

File No. 180452

Committee Item No. 13
Board Item No. 4

COMMITTEE/BOARD OF SUPERVISORS AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date May 24, 2018

Board of Supervisors Meeting

Date JUNE 12, 2018

Cmte Board

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Completed by: Linda Wong Date May 18, 2018
Completed by: Linda Wong Date 5/22/18

1 [Wastewater Revenue Bond Issuance and Sale - San Francisco Public Utilities Commission -
2 Not to Exceed \$987,414,494]

3 **Ordinance authorizing the issuance and sale of tax-exempt or taxable Wastewater**
4 **Revenue Bonds and other forms of indebtedness (as described below) by the San**
5 **Francisco Public Utilities Commission (Commission) in an aggregate principal amount**
6 **not to exceed \$987,414,494 to finance the costs of various capital wastewater projects**
7 **benefitting the Wastewater Enterprise pursuant to amendments to the Charter of the**
8 **City and County of San Francisco enacted by the voters on November 5, 2002, as**
9 **Proposition E; authorizing the issuance of Wastewater Revenue Refunding Bonds;**
10 **declaring the Official Intent of the Commission to reimburse itself with one or more**
11 **issues of tax-exempt bonds or other forms of indebtedness; and ratifying previous**
12 **actions taken in connection therewith, as defined herein.**

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

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

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

23 A. On November 5, 2002, the voters of the City and County of San Francisco (the
24 "City") approved Proposition E ("Proposition E"), which among other things, authorized the
25 San Francisco Public Utilities Commission (the "Commission") to issue revenue bonds,
including notes, commercial paper or other forms of indebtedness (which forms of

1 indebtedness may include without limitation for purposes of Proposition E, loans and other
2 forms of indebtedness provided by governmental agencies and/or commercial or investment
3 banks), when authorized by ordinance approved by a two-thirds vote of the Board of
4 Supervisors, for the purpose of reconstructing, replacing, expanding, repairing or improving
5 water facilities or clean water facilities or combinations of water and clean water facilities
6 under the jurisdiction of the Commission; and

7 B. The Commission adopted the Indenture dated as of January 1, 2003, as further
8 amended and supplemented from time to time (the "Indenture"), between the Commission and
9 U. S. Bank National Association and in connection therewith, has from time to time issued
10 revenue bonds to finance projects benefitting the Wastewater Enterprise; and

11 C. By Resolution 18-0023 adopted by the Commission on February 13, 2018 (the
12 "Commission Resolution") the Commission has determined to issue Wastewater Revenue
13 Bonds (the "Wastewater Revenue Bonds") and other forms of indebtedness (including without
14 limitation SRF Loans or WIFIA Loans , as described below), as well as interim funding
15 vehicles such as commercial paper, revolving credit notes, bond anticipation notes or other
16 forms of notes, which interim funding vehicles will be issued in advance of being paid off by
17 either Wastewater Revenue Bonds or other forms of indebtedness (including without limitation
18 SRF Loans or WIFIA Loans), to finance the costs of various capital wastewater projects
19 benefitting the Wastewater Enterprise (the "Capital Improvement Projects" such projects
20 being more fully described in the Commission Resolution), pursuant to Proposition E, and has
21 formally requested this Board to authorize the issuance and sale of Wastewater Revenue
22 Bonds for such purposes, such Commission Resolution being on file with the Clerk of the
23 Board of Supervisors in File No. 180452; and

24 D. In order to finance the costs of the Capital Improvement Projects, the Board now
25 desires to authorize pursuant to Proposition E the issuance and sale of Wastewater Revenue

1 Bonds and other forms of indebtedness for such purposes, including without limitation State
2 Revolving Fund Loans and/or grants from the State Water Resources Control Board ("SRF
3 Loans") or U.S. Environmental Protection Agency Water Infrastructure Finance and Innovation
4 Act loans ("WIFIA Loans") and such other indebtedness as may be advantageous to the
5 Commission; and

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

10 F. This Board is concurrently considering with this Ordinance, another Ordinance
11 approving a Capital Improvement Program related supplemental appropriation totaling \$
12 1,217,658,494 for fiscal years ending 2019 and 2020, including the proceeds of such
13 Wastewater Revenue Bonds and other forms of indebtedness (including SRF Loans, WIFIA
14 Loans, commercial paper, revolving credit notes and bond anticipation notes); and

15 G. This Board, on behalf of the Commission, adopts this Ordinance as official
16 action of the Commission in order to comply with Treasury Regulation §1.150-2 and any other
17 regulations of the Internal Revenue Service relating to the qualification for reimbursement of
18 Commission expenditures incurred prior to the date of issue of the Wastewater Revenue
19 Bonds or other forms of indebtedness (including SRF Loans, WIFIA Loans, commercial paper,
20 revolving credit notes and bond anticipation notes).

