130	CSA 0.2%	\$239,710
10	Bond Fund/	Hetchy Water-Power	GF-CON-Internal	Controller's Audit	
11	298647 HHP0901	Bonds /	Audits	Fund	
12	Power Administration	15366 UH Hetchy			
13		Water-power Bonds			
14					
15	25337 HHP 2021	10014121-0001	567000	Revenue Bond	\$70,445
16	Bond Fund/	Hetchy Water-Power	Blds; Structures &	Oversight	
17	298647 HHP0901	Bonds /	Improvements	Committee 0.05%	
18	Power Administration	15366 UH Hetchy			
19		Water-power Bonds			
20	Total Appropriation on Reserve				<u>\$207,959,676</u>

22 Section 5. Associated bond financing costs up to \$30,637,536 are also hereby
23 appropriated, including but not limited to, issuance costs, debt service reserve, capitalized
24 interest, rating agency, and disclosure costs, all on Controller's Reserve pending receipt of bond
25 proceeds. To the extent that net available bond proceeds after financing costs are more than

1 budgeted, the SFPUC may use such surplus bond proceeds as a substitute for other sources
2 budgeted in this ordinance.

3
4 Section 6. The Controller is authorized to record transfers between funds and adjust the
5 accounting treatment of sources and uses appropriated in this ordinance as necessary to
6 conform to Generally Accepted Accounting Principles and other laws.

7
8 APPROVED AS TO FORM: FUNDS AVAILABLE
9 DENNIS J. HERRERA, City Attorney BEN ROSENFELD, Controller

10 By: /s/ _____
11 JON GIVNER
12 Deputy City Attorney

By: /s/ _____
BEN ROSENFELD
Controller

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<p>Items 9 & 10 Files 22-0498 & 22-0499</p>	<p>Department: Public Utilities Commission</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • File 22-0499 is an ordinance authorizing the San Francisco Public Utilities Commission (SFPUC) to issue \$140,889,875 in Power Revenue Bonds to fund Hetch Hetchy Water and Power Enterprise capital projects. • File 22-0498 is an ordinance appropriating \$211,004,676 of Water Revenue Bond, Power Revenue Bonds, Cap and Trade revenues, and Hetch Hetchy Water and Power Revenues. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • Of the \$211 million appropriation, \$65 million are allocated to Power projects, \$115 million are allocated to Water projects, and \$31 million are financing costs, including capitalized interest and debt service reserve. • Between 2014 and 2020, the Board of Supervisors authorized \$535.7 million in Power Revenue Bonds, of which \$163.6 million were issued and \$372.1 million were authorized but not issued. Approval of new Power Revenue Bonds would increase total authorization to \$676.6 million and authorized but not issued bonds to \$513.0 million. According to the SFPUC 10-Year Financial Plan, SFPUC plans to issue \$110 million in Power Revenue Bonds in FY 2022-23; total bond issuance over the 10 years through FY 2031-32 is \$605 million. If the SFPUC issues \$110 million in Power Revenue Bonds in FY 2022-23, SFPUC will continue to have \$403 million in authorized and unissued Power Revenue Bonds. According to SFPUC this authorization is projected to be fully utilized to meet the approved capital spending requirements of the Power Enterprise. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Annual Hetch Hetchy Enterprise debt service for outstanding debt is \$3.9 million in FY 2022-23, increasing to \$47.2 million in FY 2031-32. • SFPUC is currently undergoing a rate study, evaluating rates for Hetch Hetchy and CleanPowerSF customers. According to the 10-Year Financial Plan, SFPUC expects to increase Hetch Hetchy customer rates, which includes rates charged to City agencies, by 9.8 percent in FY 2022-23 and 8.4 percent in FY 2023-24. Given that the 10-Year Financial Plan projects annual Hetch Hetchy Fund balances and debt service coverage ratios that exceed SFPUC policy and bond covenants, the Board of Supervisors should request a report from SFPUC on proposed Hetch Hetchy and CleanPowerSF customer rate increases in FY 2022-23 and FY 2023-24. According to SFPUC staff, SFPUC will submit a memorandum to the Clerk of the Board following the Commission’s actions on Hetch Hetchy and CleanPowerSF rates in accordance with Charter Section 8B.125 <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed ordinance (File 22-0499) to state that the required report detailing issuance of Power Revenue bonds will be included in the legislative file. 	

