

File No. 260477

Committee Item No. 11

Board Item No. 36

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Appropriations Committee Date May 20, 2026

Board of Supervisors Meeting Date June 2, 2026

Cmte Board

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- MYR Submittal Letter with Trailing Legislation
 - MYR 30-Day Waiver Request 5/1/2026
 - MYR Memo 5/1/2026
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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>PUC Resolution No. 26-0021 2/10/2026</u> |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Presidential Action Memo - 30-Day Waiver 5/7/2026</u> |
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Completed by: Brent Jalipa Date May 14, 2026

Completed by: Brent Jalipa Date May 28, 2026

1 [Public Utilities Commission - Issuance of Water Revenue Bond and Other Forms of
2 Indebtedness - Not to Exceed \$570,508,918]

3 **Ordinance authorizing the issuance and sale of tax-exempt or taxable Water Revenue**
4 **Bonds and other forms of indebtedness by the San Francisco Public Utilities**
5 **Commission (“Commission”) in an aggregate principal amount not to exceed**
6 **\$570,508,918 to finance the costs of various capital water and Hetch Hetchy Water**
7 **projects benefitting the Water 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 Water Revenue Refunding Bonds and the**
10 **retirement of outstanding Water Enterprise Commercial Paper; declaring the Official**
11 **Intent of the Commission to reimburse itself with one or more issues of tax-exempt or**
12 **taxable bonds or other forms of indebtedness; and ratifying previous actions taken in**
13 **connection therewith.**

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

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

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

24 a. On November 5, 2002, the voters of the City and County of San Francisco
25 (“City”) approved Proposition E, City Charter Section 8B.121(a) (“Proposition E”), which,
among other things, states that the San Francisco Public Utilities Commission (“Commission”)
shall have exclusive charge of the construction, management, supervision, maintenance,

1 extension, expansion, operation, use and control of all water, clean water (sewer) and energy
2 supplies and utilities of the City as well as the real, personal and financial assets, that are
3 under the Commission's jurisdiction or assigned to the Commission under City Charter
4 Section 4.132.

5 b. Proposition E authorized the Commission to issue revenue bonds, including
6 notes, commercial paper or other forms of indebtedness, when authorized by ordinance
7 approved by a two-thirds vote of the Board of Supervisors, for the purpose of reconstructing,
8 replacing, expanding, repairing or improving water facilities or clean water facilities or
9 combinations of water and clean water (sewer) facilities under the jurisdiction of the
10 Commission or for any other lawful purpose of the water or clean water (sewer) utilities of the
11 City in furtherance of the purposes provided in Proposition E; and

12 c. The Commission adopted the Amended and Restated Water Indenture dated as
13 of January 1, 2002, as further amended and supplemented from time to time ("Indenture"),
14 between the Commission and U.S. Bank National Association and in connection therewith,
15 has from time to time issued revenue bonds to finance projects benefitting the Water
16 Enterprise; and

17 d. Pursuant to Section 43.5 of the San Francisco Administrative Code ("Article V"),
18 enacted by Ordinance No. 203-98 adopted by the Board on June 8, 1998, and signed by the
19 Mayor of the City on June 19, 1998, as amended by Ordinance No. 270-06, adopted on
20 October 24, 2006 by the Board and signed by the Mayor on October 31, 2006, the Board
21 established a procedure pursuant to which the Commission may issue short-term
22 indebtedness, including the issuance of commercial paper in anticipation of the issuance of its
23 revenue bonds; and

24 e. Pursuant to Ordinance No. 269-24, finally passed by the Board of Supervisors
25 on November 19, 2024, and signed by the Mayor on November 25, 2024, and Resolution No.

1 24-0193, adopted by this Commission on September 10, 2024, the Water Enterprise's
2 commercial paper program ("Water CP Program") was increased to an aggregate principal
3 amount of \$750,000,000 outstanding at one time, and the Commission has caused its Water
4 Enterprise commercial paper to be issued from time to time; and