21 Section 2. Authorization to Issue Wastewater Revenue Bonds and other forms of
22 indebtedness. The Board hereby authorizes the issuance and sale of Wastewater Revenue
23 Bonds in one or more series from time to time by the Commission pursuant to Proposition E
24 and in accordance with the Commission Resolution and the execution and delivery of SRF
25 Loan or WIFIA Loan agreements or the issuance of commercial paper, revolving credit notes,

1 or bond anticipation notes, in an aggregate principal amount not to exceed \$987,414,494
2 (inclusive of financing costs), but exclusive of refunding indebtedness, bearing a maximum
3 rate or rates of interest of not to exceed twelve percent (12%) per annum to finance a portion
4 of the costs of the design, acquisition and construction of the Capital Improvement Projects.
5 Without limiting the foregoing, the Commission shall be authorized to incur SRF Loans from
6 the State Water Resources Control Board or WIFIA Loans from the U.S. Environmental
7 Protection Agency at such time, in such amounts, and upon such other terms and conditions
8 as the Commission may deem advantageous. The Commission is hereby further authorized
9 to determine the timing, amount and manner of sale (i.e., competitive or negotiated) of each
10 series of Wastewater Revenue Bonds, commercial paper, revolving credit notes, or bond
11 anticipation notes pursuant to this authorization; provided however, the Commission's
12 authorization to issue Wastewater Revenue Bonds or incur other forms of indebtedness
13 (including SRF Loans, WIFIA Loans, bond anticipation notes, commercial paper or revolving
14 credit notes) is subject to approval by the Commission of the form of substantially final offering
15 document related to such obligations (if any) and the approval of any related agreements,
16 financing documents and the filing with its Board and the Clerk of the Board any certifications
17 required by Proposition E prior to the issuance of any bonds or the incurrence of any
18 indebtedness herein authorized. The Commission shall also file, within 30 days of any bond
19 sale authorized hereby, with the Clerk of the Board of Supervisors a report showing the
20 results of the sale of Water Revenue Bonds, SRF Loans or other form of indebtedness
21 including (i) principal amount sold and method of sale, (ii) true interest cost, (iii) final maturity,
22 (iv) the facilities constructed and/or improved, and (v) a statement about the remaining
23 bonding authorization under this Ordinance (the "Report"); provided however that failure to file
24 the Report shall not affect the validity of any bonds authorized hereunder.

25

1 Section 3. Authorization to Issue Wastewater Revenue Refunding Bonds. The Board
2 further authorizes and approves the issuance by the Commission of Wastewater Revenue
3 Refunding Bonds (the "Refunding Bonds") to refund any outstanding obligations of the
4 Wastewater Enterprise, without limitation as to principal amount, in one or more series on one
5 or more dates, at a maximum interest rate or rates of interest not to exceed twelve percent
6 (12%) per annum, provided that each such Refunding Bond issue is permitted under the
7 applicable policies and procedures of the Commission and authorized by either Section 9.109
8 of the Charter (including related ordinances and resolutions of the Board). The Refunding
9 Bonds may be issued as tax-exempt or taxable obligations, or any combination thereof.
10 Refunding Bonds authorized hereunder shall be subject to the further following conditions,
11 that: (i) three percent (3%) net present value debt service savings or greater is achieved to
12 ensure ratepayer savings (exclusive of any issuance to refund commercial paper or bond
13 anticipation notes); (ii) this authorization is subject to a 2-year term through June 30, 2020, at
14 which time this Board may consider an extension; principal payments and term may be
15 adjusted, where permitted under federal and state tax law, only if and when the underlying
16 capital asset funded through said refunded bonds has a useful life not in excess of any limit
17 permitted under federal and state tax law than the refunded term; and (iii) the Commission
18 shall within 30 days of any executed refunding transaction provide a savings report prepared
19 by its financial advisors (that reflects at least a three percent (3%) net present value debt
20 service savings) to the Board, together with a copy of the final Official Statement (if any) with
21 respect to such series of Refunding Bonds; provided that the failure to deliver such report
22 shall in no way affect the validity of any Refunding Bonds.

23 Section 4. Declaration of Official Intent. The Board, on behalf of the Commission,
24 hereby declares the official intent of the Commission to reimburse the Commission with
25 proceeds of the Wastewater Revenue Bonds or other forms of indebtedness (including SRF