- Request a report from SFPUC on proposed Hetch Hetchy and CleanPowerSF customer rate increases in FY 2022-23 and FY 2023-24 prior to the Budget and Appropriation Committee's recommendations in June 2022.
- Approve File 22-0499 as amended and File 22-0498.

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 Hetch Hetchy Enterprise is composed of Hetch Hetchy Water, which manages the water system in and around the Hetch Hetchy Reservoir, and Hetch Hetchy Power, which is responsible for power generation.¹ 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 City agencies and other government entities.

DETAILS OF PROPOSED LEGISLATION

File 22-0499 is an ordinance authorizing (a) the issuance and sale of tax-exempt or taxable Power Revenue Bonds and other forms of indebtedness (as described below) by the San Francisco Public Utilities Commission (SFPUC) in an aggregate principal amount not to exceed \$140,889,875 to finance the costs of various Hetch Hetchy Power Enterprise capital projects; (b) the issuance of Power Revenue Refunding Bonds; (c) declaring the intent of SFPUC to reimburse itself with one

¹ CleanPowerSF, which provides renewable electricity to residential and commercial customers in San Francisco, is also part of the Hetch Hetchy Enterprise, and the subject of File 22-0497.

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 22-0498 is an ordinance appropriating \$211,004,676, consisting of Power Revenue Bonds, Water Revenue Bonds, Hetch Hetchy revenues, and Cap and Trade revenues. \$140,889,875 of Power Bond proceeds and \$67,069,801 of Water Bond proceeds are placed on Controller's Reserve pending Controller certification of the availability of funds. Sources and uses of the appropriated funds are shown in Table 1 below. Projects funded by the appropriated funds are subject to final approval by the SFPUC and the Board of Supervisors of the California Environmental Quality Act (CEQA) findings.

Power Revenue Bond Issuance

At the February 8, 2022 Commission meeting, the SFPUC approved the issuance of new Power Revenue Bonds to finance Power capital projects in FY 2022-23. The proposed ordinance allows the issuance of commercial paper or other interim debt to finance the projects prior to the issuance of the revenue bonds and provides for 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. The SFPUC is 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 Power Revenue Bond debt if the issuance of the refunding bonds results in net present value debt service savings of 3 percent 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. SFPUC may request authorization to issue refunding bonds for other reasons than debt service savings if other benefits accrue, such as removal of bond covenants deemed to be onerous to the SFPUC. The authorization to issue refunding bonds extends through June 2027.

FY 2022-23 Capital Budget

The proposed ordinance appropriates \$211.0 million in new bonds to fund Water Enterprise projects in the 10-Year Capital Plan for FY 2022-23 through FY 2031-32, shown in Table 1 below.

Table 1: Sources and Uses of Funds

	Power Bond Proceeds	Water Bond Proceeds (File 22-0503)	Hetch Hetchy Revenue	Cap & Trade	Total
Sources	\$140,889,875	\$67,069,801	\$2,265,000	\$780,000	\$211,004,676
Uses					
Retail Power Distribution Projects	\$57,032,000				\$57,032,000
Streetlight Replacement			2,258,910		2,258,910
Treasure Island Projects	1,482,543				1,482,543
General Fund Energy Efficiency				780,000	780,000
Power Asset Acquisition	3,406,000				3,406,000
Hetch Hetchy Water Infrastructure		45,723,000			45,723,000
Hetch Hetchy Water - Power Projects	44,140,154				44,140,154
Hetch Hetchy Joint Projects - Water		11,286,331			11,286,331
Hetch Hetchy Joint Project - Power	13,794,404				13,794,404
Bond Financing Costs	20,724,619	9,912,917			30,637,536
City Services Auditor	239,710	114,018	6,090		359,818
Revenue Bond Oversight Committee	70,445	33,535			103,980
Total Uses	\$140,889,875	\$67,069,801	\$2,265,000	\$780,000	\$211,004,676

Source: Appropriation Ordinance

^a Bond 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.