5 f. By Resolution No. 26-0021, adopted by the Commission on February 10, 2026
6 ("Commission Resolution"), the Commission has determined to issue or incur, as applicable,
7 Water Revenue Bonds ("Water Revenue Bonds") and other forms of indebtedness (including
8 without limitation State Revolving Fund Loans borrowed from the State Water Resources
9 Control Board and other loans by the State of California or any department or agency thereof
10 ("State Loans"), grants from the State Water Resources Control Board, loans from the Water
11 Infrastructure Finance and Innovation Act ("WIFIA") program, loans from the Corps Water
12 Infrastructure Financing Program ("CWIFP") and/or other federal loans (WIFIA and CWIFP
13 and other federal loans being, "Federal Loans")), as well as interim funding vehicles such as
14 commercial paper, bank liquidity or credit agreements, revolving credit agreements, bond
15 anticipation notes or other forms of notes, which interim funding vehicles will be issued in
16 advance of being paid off by either Water Revenue Bonds and other forms of indebtedness
17 (Water Revenue Bonds and other forms of indebtedness, as well as interim funding vehicles,
18 are collectively referred to as "Commission Indebtedness") to finance the costs of various
19 capital projects benefitting the Water Enterprise and Hetch Hetchy Water (the "Capital
20 Improvement Projects" such projects being more fully described in the Commission
21 Resolution), pursuant to Proposition E, and the Commission has formally requested this
22 Board to authorize the issuance and sale or incurrence of Commission Indebtedness for such
23 purposes, such Commission Resolution being on file with the Clerk of the Board in File
24 No. 260477; and
25

1 g. In order to finance the costs of the Capital Improvement Projects, the Board now
2 desires to authorize the issuance and sale or incurrence, as applicable, of Commission
3 Indebtedness, as described above, for such purposes; and

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

8 i. This Board is concurrently considering with this Ordinance, related supplemental
9 appropriation ordinances for Fiscal Years (“FY”) 2026-27 and 2027-28, including expenditures
10 of the proceeds of Commission Indebtedness; and

11 j. This Board, on behalf of the Commission, adopts this Ordinance as official
12 action of the Commission in order to comply with Treasury Regulation §1.150-2 and any other
13 regulations of the Internal Revenue Service relating to the qualification for reimbursement of
14 Commission expenditures incurred prior to the date of issue or incurrence of Commission
15 Indebtedness.

16 Section 2. Authorization to Issue or Incur Commission Indebtedness. The Board
17 hereby authorizes the issuance and sale or incurrence, as applicable, of taxable or tax-
18 exempt Commission Indebtedness from time to time by the Commission pursuant to
19 Proposition E and in accordance with the Commission Resolution, in an aggregate principal
20 amount not to exceed \$570,508,918 (inclusive of financing costs), bearing a maximum rate or
21 rates of interest of not to exceed twelve percent (12%) per annum, to finance a portion of the
22 costs of the design, acquisition and construction of the Capital Improvement Projects. The
23 Commission is hereby further authorized to determine the timing, amount, series or subseries,
24 other terms and conditions and manner of sale (i.e., competitive or negotiated) of, or
25 borrowing under, the Commission Indebtedness pursuant to this authorization; provided

1 however, the Commission's authorization to issue or incur Commission Indebtedness is
2 subject to approval by the Commission of the form of substantially final offering document
3 related to such obligations (if any) and the approval of any related agreements, financing
4 documents and the filing with its Board and the Clerk of the Board any certifications required
5 by Proposition E prior to the issuance or incurrence of any Commission Indebtedness herein
6 authorized. The Commission shall also file, within 30 days of closing any Commission
7 Indebtedness transactions authorized hereby, with the Clerk of the Board of Supervisors, a
8 report showing the results of the transaction, including (i) principal amount sold and method of
9 sale, (ii) true interest cost, (iii) final maturity, (iv) the facilities constructed and/or improved, and
10 (v) a statement about the remaining bonding authorization under this Ordinance ("Bond
11 Report"), provided that the failure to file such Bond Report shall not affect the validity of any
12 debt authorized hereunder.

13 Section 3. Authorization to Issue Water Revenue Refunding Bonds; Commercial
14 Paper Retirement. Notwithstanding Section 2 immediately above, the Board further
15 authorizes and approves the issuance by the Commission of Water Revenue Refunding
16 Bonds ("Refunding Bonds") without limitation as to principal amount, in one or more series on
17 one or more dates, at a maximum interest rate or rates of interest not to exceed twelve
18 percent (12%) per annum, provided that each such Refunding Bond issue is permitted under
19 the applicable policies and procedures of the City and authorized by either Section 9.109 of
20 the Charter (including related ordinances and resolutions of the Board) or Proposition E. The
21 Refunding Bonds may be issued as taxable or tax-exempt obligations, or any combination
22 thereof. Refunding Bonds authorized hereunder shall be subject to the further following
23 conditions, that: (i) three percent (3%) net present value debt service savings or greater is
24 achieved to ensure ratepayer savings (exclusive of any issuance to refund commercial paper,
25 revolving credit notes, or bond anticipation notes); (ii) that the maturity of the refunded bonds