1 Loans, WIFIA Loans, bond anticipation notes or commercial paper) for the Expenditures with
2 respect to the Capital Improvement Projects made on and after a date that is no more than 60
3 days prior to the adoption of this Ordinance. The Commission reasonably expects on the date
4 hereof that it will reimburse the Expenditures with proceeds of the Wastewater Revenue
5 Bonds or other forms of indebtedness (including SRF Loans, WIFIA Loans, bond anticipation
6 notes or commercial paper). Each said Expenditure was and will be either (A) of a type
7 properly chargeable to a capital account under general federal income tax principles
8 (determined in each case as of the date of the Expenditure), (B) a cost of issuance with
9 respect to such obligations , (C) a nonrecurring item that is not customarily payable from
10 current revenues, or (D) a grant to pay a party that is not related to or an agent of the issuer
11 so long as such grant does not impose any obligation or condition (directly or indirectly) to
12 repay any amount to or for the benefit of the Commission. The Commission will make a
13 reimbursement allocation, which is a written allocation by the Issuer that evidences the
14 Commission's use of proceeds of the Wastewater Revenue Bonds or other forms of
15 indebtedness to reimburse an Expenditure, no later than 18 months after the later of the date
16 on which the Expenditure is paid or the component of the Capital Improvement Projects is
17 placed in service or abandoned, but in no event more than three years after the date on which
18 the Expenditure is paid. The Commission recognizes that exceptions are available for certain
19 "preliminary expenditures," costs of issuance, certain de minimis amounts, expenditures by
20 "small issuers" (based on the year of issuance and not the year of expenditure) and
21 expenditures for construction projects of at least 5 years.

22 Section 5. General Authority. The Controller, Treasurer, the City Attorney and other
23 officers of the City, including the Director of the Office of Public Finance, and their duly
24 authorized deputies and agents are hereby authorized and directed, jointly and severally, to
25 take such actions and to execute and deliver such certificates, agreements, requests or other

1 documents, as they may deem necessary or desirable to facilitate the issuance, sale and
2 delivery of the Wastewater Revenue Bonds, SRF Loans, WIFIA Loans, bond anticipation
3 notes, commercial paper or Refunding Bonds, to obtain bond insurance or other credit or
4 liquidity enhancements with respect to any such obligations, and otherwise to carry out the
5 provisions of this Ordinance. The Commission is hereby directed to provide the final form to
6 the Clerk of the Board of any disclosure document (if any) prepared in connection with the
7 execution of any Wastewater Revenue Bonds, SRF Loans, WIFIA Loans, bond anticipation
8 notes, commercial paper or Refunding Bonds, and the final executed Installment Sale
9 Agreement or other document reflecting the incurrence of an SRF Loan or a WIFIA Loan,
10 within 30 days of the closing of such transactions; provided however that failure to provide
11 such report shall not affect the validity of the obligations authorized hereunder.

12 The Commission is further directed as a part of the two-year budget review to provide to this
13 Board of Supervisors a written report about Wastewater Revenue Bonds authorized under the Charter
14 or Proposition E (as applicable), detailing the total amount authorized, the total amount sold, the
15 remaining authorized but unissued amount, and the bond authorization no longer necessary due to
16 changes in projects and project financing, beginning in May 2020.

17 Section 6. Ratification of Prior Actions. All actions authorized and directed by this
18 Ordinance in connection with the issuance of the Wastewater Revenue Bonds or other forms
19 of indebtedness (including SRF Loans, WIFIA Loans, bond anticipation notes or commercial
20 paper), Refunding Bonds, and heretofore taken are hereby ratified, approved and confirmed
21 by this Board.

22 Section 7. File Documents. All documents referred to as on file with the Clerk of the
23 Board are in File Nos. 180452.

24 Section 8. Effective Date. Pursuant to Charter Section 8B.124, this Ordinance shall
25 take effect thirty (30) days after its adoption.

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

By: 
Mark D. Blake
Deputy City Attorney

LEGISLATIVE DIGEST
(Amended on 05/24/18)

[Wastewater Revenue Bond Issuance and Sale - San Francisco Public Utilities Commission - Not to Exceed \$987,414,494]

Ordinance authorizing the issuance and sale of tax-exempt or taxable Wastewater Revenue Bonds and other forms of indebtedness (as described below) by the San Francisco Public Utilities Commission (Commission) in an aggregate principal amount not to exceed \$987,414,494 to finance the costs of various capital wastewater projects benefitting the Wastewater Enterprise pursuant to amendments to the Charter of the City and County of San Francisco enacted by the voters on November 5, 2002, as Proposition E; authorizing the issuance of Wastewater Revenue Refunding Bonds; declaring the Official Intent of the Commission to reimburse itself with one or more issues of tax-exempt bonds or other forms of indebtedness; and ratifying previous actions taken in connection therewith, as defined herein.

Existing Law

This is new legislation.

Background Information

On November 5, 2002, the voters of the City and County of San Francisco approved Proposition E ("Proposition E") which authorized the Commission to issue revenue bonds, including notes, commercial paper or other forms of indebtedness, when authorized by ordinance approved by a two-thirds vote of the Board of Supervisors, for the purpose of reconstructing, replacing, expanding, repairing or improving water facilities or clean water facilities or combinations of water and clean water facilities under the jurisdiction of the Commission.

The proposed Ordinance authorizes the Commission to issue and sell its Wastewater Enterprise Revenue Bonds in an amount not greater than \$987,414,494 at a maximum rate of interest of not in excess of twelve percent (12%) payable from and secured by Wastewater Enterprise Revenues under the terms of Proposition E. The Bonds will be issued under an Indenture dated as of January 1, 2003, as further amended and supplemented from time to time, between the Commission and U. S. Bank National Association. Bonds can be issued for any purposes of the Wastewater Enterprise, including, without limitation, the financing or refinancing of capital additions, improvements, repairs and replacements to the Wastewater Enterprise.