Projects funded by the proposed appropriation are summarized in the Attachment.

Power Revenue Bonds

Between 2014 and 2020, the Board of Supervisors authorized \$535,698,530 in Power Revenue Bonds, of which \$163,555,000 were issued and \$372,143,530 were authorized but not issued. Approval of new Power Revenue Bonds would increase total authorization to \$676,588,405 and authorized but not issued bonds to \$513,033,405. According to the SFPUC 10-Year Financial Plan, SFPUC plans to issue \$110 million in Power Revenue Bonds in FY 2022-23; total bond issuance over the 10 years through FY 2031-32 is \$605 million. If the SFPUC issues \$110 million in Power Revenue Bonds in FY 2022-23, SFPUC will continue to have \$403 million in authorized and unissued Power Revenue Bonds. According to SFPUC this authorization is projected to be fully utilized to meet the approved capital spending requirements of the Power Enterprise.

FISCAL IMPACT*Debt Issuance*

SFPUC anticipates issuing \$140.9 million in Power Revenue Bonds at 5 percent interest and for a 30-year term. Capitalized interest costs over 30 months are \$17.6 million² and issuance costs are \$2.8 million³ for net bond proceeds of approximately \$120.5 million. Average annual debt service over 30 years is approximately \$9.5 million.

The 10-Year Financial Plan provides for issuing \$110 million in Power Revenue Bonds in 2023 and future Power Revenue Bond issuances totaling \$605 million over 10 years. Annual Hetch Hetchy Enterprise debt service for outstanding debt is \$3.9 million in FY 2022-23, increasing to \$47.2 million in FY 2031-32.

The year-end Hetch Hetchy Enterprise fund balance is estimated to increase from \$71.1 million in FY 2022-23 to \$119.4 million in FY 2031-32. The SFPUC fund balance reserve policy is for fund balance to equal at least 25 percent of annual operating and maintenance expenses. According to the 10-Year Financial Plan, the Hetch Hetchy Enterprise fund balance is estimated to equal at 37 percent in FY 2022-23, increasing to 56 percent in FY 2027-28, before decreasing to 39 percent in FY 2031-32.

The annual debt service coverage ratio is estimated to be 30.9 in FY 2022-23, decreasing to 4.0 in FY 2031-32. According to covenants with bond holders, the annual debt service coverage ratio – the ratio of annual debt service to unrestricted fund balance and net revenues – should equal 1.25, and according to SFPUC financial policies, the annual debt service coverage ratio should equal 1.5. The SFPUC 10-Year Financial Plan assumes that the Hetch Hetchy Enterprise will have sufficient net revenues and unrestricted fund balance to achieve a debt service coverage ratio of at least 1.5.

Power Rates

SFPUC is currently undergoing a rate study, evaluating rates for Hetch Hetchy and CleanPowerSF customers. According to the 10-Year Financial Plan, SFPUC expects to increase Hetch Hetchy customer rates, which includes rates charged to City agencies, by 9.8 percent in FY 2022-23 and 8.4 percent in FY 2023-24. Given that the 10-Year Financial Plan projects annual Hetch Hetchy Fund balances and debt service coverage ratios that exceed SFPUC policy and bond covenants, the Board of Supervisors should request a report from SFPUC on proposed Hetch Hetchy and CleanPowerSF customer rate increases in FY 2022-23 and FY 2023-24 prior to the Budget and Appropriation Committee's recommendations in June 2022. According to SFPUC staff, SFPUC will submit a memorandum to the Clerk of the Board following the Commission's actions on Hetch Hetchy and CleanPowerSF rates in accordance with Charter Section 8B.125.

² Capitalized interest is the amount of interest that accrues on the bonds during the construction period prior to placement of the asset into service.

³ Issuance costs include underwriting fees, legal fees, financial advisory fees, credit enhancement fees, and other miscellaneous fees typically associated with a bond financing.