1 is not extended (exclusive of any issuance to refund commercial paper, revolving credit notes,
2 or bond anticipation notes); (iii) this authorization is subject to a 5-year term through June 30,
3 2031, at which time this Board may consider an extension; (iv) principal payments and term
4 may be adjusted, where permitted under federal and state tax law, only if and when the
5 underlying capital asset funded through said refunded bonds has a useful life not in excess of
6 any limit permitted under federal and state tax law than the refunded term; and (v) the
7 Commission shall within 30 days of any executed refunding transaction provide a refunding
8 savings report ("Bond Refunding Savings Report") prepared by its municipal advisors (that
9 reflects at least a three percent (3%) net present value debt service savings) to the Board,
10 together with a copy of the final Official Statement (if any) with respect to such series of
11 Refunding Bonds, provided that the failure to deliver such Bond Refunding Savings Report
12 shall in no way affect the validity of any Refunding Bonds. Notwithstanding the foregoing, the
13 Commission is authorized to issue Refunding Bonds that do not meet all of the foregoing
14 conditions provided that the Commission makes a finding, by resolution, that significant non-
15 economic factors exist that justify the waiver of the three percent (3%) net present value debt
16 service savings test and other conditions set forth above. Such non-economic factors may
17 include, by way of illustration and not limitation, eliminating onerous covenants and obsolete
18 provisions contained in the Commission's indenture or other security documents, or
19 restructuring a series of bonds in response to then-current market conditions. On May 27,
20 2025, the Commission adopted Resolution No. 25-0086 approving the issuance of its 2025
21 Series F Water Revenue Refunding Bonds to refund certain outstanding Build America Bonds
22 originally issued pursuant to Proposition E. The 2025 Series F bonds were issued in the
23 aggregate principal amount of \$550,275,000. In connection therewith, the Commission made
24 a finding that significant non-economic factors justified such refunding, including the
25 avoidance of the risk that the Federal government may further reduce subsidy payments

1 payable with respect to Build America Bonds. The principal amount of the 2025 Series F
2 bonds shall not reduce or count against the principal amount of indebtedness of the
3 Commission previously authorized by the Board pursuant to Proposition E. In furtherance of
4 the purpose of managing the Commission's outstanding indebtedness, the General Manager
5 is hereby authorized to use Available Water Enterprise Revenues and other funds as
6 appropriate to retire outstanding Water Enterprise commercial paper and other forms of
7 indebtedness at such times and in such amounts advantageous to the Commission.

8 Section 4. Declaration of Official Intent. The Board, on behalf of the Commission,
9 hereby declares the official intent of the Commission to reimburse the Commission with
10 proceeds of Commission Indebtedness for the Expenditures with respect to the Capital
11 Improvement Projects made on and after a date that is no more than 60 days prior to the
12 adoption of this Ordinance. The Commission reasonably expects on the date hereof that it
13 will reimburse the Expenditures with proceeds of Commission Indebtedness. Each said
14 Expenditure was and will be either (A) of a type properly chargeable to a capital account
15 under general federal income tax principles (determined in each case as of the date of the
16 Expenditure), (B) a cost of issuance with respect to such obligations, (C) a nonrecurring item
17 that is not customarily payable from current revenues, or (D) a grant to pay a party that is not
18 related to or an agent of the issuer so long as such grant does not impose any obligation or
19 condition (directly or indirectly) to repay any amount to or for the benefit of the Commission.
20 The Commission will make a reimbursement allocation, which is a written allocation by the
21 Issuer that evidences the Commission's use of proceeds of Commission Indebtedness to
22 reimburse an Expenditure, no later than 18 months after the later of the date on which the
23 Expenditure is paid or the component of the Capital Improvement Projects is placed in service
24 or abandoned, but in no event more than three years after the date on which the Expenditure
25 is paid. The Commission recognizes that exceptions are available for certain "preliminary

1 expenditures,” costs of issuance, certain de minimis amounts, expenditures by “small issuers”
2 (based on the year of issuance and not the year of expenditure) and expenditures for
3 construction projects of at least 5 years.