The Commission is authorized to determine the timing, amount and manner of sale (i.e., competitive or negotiated) of each series of Wastewater Enterprise Revenue Bonds or the delivery of other forms of indebtedness (including SRF Loans, WIFIA Loans, commercial

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paper, revolving credit notes and bond anticipation notes) pursuant to the proposed Ordinance; but the Commission's authority to issue Wastewater Enterprise 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.

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. 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 ends June 30, 2020.

The Ordinance requires the Commission as a part of the two-year budget review to provide to the Board of Supervisors a written report about Wastewater Revenue Bonds authorized under the Charter or Proposition E (as applicable), detailing the total amount authorized, the total amount sold, the remaining authorized but unissued amount, and the bond authorization no longer necessary due to changes in projects and project financing, beginning in May 2020.

Items 10 and 13 Files 18-0449 and 18-0452	Department: Public Utilities Commission
EXECUTIVE SUMMARY	
Legislative Objectives	
<p>File 18-0449 is an ordinance appropriating \$1,217,658,494 in Wastewater Revenue Bond proceeds, State Water Resources Control Board revolving loan or grant funds, Wastewater Enterprise revenues and capacity fees to the San Francisco Public Utilities Commission (SFPUC) Wastewater Enterprise capital improvement program.</p>	
<p>File 18-0452 is an ordinance authorizing SFPUC to issue \$987,414,494 in tax-exempt and taxable Wastewater Revenue Bonds and other forms of debt.</p>	
Key Points	
<ul style="list-style-type: none"> • The Board of Supervisors has previously authorized the SFPUC to sell up to \$3,034,603,456 in Wastewater Revenue Bonds. The proposed ordinance would authorize SFPUC to sell an additional \$987,414,494, totaling \$4,022,017,950 in Wastewater Revenue Bond authorization. • The 10-Year Capital Plan provides for \$5.6 billion in Wastewater Enterprise projects, of which \$4.0 billion are Sewer System Improvement Program (SSIP) projects and \$1.6 billion are other Wastewater Enterprise capital projects. 	
Fiscal Impact	
<ul style="list-style-type: none"> • According to the SFPUC’s 10-Year Financial Plan for FY 2018-19 to FY 2027-28, annual debt service on Water Revenue Bonds and other Water Enterprise debt is within the SFPUC’s debt service coverage policy requirements. • Average monthly residential sewer bill will increase by \$4 in FY 2018-19, from \$58 in FY 2017-18 to \$62 in FY 2018-19; and by \$5 in FY 2019-20 to \$67. 	
Policy Consideration	
<ul style="list-style-type: none"> • As of June 30, 2017, the Board of Supervisors authorized \$3.0 billion in Wastewater Revenue Bonds under Proposition E. To date, \$879.6 million of the Wastewater Revenue Bonds have been sold with approximately \$2.1 billion in authorized and unsold bonds. The proposed ordinance (File 18-0452) authorizes an additional \$987.4 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. Because capital projects occur over a long period of time, projects and project financing change, which may result in previously authorized bonds no longer being needed. 	
Recommendations	
<ul style="list-style-type: none"> • Amend the proposed ordinance (File 18-0452) to request the SFPUC General Manager to provide a written report to the Board of Supervisors as part of the two year budget review detailing the total amount of Water Revenue Bonds authorized under Proposition E, the total amount sold, the total amount authorized and unsold, and the amount of authorized bonds that are no longer needed due to changes in projects and project financing, beginning in May 2020. • Approve File 18-0452 as amended, and File 18-0449. 	

MANDATE STATEMENT

Charter Section 8B.124 states that the Public Utilities Commission is authorized to issue revenue bonds and other forms of indebtedness, when authorized by two-thirds vote of the Board of Supervisors, for Water Enterprise and Wastewater Enterprise capital projects.

Charter Section 5A.31(d) states that one-twentieth of one percent 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 San Francisco Public Utilities Commission (SFPUC) Wastewater Enterprise provides wastewater treatment, sewer, and storm water collection to residents in the City as well as residents of north San Mateo County. The service area encompasses 29,773 acres and provides a level of service that can accommodate approximately 990,449 people using approximately 40 billion gallons of water per year.

DETAILS OF PROPOSED LEGISLATION

File 18-0452 is an ordinance authorizing SFPUC to issue and sell tax-exempt or taxable Wastewater Revenue Bonds and other forms of indebtedness (such as commercial paper¹ or State Revolving Fund loans) in an aggregate principal amount not to exceed \$987,414,494.