POLICY CONSIDERATION

File 22-0499 states that SFPUC should submit a report to the Clerk of the Board of Supervisors following sale of the Power Revenue bonds showing the results of the transaction, including (i) 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. The proposed ordinance should be amended to state that the required report detailing issuance of Power Revenue bonds approved by File 22-0499 will be included in the legislative files for the respective ordinances.

RECOMMENDATIONS

1. Amend the proposed ordinance (File 22-0499) to state that the required report detailing issuance of Power Revenue bonds will be included in the legislative file.
2. Request a report from SFPUC on proposed Hetch Hetchy and CleanPowerSF customer rate increases in FY 2022-23 and FY 2023-24 prior to the Budget and Appropriation Committee's recommendations in June 2022.
3. Approve File 22-0499 as amended and File 22-0498.

Attachment: Hetch Hetchy Water and Power Projects

Of the \$211 million appropriation, \$65 million are allocated to Power projects, \$115 million are allocated to Water projects, and \$31 million are financing costs, including capitalized interest and debt service reserve.

Power Projects: \$65 million*Retail Power Distribution: \$57 million*

The largest retail power distribution project is connecting new Hetch Hetchy electricity users to the grid, including The Shipyard development at India Basin, 2000 Marin and 1990 Newcomb (the proposed new and existing City Distribution Development administrative buildings), University of California at San Francisco (UCSF) building, and other locations.

Other power distribution projects include (a) intervening facilities, which consists of transformers, fault interrupters, and infrastructure to connect PG&E facilities to customers;⁴ (b) substation improvements; and (c) connections to affordable housing improvements.

Other Power Projects: \$8 million

The FY 2022-23 budget allocates \$3.4 million for a valuation of PG&E assets. This project is in response to the Board of Supervisors 2019 resolution to evaluate the purchase of PG&E assets, and in July 2021 the SFPUC filed with the California Public Utilities Commission a Petition of Valuation of PG&E electricity assets in San Francisco.

The other power projects funded in FY 2022-23 include (a) installation of streetlighting at 16 feet – 18 feet above the sidewalk to improve lighting for pedestrians; (b) undergrounding of electrical service on Treasure Island; and (c) municipal renewable energy projects consisting of solar, wind, and other renewable sources.

Water and Joint Water-Power Projects: \$114.9 million*Water Infrastructure: \$45.7 million*

Hetch Hetchy water infrastructure project includes installation of valves in the three San Joaquin Pipeline transmission lines between Oakdale and Tracy to upgrade/install valves, allowing shutoff of water flow and entry of maintenance staff to inspect, maintain, and repair the pipelines.

Power Infrastructure: \$44.1 million

Power infrastructure projects consist of a series of projects to improve power transmission, including rehabilitation of the switchyard at Moccasin, inspection and maintenance of the existing conveyance of water from Hetch Hetchy Reservoir to Moccasin, monitoring of Priest Dam, upgrades to the Moccasin Powerhouse bypass, repair and replacement of power transmission facilities to extend the life of the facilities, upgrades to the transmission line

⁴ The Federal Energy Regulatory Commission (FERC) requires that all new or reconfigured connections to Hetch Hetchy customers be to the primary voltage and not to PG&E's downtown network.

between the Warnerville Substation to Modesto Irrigation District's Standiford Substation, rehabilitation of the Moccasin Powerhouse generators and upgrades to the Powerhouse, and other projects.

Water-Power Joint Projects: \$25.1 million

Joint Hetch Hetchy water and power projects consist of several infrastructure projects, including wildfire mitigation; planning and design for upgrades to the Early Intake Dam on the Tuolumne River; assessment and repair and replacement of facilities, including campgrounds, fish hatcheries, and maintenance yards; and other condition assessment and repair and replacement of dams, and roads and bridges; security and communications upgrades; and other projects.