4 Section 5. General Authority. The Controller of the City (“Controller”), Treasurer of
5 the City (“Treasurer”), the City Attorney and other officers of the City, including the Director of
6 the Office of Public Finance, and their duly authorized deputies and agents are hereby
7 authorized and directed, jointly and severally, to take such actions and to execute and deliver
8 such certificates, agreements, requests or other documents, as they may deem necessary or
9 desirable to facilitate the issuance, sale and delivery or incurrence of Commission
10 Indebtedness or Refunding Bonds, and to obtain bond insurance or other credit or liquidity
11 enhancements with respect to any such obligations, and otherwise to carry out the provisions
12 of this Ordinance. The Commission is hereby directed to provide the final form to the Clerk
13 of the Board of any disclosure document prepared in connection with the execution of any
14 Commission Indebtedness or Refunding Bonds, and the final executed Installment Sale
15 Agreement, loan agreement or other document reflecting the incurrence of a State Loan or
16 Federal Loan, within 30 days of the closing of such transactions provided that the failure to
17 deliver such document shall not affect the validity of the obligations authorized hereunder.
18 The Commission is further directed as a part of the two-year budget review to provide to this
19 Board of Supervisors a written report about Water Revenue Bonds authorized hereunder,
20 detailing the total amount authorized, the total amount sold, the remaining authorized but
21 unissued amount, and the bond authorization no longer necessary due to changes in projects
22 and project financing.

23 Section 6. Ratification of Prior Actions. All actions authorized and directed by this
24 Ordinance in connection with the issuance or incurrence of Commission Indebtedness or
25

1 Refunding Bonds and heretofore taken are hereby ratified, approved and confirmed by this
2 Board.

3 Section 7. Additional Definitions and Terms Pertaining to Proceeds. The following
4 additional definitions and declarations of the Board shall be as follows:

5 a. Financings. For all purposes of this Ordinance and any related Commission
6 Resolution, a Financing (“Financing”) is: (i) any issuance of tax-exempt or taxable revenue
7 bonds, notes, bond anticipation notes, commercial paper, bank liquidity or credit agreements,
8 certificates of participation or other obligations for borrowed money, including, without limitation,
9 any financing lease, installment purchase or sale agreement, or other similar financing
10 agreements or arrangement; and (ii) any indebtedness to a State or Federal lender, program, or
11 funding source, including, without limitation, any State Loan or Federal Loan, and any borrowing
12 from a similar programs or replacement programs that may come into existence after the
13 adoption date hereof; and (iii) any funding to the Commission arising from a joint powers
14 agreement between the Commission and one or more other public agencies for the joint
15 acquisition, construction, operation and/or management of infrastructure or facilities; and (iv)
16 any financial award from a Federal, State, or local government authority or a private grant-
17 making foundation or a private nonoperating foundation or a Section 501(c)3 charitable
18 organization; and (v) any funding from a securitization that involves the issuance of debt
19 instruments.

20 b. For all purposes of this Ordinance and any related Commission Resolution, a
21 Financing Agreement (“Financing Agreement”) is: any contract, agreement, financing lease,
22 installment purchase or sale agreement, application, draw notice, joint powers agreement,
23 securitization agreement, or other similar financing agreements or arrangement, or
24 amendment to any of these, entered into by the Commission in connection with any
25 Financing.

1 c. Upon request or with the consent of the Chief Financial Officer or the Deputy
2 Chief Financial Officer of the Commission, or their designee(s), the Controller shall record the
3 substitution of funds arising from any Financing Agreement (whether already in existence as
4 of the date of this Ordinance or entered into in connection with a Financing that is approved
5 hereunder) with separate and other Financing Agreement transactional funds, all as
6 necessary to conform to (i) Generally Accepted Accounting Principles and other laws and (ii)
7 the terms of any Financing Agreement. Commission funds held by the Controller generally
8 remain subject to Article VIII B of the Charter and Article XIII C and Article XIII D of the
9 California Constitution.

10 d. In accordance with Section 3.105 and Section 9.113 of the Charter, at the
11 closing of each Commission transaction involving a Financing Agreement, the Chief Financial
12 Officer or the Deputy Chief Financial Officer of the Commission, or their designee(s), shall ask
13 the Controller to independently confirm whether sufficient unencumbered balances are
14 expected to be available in the proper fund(s) to meet all payments under such obligations as
15 they become due, if any, and the Controller shall issue related certifications.