File 18-0449 is an ordinance appropriating \$1,217,658,494 in Wastewater Revenue Bond proceeds, State Water Resources Control Board revolving loan fund or grant funds, wastewater revenue, and capacity fees to the SFPUC's Wastewater Enterprise's capital improvement program. \$706,606,351 is appropriated in FY 2018-19 and \$511,052,143 is appropriated in FY 2019-20; of which \$987,414,494 in Wastewater Revenue Bond proceeds is placed on Controller's Reserve.

File 18-0452: Wastewater Revenue Bonds

The Board of Supervisors has previously authorized the SFPUC to sell up to \$3,034,603,456 in Wastewater Revenue Bonds. The proposed ordinance would authorize SFPUC to sell an additional \$987,414,494, totaling \$4,022,017,950 in Wastewater Revenue Bond authorization.

Approval of the proposed ordinance (File 18-0452) would:

¹ Commercial paper is short-term interim debt financing that SFPUC may issue prior to issuing revenue bonds. The Board of Supervisors previously authorized the Wastewater Enterprise's Commercial Paper Program of \$300 million (File 12-0354)

- Authorize SFPUC to sell \$987,414,494 in Wastewater Revenue Bonds at a maximum interest rate of 12 percent per year. SFPUC could sell the bonds in series at a time and in an amount and manner (competitive or negotiated sale) determined by SFPUC.
- Authorize SFPUC to sell refunding bonds to refund outstanding Wastewater Revenue Bonds without further Board of Supervisors approval. According to the proposed ordinance, SFPUC could only sell the refunding bonds if they achieved at least 3 percent net present value debt service savings. Authorization to sell refunding bonds would expire on June 30, 2020.
- Authorize SFPUC to enter into future agreements with the State Water Resources Control Board to obtain State Revolving Fund Loans in lieu of selling Wastewater Revenue Bonds
- Provide for SFPUC to reimburse prior capital project expenditures with bond proceeds as allowed by federal income tax principles.
- Ratifies actions taken by the SFPUC and other City officials in connection with the issuance of the Wastewater Revenue Bonds.

Table 1: Allocation of \$987,414,494 in Wastewater Revenue Bonds

Use	Total
Capital Project Appropriation	\$863,987,682
Financing Costs (14%)	121,205,129
City Services Auditor (0.2%)	1,727,975
Revenue Bond Oversight Committee (0.05%)	493,708
Total	\$987,414,494

Financing costs of \$121,205,129, equal to 14 percent of the bond allocation to capital projects, are for issuance costs, debt service reserve, capitalized interest², bond counsel, and other costs.

File 18-0449: Appropriation to Wastewater Capital Improvement Program

The Public Utilities Commission approved the SFPUC 10-Year Capital Plan for FY 2018-19 through FY 2027-28 in January 2018. The 10-Year Capital Plan provides for \$5.6 billion in Wastewater Enterprise projects, of which \$4.0 billion are Sewer System Improvement Program (SSIP) projects and \$1.6 billion are other Wastewater Enterprise capital projects.

The total appropriation to Wastewater Enterprise capital projects in FY 2018-19 and FY 2019-20 is \$1,217,658,494, as shown in Table 1 below:

² Capitalized interest is the accrual of interest prior to the receipt of revenues to repay the bonds.

Table 1: Capital Appropriation FY 2016-17 and FY 2017-18

	FY 2016-17	FY 2017-18	Total
Source of Funds			
<u>Appropriation</u>			
Wastewater Bond Proceeds	\$593,841,351	\$393,573,143	\$987,414,494
Renewal and Replacement Fund	106,765,000	112,979,000	219,744,000
Capacity Fees	6,000,000	4,500,000	10,500,000
Total Sources	\$706,606,351	\$511,052,143	\$1,217,658,494
Uses of Funds			
<u>Sewer System Improvement Program</u>			
SSIP Program Wide Management	\$16,500,000	\$16,590,000	\$33,090,000
SSIP Land Reuse	483,000		483,000
Biosolids Digester Project	181,201,650		181,201,650
Treatment Plant Headworks	90,133,139	92,204,646	182,337,785
Southeast Treatment Plant	45,168,983	20,267,522	65,436,505
Northpoint Treatment Plant	7,350,097	8,416,672	15,766,769
Oceanside Treatment Plant	17,345,380	48,219,969	65,565,349
Central Bayside Improvements		20,350,000	20,350,000
Collection System Improvements	13,545,729	27,367,509	40,913,238
Pump Station and Force Main	15,926,996	21,567,369	37,494,365
Flood Resilience	21,059,656	30,762,194	51,821,850
Green Infrastructure Projects	24,317,718	9,693,772	34,011,490
SSIP Subtotal	433,032,348	295,439,653	728,472,001
Collection System Renewal and Replacement	89,765,000	93,329,000	183,094,000
Treatment Facilities Renewal and Replacement	23,000,000	24,150,000	47,150,000
Southeast Community Center	66,000,000	3,500,000	69,500,000
Ocean Beach Protection	8,149,557	5,381,319	13,530,876
Islais Creek Outlet	5,000,000	15,000,000	20,000,000
Southeast Outfall	1,056,277	1,098,528	2,154,805
Treasure Island	6,373,000	23,957,000	30,330,000
Capital Plan Total	199,343,834	166,415,847	365,759,681
Bond Issuance and Oversight	74,230,169	49,196,643	123,426,812
Total Uses	\$706,606,351	\$511,052,143	\$1,217,658,494

\$593,841,351 of the FY 2018-19 appropriation and \$393,573,143 of the FY 2019-20 appropriation are placed on Controller's Reserve pending receipt of the Wastewater Revenue Bond proceeds.