REQUEST FOR SUPPLEMENTAL APPROPRIATION

DEPARTMENT: SFPUC – Hetch Hetchy Enterprise **DATE:** 4/4/2022

To the Mayor:

Request is hereby made for supplemental appropriation from the following appropriation(s) or fund(s) in the amount(s) indicated;

APPROPRIATION NUMBER	DESCRIPTION OF APPROPRIATION OR FUND	AMOUNT
Fund Department ID Authority Project Activity Account	See Attachment A	

to the credit of the following appropriation(s) or fund(s) in the amount(s) indicated:

APPROPRIATION NUMBER	DESCRIPTION OF APPROPRIATION OR FUND	AMOUNT
Fund Department ID Authority Project Activity Account	See Attachment A	

There are no surpluses in any of this department's appropriations available for transfer for the requested purpose(s). Complete detail as to the necessity for THIS appropriation is stated in attached letter.

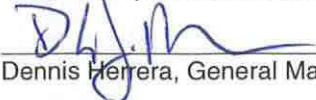
APPLICABLE BOXES MUST BE CHECKED

- This request included capital projects (s.o. 06700 OR 06700); a separate copy has been sent to the Chair, Capital Improvement Advisory Committee.
- These funds have not been previously requested.
- These funds were previously requested by:

() <i>Supplemental Appropriation</i>	or	() <i>Budget Estimate</i>	and were
() <i>reduced or</i>	() <i>denied</i>	by The Mayor, or The Board of Supervisors.	

CERTIFIED AS TO FACTS AND AMOUNTS AS ABOVE STATED, AND

RECOMMENDED:  (Department Head)
 Ronald P. Flynn, AGM Business Services, SFPUC

APPROVED:  (Board or Commission)
 Dennis Herrera, General Manager, SFPUC

Recorded Controller's Budget Division

By: _____ Date: _____ Request No. _____

FOR MAYOR'S USE

To the Controller:

The above request meets with my approval; as indicated above. You are hereby requested to prepare the necessary appropriation ordinance.

APPROVED:
Mayor London N. Breed BY: _____ DATE: _____

Attachment A - Hetchy Hetchy

Funding Source

Authority Roll Up	Authority ID	Project	Activity	Dept.	Fund	Account	Description of Appropriation or Fund	FY 2022-23
15366	15366	10014121	0001	231621	25337	480111	Proceeds Power Bonds - Local	72,787,704
15366	15366	10014121	0001	231621	25337	480111	Proceeds Power Bonds - Up Country	68,102,171
15366	15366	10014121	0001	231621	26602	480111	Proceeds Sale of Bonds (Water Bonds)	67,069,801
15405	15405	10014672	0001	231621	24990	495029	ITI from Hetch Hetchy Funds (DAS)	2,265,000
15404	15404	10014665	0001	298648	24990	479988	Cap and Trade Revenue	780,000
TOTAL								211,004,676

Use of Funds

Authority Roll Up	Authority ID	Project	Activity	Dept.	Fund	Account	Description of Appropriation or Fund	FY 2022-23
80427	22141	10014226	0001	298648	25337	567000	Distribution Services Retail	57,032,000
15377	15377	10014281	0001	298648	24990	584030	Streetlights	2,265,000
80427	22142	10014576	0001	298648	25337	567000	Treasure Island	1,482,543
15404	15404	10014665	0001	298648	24990	584030	Energy Efficiency - General Fund	780,000
15383	15383	10034512	0001	298648	25337	567000	Power Asset Acquisition	3,406,000
TOTAL - Power								64,965,543
15363	15363	10014065	0001	298646	26602	567000	Water Infrastructure	45,723,000
15364	15364	10014073	0001	298646	25337	567000	Power Infrastructure	44,140,154
15365	15365	10014093	0001	298646	26602	567000	Joint Water - Bonds	11,286,331
15365	15365	10014093	0001	298646	25337	567000	Joint Power - Bonds	13,794,404
TOTAL - Water								114,943,889
TOTAL - Project Costs								179,909,432
15366	15366	10014121	0001	298646	26602	573110	Financing Cost - Water	10,026,935
15366	15366	10014121	0001	298646	26602	581130	City Services Auditor	0
15366	15366	10014121	0001	298646	26602	567000	Revenue Bond Oversight Committee	33,535
TOTAL - Financing/Other Costs								10,060,470
15366	15366	10014121	0001	298647	25337	573110	Financing Cost - Power	20,964,329
15366	15366	10014121	0001	298647	25337	581130	City Services Auditor	
15366	15366	10014121	0001	298647	25337	567000	Revenue Bond Oversight Committee	70,445
TOTAL - Financing/Other Costs								21,034,774
TOTAL - Use of Funds								211,004,676