16 Section 8. File Documents. All documents referred to as on file with the Clerk of the
17 Board are in File No. 260477.

18 Section 9. Effective Date. Pursuant to Charter Section 8B.124, this Ordinance shall
19 take effect thirty (30) days after its adoption.

20 APPROVED AS TO FORM:
21 DAVID CHIU, City Attorney

22
23 By: /s/ _____
24 Sheryl L. Bregman
25 Deputy City Attorney

LEGISLATIVE DIGEST

[Public Utilities Commission - Issuance of Water Revenue Bonds and Other Forms of Indebtedness - Not to Exceed \$570,508,918]

Ordinance authorizing the issuance and sale of tax-exempt or taxable Water Revenue Bonds and other forms of indebtedness by the San Francisco Public Utilities Commission (“Commission”) in an aggregate principal amount not to exceed \$570,508,918 to finance the costs of various capital water and Hetch Hetchy Water projects benefitting the Water 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 Water Revenue Refunding Bonds and the retirement of outstanding Water Enterprise Commercial Paper; declaring the Official Intent of the Commission to reimburse itself with one or more issues of tax-exempt or taxable bonds or other forms of indebtedness; and ratifying previous actions taken in connection therewith.

Existing Law

This is new (uncodified) law.

Background Information

On November 5, 2002, the voters of the City and County of San Francisco approved Proposition E (“Proposition E”) which authorized the San Francisco Public Utilities Commission (“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 (sewer) facilities under the jurisdiction of the Commission or for any other lawful purpose of the water or clean water (sewer) utilities of the City in furtherance of the purposes provided in Proposition E.

The proposed Ordinance authorizes the issuance of tax-exempt or taxable Water Revenue Bonds and other forms of indebtedness, including State and Federal Loans, in an amount not to exceed \$570,508,918. Proceeds of the Water Revenue Bonds and other forms of indebtedness, including State and Federal Loans (such as WIFIA Loans and CWIFP Loans), will be used to finance the costs of various capital projects benefitting the Water Enterprise (“Capital Improvement Projects”). The Ordinance also reflects the Water commercial paper program, available in an aggregate principal amount not to exceed \$750 million of commercial paper notes outstanding at any one time.

The Water Revenue Bonds will be issued under an Amended and Restated Water Indenture dated as of January 1, 2002, as further amended and supplemented from time to time (“Indenture”), between the Commission and U.S. Bank National Association, as the trustee.

The proposed Ordinance also authorizes the issuance of Refunding Water Revenue Bonds to refund outstanding indebtedness of the Water Enterprise subject to the following conditions, among others (i) three percent (3%) net present value debt service savings or greater is achieved; (ii) the maturity of the refunded bonds is not extended; and (iii) the refunding authorization sunsets on June 30, 2031, unless extended by the Commission. Staff is required to provide a savings report within 30 days following the bond sale.

The Ordinance also authorizes the Commission to issue Refunding Bonds for non-economic factors which may include, by way of illustration, eliminating onerous covenants and obsolete provisions contained in the Commission’s Indenture or other security documents, or restructuring a series of bonds in response to then-current market conditions.

Additionally, the Ordinance includes provisions (i) for conformity among the Commission’s three distinct borrowing ordinances, one for each Commission Enterprise, (ii) to align with terms and practices used in Commission budgeting ordinances, and (iii) to develop concepts required for the needed substitution of Commission capital project funding sources (including the transfers between funds and adjustments of the accounting treatment of sources and uses for the proposed and prior capital project appropriations).

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| Items 8 - 11 Files 26-0474, 26-0475, 26-0476, 26-0477 | Department: Public Utilities Commission |
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EXECUTIVE SUMMARY

Legislative Objectives

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

Key Points

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

Fiscal Impact

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

Policy Consideration

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

Recommendations

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

MANDATE STATEMENT

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

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

BACKGROUND

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

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

Wastewater Enterprise Capital Improvement Plan

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

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

Water Enterprise Capital Improvement Program

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

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

Hetch Hetchy Water and Power Capital Improvement Program

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

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

CleanPowerSF Capital Improvement Program

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

DETAILS OF PROPOSED LEGISLATION

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

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

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

File 26-0474 is an ordinance that:

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

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

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

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

Revenue Bond Issuance

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

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

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

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

Wastewater Capital Budget

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

Exhibit 1: Wastewater Appropriation

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

Source: SFPUC.