Descriptions of the proposed projects are included in the attachment.

FISCAL IMPACT**SFPUC Debt Service Coverage Policy and Financial Plan**

According to the SFPUC's CAFR, as of June 30, 2017 the SFPUC's Wastewater Enterprise had \$987 million in outstanding debt, including \$957 million in Wastewater Revenue Bonds and \$30 million in Certificates of Participation. The Wastewater Enterprise's annual debt payments in FY 2017-18 and FY 2018-19 are \$50.5 million, increasing to \$63.1 million in FY 2019-20.

According to SFPUC's bond covenants with bondholders and debt service coverage policy, the ratio of net revenues to annual debt service must meet the following minimum coverage:

- Indenture coverage³: net revenues equal to a minimum of 1.35 times annual debt service
- Current coverage⁴: net revenues equal to a minimum of 1.10 times annual debt service

According to the SFPUC's 10-Year Financial Plan for FY 2018-19 to FY 2027-28, annual debt service on Water Revenue Bonds and other Water Enterprise debt is within the SFPUC's debt service coverage policy requirements.

Sewer Rate Increases in FY 2018-19 and FY 2019-20

The SFPUC bills residential customers for a combined water and sewer bill. The average monthly residential combined water and sewer bill in FY 2017-18 is \$106, of which \$48 is water and \$58 is sewer. According to the FY 2018-19 to FY 2027-28 Financial Plan, adopted by Commission on February 13, 2018, the SFPUC planned a 7 percent increase in sewer rates in FY 2018-19 and 7 percent increase in sewer rates in FY 2019-20 to cover the Wastewater Enterprise's operating and capital costs. The SFPUC 10 Year Financial Plan estimates that the average monthly residential sewer bill will increase by \$4 in FY 2018-19, from \$58 in FY 2017-18 to \$62 in FY 2018-19; and by \$5 in FY 2019-20, from \$62 in FY 2018-19 to \$67 in FY 2019-20.

On April 10, 2018, the SFPUC adopted wastewater rate increases that were consistent with the planned rate increases in the adopted 10 Year Financial Plan. In accordance with Charter Section 8B.125, the SFPUC is responsible for setting the rates, fees and other charges for water and sewer. The SFPUC's action on all rates, fees and charges is subject to rejection, within 30 days of submission, by resolution of the Board of Supervisors. If the Board of Supervisors does not act within 30 days, the SFPUC proposed rates become effective without further Board of Supervisors action.

POLICY CONSIDERATION

As of June 30, 2017, the Board of Supervisors authorized \$3.0 billion in Wastewater Revenue Bonds under Proposition E. To date, \$879.6 million of the Wastewater Revenue Bonds have been sold with approximately \$2.1 billion in authorized and unsold bonds. The proposed ordinance (File 18-0452) authorizes an additional \$987.4 million in Power Revenue Bonds and

³ Indenture coverage is the ratio of Net Revenues + Unappropriated Fund Balance to Annual Debt Service; indenture = 1.25x; SFPUC policy is 1.35x

⁴ Current coverage is the ratio of Net Revenues to Annual Debt Service; indenture = 1.00x; SFPUC policy is 1.25x

other forms of debt. The SFPUC's policy is to request authorization for bonds and other forms of debt to fund new capital appropriations. Because capital projects occur over a long period of time, projects and project financing change, which may result in previously authorized bonds no longer being needed. In order for the Board of Supervisors to have full information on the total amount of authorized bonds that have been sold, have not been sold but are needed to complete the projects for which the bonds were authorized, or have not been sold but are no longer needed due to other financing sources or changes in the projects, the SFPUC should provide a written report to the Board of Supervisors with the two-year budget on the status of the bonds, beginning in May 2020.

RECOMMENDATIONS

1. Amend the proposed ordinance (File 18-0452) to request the SFPUC General Manager to provide a written report to the Board of Supervisors as part of the two year budget review detailing the total amount of Water Revenue Bonds authorized under Proposition E, the total amount sold, the total amount authorized and unsold, and the amount of authorized bonds that are no longer needed due to changes in projects and project financing, beginning in May 2020.
2. Approve File 18-0452 as amended, and File 18-0449.