To: Angela Calvillo, Clerk of the Board of Supervisors
From: Ashley Groffenberger, Mayor's Budget Director
Date: May 1, 2022
Re: Mayor's May 1 FY 2022-23 and FY 2023-24 Budget Submission

Madam Clerk,

In accordance with Administrative Code section 3.3, the Mayor's Office hereby submits the Mayor's proposed May 1 budget by May 1st, corresponding legislation, and related materials for Fiscal Year (FY) 2022-23 and FY 2023-24.

In addition to the Mayor's Proposed FY 2022-23 and FY 2023-24 May 1 Budget Book, the following items are included in the Mayor's submission:

- The May 1 Annual Appropriation Ordinance and Annual Salary Ordinance, along with Administrative Provisions, physical copies of which will be delivered by the Controller's Office
- 11 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
- A letter from the City Controller regarding the San Francisco Municipal Transportation Agency budget

Sincerely,

A handwritten signature in black ink, appearing to read "A. Groffenberger", with a long horizontal flourish extending to the right.

Ashley Groffenberger
Mayor's Budget Director

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

DEPT	Item	Relevance to Budget	Type of Legislation
AIR	Prop J Certification - previously approved	Costs related to Prop J services assumed in budget.	Resolution
BOA	Board of Appeals Surcharges on Permit Fees	Legislation that allows the Board of Appeals to adjust existing surcharges on permit fees, license fees, permit review fees, and permit and license renewal fees for permits and licenses issued by the Planning Department, Department of Building Inspection, Department of Public Works, Department of Public Health, Police Department, and the Entertainment Commission	Ordinance
LIB	In-Kind Grant of Friends of San Francisco Public Library	Grant assumed in budget.	Resolution
MTA	Prop J Certification - previously approved	Costs related to Prop J services assumed in budget.	Resolution
PRT	California State Lands Commission Grant	Grant assumed in budget.	Resolution
PRT	Prop J Certification - previously approved	Costs related to Prop J services assumed in budget.	Resolution
PUC	CleanPowerSF Capital Budget	Appropriates funds to support PUC CleanPowerSF capital budget expenditures.	Ordinance
PUC	Hetch Hetchy Capital Budget	Appropriates funds to support PUC Hetch Hetchy 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 bond issuance to finance Power capital projects.	Ordinance
PUC	Wastewater Debt Authorization	Authorizes bond issuance to finance Wastewater capital projects.	Ordinance
PUC	Water Debt Authorization	Authorizes bond issuance to finance Water capital projects.	Ordinance
PUC	Prop J Certification - previously approved	Costs related to Prop J services assumed in budget.	Resolution



TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Tom Paulino
RE: Appropriation - \$211,004,676 in Proceeds from Revenue Bonds, Hetch Hetchy Revenue, Cap and Trade Allowance for Hetch Hetchy Water and Power Capital Improvements – FY2022-2023
DATE: May 1, 2022

Ordinance appropriating a total of \$211,004,676 of Hetch Hetchy revenue, Cap and Trade Revenue and Power and Water Revenue Bonds for the San Francisco Public Utilities Commission (SFPUC) Hetch Hetchy Capital Improvement Program for Fiscal Year 2022-2023; and placing \$140,889,875 of Power Bonds and \$67,069,801 of Water Bonds by project on Controller's Reserve subject to the Controller's certification of funds availability, including proceeds of indebtedness, and for construction related expenditures (excluding program management, planning and design) for these projects, as applicable, is also subject to the prior occurrence of the SFPUC's and the Board of Supervisors' discretionary adoption of California Environmental Quality Act (CEQA) Findings for projects, following review and consideration of completed project related environmental analysis, where required.

Should you have any questions, please contact Tom Paulino at 415-554-6153.