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

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

Water Capital Budget

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

Exhibit 2: Water Appropriation

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

Source: SFPUC.

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

Hetch Hetchy Water & Power Capital Budget

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

Exhibit 3: Hetch Hetchy Water & Power Appropriation

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

Source: SFPUC.

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

CleanPowerSF Capital Budget

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

Proposition E Bond Funds

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

Exhibit 4: Proposition E Bond Authorizations

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

Source: SFPUC

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

FISCAL IMPACT

Debt Service

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

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

Financial Policies: Revenues

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

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

Financial Policies: Affordability

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

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

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

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

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

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

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

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

Customer Rates

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

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

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

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

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

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

Wholesale Water rates are based on contracts with wholesale customers.

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

POLICY CONSIDERATION

Debt Service Coverage Policy

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

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

Affordability Policy

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

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

RECOMMENDATIONS

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

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

PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO. 26-0021

WHEREAS, On September 9, 2025 and January 12, 23, 29 and February 5, 2026, this Commission heard and considered budget priorities for the department and the San Francisco Public Utilities Commission (SFPUC). The General Manager and staff presented the preliminary proposed FY 2024-25 and FY 2025-26 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; and

WHEREAS, An overview of the proposed FY 2026-27 and FY 2027-28 Capital Budget for each SFPUC Enterprise is set forth as Attachment A and is on file with the Director of Commission Affairs; and

WHEREAS, As a preliminary step to development of the FY 2026-27 and FY 2027-28 Capital Budget, a baseline review of all existing project appropriations was completed for potential closeout or repurposing to new capital budget needs; and

WHEREAS, The FY 2026-27 and FY 2027-28 Capital Budget submittals went through a quality review to assure the budget addresses the immediate capital improvement needs of each Enterprise and reflects a sound project prioritization process which included a validation of costs and schedule of all proposed projects and an assessment of the ability to deliver the projects within the two-year time frame; and

WHEREAS, The proposed FY 2026-27 and FY 2027-28 Capital Budget must be submitted to, and approved by the Mayor and the Board of Supervisors; and

WHEREAS, This action does not constitute a project under the California Environmental Quality Act (CEQA) Guidelines section 15378(b)(4) because it involves the creation of government funding mechanisms or other government fiscal activities, which do not involve any commitment to any specific project that may result in a potentially significant impact on the environment; and

WHEREAS, Approval of projects to be funded through this action would only occur after the necessary environmental review process is completed in conformance with the CEQA and any certification required by Proposition E (approved by the voters in 2002 for water and wastewater projects) and Proposition A (approved by the voters in 2018 for power projects); and

WHEREAS, On August 1, 2024, and June 25, 2025, the Environmental Review Officer issued Certificates of the City and County of San Francisco Planning Department, pursuant to Section 8B.124(b) of the City Charter under Proposition E (November 2002) and Proposition A (June 2018), certifying that the projects to be funded through the sale of Water, Wastewater, and Power Revenue Bonds and/or Other Forms of Indebtedness, including Commercial Paper, either

already comply with the requirements of the CEQA or will undergo CEQA review when they are defined; and

WHEREAS, This Commission has considered the proposed FY 2026-27 and FY 2027-28 Capital Budget for the Water Enterprise, Wastewater Enterprise, and Hetch Hetchy Water and Power, including the Power Enterprise and CleanPowerSF, which totals \$1,163,787,041 for FY 2026-27 and \$1,316,552,550 for FY 2027-28, as set forth in Attachment A to the February 10, 2026, staff report; now, therefore, be it,

RESOLVED, That this Commission hereby adopts the FY 2026-27 and FY 2027-28 SFPUC Capital Budget in the amount of \$1,163,787,041 for FY 2026-27 and \$1,316,552,550 for FY 2027-28 and 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 12, 23, 29 and February 5, 2026 and as set forth in the attached Attachment A, as follows:

| FY 2026-27 Capital Budget | Amount | Financing Costs | Total |
|--------------------------------------|------------------------|----------------------------|------------------------|
| Wastewater | 527,567,324 | 65,731,701 | 593,299,025 |
| Water | 311,187,010 | 35,723,054 | 346,910,064 |
| Hetchy Water | 160,684,133 | 10,024,599 | 170,708,732 |
| Hetchy Power | 51,426,203 | 1,370,089 | 52,796,292 |
| CleanPowerSF | 72,928 | 0 | 72,928 |
| Total | \$1,050,937,598 | \$112,849,443 | \$1,163,787,041 |