Attachment

Project	Description
SSIP Program Wide Management	<ul style="list-style-type: none"> Series of capital improvement projects focused on improving the wastewater system to meet present and future needs of the city.
SSIP Land Reuse	<ul style="list-style-type: none"> Addresses long-term planning and ongoing needs for physical space to support SSIP Projects.
Biosolids Digester Project	<ul style="list-style-type: none"> Provide a new digester/solids handling facility, replacing the existing facility at the Southeast Plant.
Southeast Treatment Plant and Headworks	<ul style="list-style-type: none"> Address the liquid treatment portion of the improvements at SEP with upgrades to the existing digester facilities, until the new biosolids facility is constructed. Construction of a new all-weather 250 MGD Headworks facility, with new pumping, screening, grit removal and odor control.
Northpoint Treatment Plant	<ul style="list-style-type: none"> Includes improvements and upgrades to North Shore pump Station, NPF Clarifier & Maintenance Facilities Relocation.
Oceanside Treatment Plant	<ul style="list-style-type: none"> Improvements are focused on increasing reliability by replacing equipment and improving treatment process efficiency.
Central Bayside Improvements	<ul style="list-style-type: none"> Provide system enhancement to the Channel & Islais Creek urban watersheds, infrastructure improvements to sewers/pump stations, and storm water management.
Collection System	<ul style="list-style-type: none"> Improvements/replacements of sewer interceptors and tunnels.
Reliability Program	<ul style="list-style-type: none"> Address structural and corrosion protection improvements to Combined Sewer Discharge and Transport Storage structures.
Pump Station and Force Main	<ul style="list-style-type: none"> Rehabilitation/Replacement of existing pump station and inspection and repair of force mains.
Flood Resilience	<ul style="list-style-type: none"> Address combined sewer flooding caused by heavy rain. Includes construction of green infrastructure to use permeable surfaces and engineered subsurface systems to manage storm water.
Green Infrastructure Projects	<ul style="list-style-type: none"> Construction of green infrastructure to use permeable surfaces and engineered subsurface systems to manage storm water.
Collection System Renewal/ Replacement	<ul style="list-style-type: none"> Address long-term planning and immediate/ongoing needs to support the sewer collection system.
Southeast Outfall	<ul style="list-style-type: none"> Assessment and rehabilitation of pipeline from Southeast Treatment Plant to Bay
Southeast Community Center	<ul style="list-style-type: none"> Improvements to functionality and operational reliability of the facility. Also, infrastructure improvements will be provided.
Ocean Beach Protection	<ul style="list-style-type: none"> Facilitate the development of a comprehensive shoreline management and protection plan.
Islais Creek Outlet	<ul style="list-style-type: none"> Improvements to pipelines and modifications to the Booster Pump Station at Islais Creek.
Treasure Island	<ul style="list-style-type: none"> Replacement of the wastewater treatment facility at Treasure Island/Yerba Buena Island.

PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO.: 18-0023

WHEREAS, The General Manager of the San Francisco Public Utilities Commission (SFPUC) and staff presented the proposed FY 2018-19 and FY 2019-20 Capital Budget for the Water Enterprise, Wastewater Enterprise and Hetch Hetchy Water & Power, including the Power Enterprise (“Capital Budget”) to the Commission at public hearings held on January 18, and 25, and February 1, 2018, and copies of those presentations are on file with the Commission Secretary and incorporated herein by reference; and

WHEREAS, The proposed FY 2018-19 and FY 2019-20 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 for the capital expenditures presented in the proposed FY 2018-19 and FY 2019-20 Capital Budget to timely implement public repairs and improvement projects; and

WHEREAS, 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, This Commission has considered the proposed FY2018-19 and FY2019-20 Capital Improvement Program Budgets for the Water Enterprise, Wastewater Enterprise, and Hetch Hetchy Water and Power, including the Power Enterprise, which total \$1,023,521,934 for FY 2018-19 and \$826,867,897 for FY 2019-20; now, therefore, be it

RESOLVED, That this Commission hereby adopts the proposed FY2018-19 and FY2019-20 SFPUC Capital Improvement Program Budgets for the Water Enterprise, the Wastewater Enterprise, and Hetch Hetchy Water and Power, including the Power Enterprise as presented at the public hearings on January 18, January 25, and February 1, 2018 and in the agenda item for the February 13, 2018 Commission meeting, and authorizes the General Manager to request the Mayor to recommend to the Board of Supervisors a supplemental appropriation, including financing costs, in the amount of \$1,141,450,922 to fund FY 2018-19 and \$917,118,237 to fund FY 2019-20 as follows:

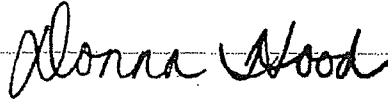
FY 2018-19 Capital Budget	Amount	Financing Costs	Total
Wastewater Enterprise	\$ 632,376,182	\$ 74,087,312	\$ 706,463,494
Water Enterprise	264,349,000	30,111,143	294,460,143
Hetchy Water	65,298,000	4,141,236	69,439,236
Hetchy Power	61,498,752	9,589,297	71,088,049
Total	\$ 1,023,521,934	\$ 117,928,988	\$ 1,141,450,922