| FY 2027-28 Capital Budget | Amount | Financing Costs | Total |
|--------------------------------------|------------------------|----------------------------|------------------------|
| Wastewater | 670,517,999 | 86,320,856 | 756,838,855 |
| Water | 266,102,460 | 29,214,911 | 295,317,371 |
| Hetchy Water | 207,717,517 | 9,302,064 | 217,019,581 |
| Hetchy Power | 42,865,942 | 4,370,089 | 47,236,031 |
| CleanPowerSF | 140,712 | 0 | 140,712 |
| Total | \$1,187,344,630 | \$129,207,920 | \$1,316,552,550 |

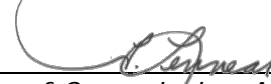
And, be it;

FURTHER RESOLVED, That the General Manager is authorized to reallocate funds within an Authority Code as provided in the staff report and Attachment A appended to this Resolution and to make further technical adjustments to these approved amounts as may be necessary or appropriate, or upon further direction from the Commission, the Mayor, or 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) \$551,871,916 aggregate principal amount of Water Revenue Bonds and other forms of indebtedness, including commercial paper and State Revolving Fund (SRF) loans,

(2) \$1,165,736,266 aggregate principal amount of Wastewater Revenue Bonds and other forms of indebtedness, including commercial paper and SRF loans, and (3) \$138,164,938 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 San Francisco Public Utilities Commission at its meeting of February 10, 2026.



*Director of Commission Affairs
San Francisco Public Utilities Commission*

OFFICE OF THE MAYOR
SAN FRANCISCO



DANIEL LURIE
MAYOR

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

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2026 MAY 01 PM02:06
[Handwritten signature]

President Mandelman,

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

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

Should you have any questions, please email Adam Thongsavat at adam.thongsavat@sfgov.org.

Sincerely,

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

Sophia Kittler
Mayor's Budget Director

President, District 8
BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689
Tel. No. 554-6968
Fax No. 554-5163
TDD/TTY No. 544-5227

RAFAEL MANDELMAN

PRESIDENTIAL ACTION

Date:

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.

(Primary Sponsor)

Title.

Transferring (Board Rule No 3.3)

File No.

(Primary Sponsor)

Title.

From:

Committee

To:

Committee

Assigning Temporary Committee Appointment (Board Rule No. 3.1)

Supervisor:

Replacing Supervisor:

For:

Meeting

(Date)

(Committee)

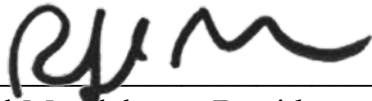
Start Time:

End Time:

Temporary Assignment:

Partial

Full Meeting



Rafael Mandelman, President
Board of Supervisors

OFFICE OF THE MAYOR
SAN FRANCISCO



DANIEL LURIE
MAYOR

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

A handwritten signature in blue ink, appearing to be "D.L.", located below the received stamp.

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

Madam Clerk,

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

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

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

Please note the following:

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

Should you have any questions, please email Adam Thongsavat at adam.thongsavat@sfgov.org.

Sincerely,

A handwritten signature in black ink, appearing to be "SK", located below the word "Sincerely".

Sophia Kittler
Mayor's Budget Director

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

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

OFFICE OF THE MAYOR
SAN FRANCISCO



DANIEL LURIE
MAYOR

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2026 MAY 01 PM02:23
FLY

To: Angela Calvillo, Clerk of the Board of Supervisors
From: Sophia Kittler, Mayor's Budget Director
Date: May 1, 2026
Re: Public Utilities Commission - Issuance of Water Revenue Bond and Other Forms of Indebtedness - Not to Exceed \$570,508,918

Ordinance authorizing the issuance and sale of tax-exempt or taxable Water Revenue Bonds and other forms of indebtedness by the San Francisco Public Utilities Commission ("Commission") in an aggregate principal amount not to exceed \$570,508,918 to finance the costs of various capital water and Hetch Hetchy Water projects benefitting the Water 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 Water Revenue Refunding Bonds and the retirement of outstanding Water Enterprise Commercial Paper; declaring the Official Intent of the Commission to reimburse itself with one or more issues of tax-exempt or taxable bonds or other forms of indebtedness; and ratifying previous actions taken in connection therewith.

Should you have any questions, please contact Adam Thongsavat at adam.thongsavat@sfgov.org