FY 2019-20 Capital Budget	Amount	Financing Costs	Total
Wastewater Enterprise	\$ 461,855,500	\$ 48,768,071	\$ 510,623,571
Water Enterprise	187,715,000	19,200,000	206,915,000
Hetchy Water	113,266,000	8,632,357	121,898,357
Hetchy Power	64,031,397	13,649,912	77,681,309
Total	\$ 826,867,897	\$ 90,250,340	\$ 917,118,237

FURTHER RESOLVED, That the General Manager of the SFPUC is authorized to make further technical adjustments to these approved amounts as may be necessary, or upon further direction from the Commission; 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 \$496,677,886 aggregate principal amount of Water Revenue Bonds and other forms of indebtedness, including commercial paper and State Revolving Fund(SRF) loans, and \$986,843,065 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 (2) \$154,928,059 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 security documents prepared in connection with the issuance of such Bonds and other forms of indebtedness to finance these capital improvement program projects.

I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting of February 13, 2018.



Secretary, Public Utilities Commission

OFFICE OF THE MAYOR
SAN FRANCISCO



MARK E. FARRELL
MAYOR

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2018 MAY - 1 PM 12: 05
BY [Signature]

May 1, 2018

Angela Calvillo, Clerk of the Board of Supervisors
City Hall, 1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Dear Ms. Calvillo:

Attached is the Mayor's proposed May 1 Budget comprised of the following 13 departments: Airport Commission, Board of Appeals, Child Support Services, Environment, Law Library, the Public Library, Municipal Transportation Agency, Port, Public Utilities Commission, Rent Board, Retirement System, and Office of County Education. Also attached are an Interim Exception letter, a budget memo for the Municipal Transportation Agency (MTA) from the Controller, and the following ten pieces of legislation:

- Three supplemental appropriation ordinances for the Two-Year Capital Budgets of each of the Public Utilities Commission (PUC) Enterprises – Water, Wastewater, and Hetch Hetchy
- Three resolutions approving the issuance and sale of Power, Water, and Wastewater revenue bonds by the PUC
- One Accept and Expend Grant from the Friends of San Francisco Public Library (LIB)
- One Resolution transferring unclaimed, overpaid parking tickets to the General Fund (MTA)
- One Resolution authorizing the MTA to issue Commercial Paper Notes with the concurrence of the Board of Supervisors (MTA)
- One Proposition J Contract/Certification resolution of Specified Contracted-Out Services Previously Approved for Enterprise Departments (MTA, PUC, Airport, and Port)

If you have any questions please feel free to contact me at 554-6125.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kelly Kirkpatrick".

Kelly Kirkpatrick
Acting Mayor's Budget Director

cc: Members of the Board of Supervisors
Harvey Rose
Controller

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
President, District 5
BOARD OF SUPERVISORS
2018 MAY 17 11 4 58



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-7630
Fax No. 554-7634
TDD/TTY No. 544-5227

London Breed

PRESIDENTIAL ACTION

Date: 5/17/18

To: Angela Calvillo, Clerk of the Board of Supervisors

Madam Clerk,

Pursuant to Board Rules, I am hereby:

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

File No. 180452 Mayor
(Primary Sponsor)

Title. Wastewater Revenue Bond Issuance and Sale - San Francisco Public Utilities Commission - Not to Exceed \$987,414,494

Transferring (Board Rule No 3.3)

File No. _____
(Primary Sponsor)

Title. _____

From: _____ Committee

To: _____ Committee

Assigning Temporary Committee Appointment (Board Rule No. 3.1)

Supervisor _____

Replacing Supervisor _____

For: _____ Meeting
(Date) (Committee)

A handwritten signature in black ink that reads "London Breed".

London Breed, President
Board of Supervisors

OFFICE OF THE MAYOR
SAN FRANCISCO



MARK FARRELL
MAYOR

180452

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *MF* Mayor Farrell
RE: San Francisco Public Utilities Commission Wastewater Revenue Bond
Issuance---Not to Exceed \$987,414,494
DATE: May 1, 2018

Attached for introduction to the Board of Supervisors is an ordinance authorizing the issuance and sale of tax-exempt or taxable Wastewater Revenue Bonds and other forms of indebtedness (as described below) by the San Francisco Public Utilities Commission (Commission) in an aggregate principal amount not to exceed \$987,414,494 to finance the costs of various capital wastewater projects benefitting the Wastewater Enterprise pursuant to amendments to the Charter of the City and County of San Francisco enacted by the voters on November 5, 2002 as Proposition E; authorizing the issuance of Wastewater Revenue Refunding Bonds; declaring the Official Intent of the Commission to reimburse itself with one or more issues of tax-exempt bonds or other forms of indebtedness; and ratifying previous actions taken in connection therewith.

Should you have any questions, please contact Andres Power (415) 554-5168.

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2310 MAY -1 PM 12:07

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200
SAN FRANCISCO, CALIFORNIA 94102-4681
TELEPHONE: (415) 554-6141