



San Francisco
Water Power Sewer

Services of the San Francisco Public Utilities Commission

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February 6, 2020

Angela Calvillo
Clerk of the Board of Supervisors
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

**RE: Savings Report for San Francisco Public Utilities Commission
\$656,955,000 Water Revenue (Refunding) Bonds, 2019 Series A (Green), B and C**

Dear Ms. Calvillo:

Pursuant to Board Ordinance No. 143-18, adopted on June 22, 2018, I am submitting the enclosed Savings Report, as prepared by the SFPUC's financial advisor, Montague DeRose & Associates, and the final Official Statement for the above-referenced refunding bond issue (the Series 2019 ABC Bonds") that closed on January 9, 2020. The following is excerpted from Board Ordinance No. 143-18 setting forth the requirements of this submittal:

Section 3 (iii) the Commission shall within 30 days of any executed refunding transaction provide a savings report prepared by its financial advisors (that reflects at least a three percent (3%) net present value debt service savings) to the Board, together with a copy of the final Official Statement (if any) with respect to such series of Refunding Bonds, provided that the failure to deliver such report shall in no way affect the validity of any Refunding Bonds.

The Series 2019 ABC Bonds are refunding bonds issued by the San Francisco Public Utilities Commission ("Commission") under the authority granted under Section 9.109 of the Charter of the City and Board Ordinance No. 143-18, and as subsequently approved by the Commission on November 26, 2019 pursuant to Resolution No. 19-0225.

The Series 2019 ABC Water Bonds were issued as taxable bonds on January 9, 2020 to refund all or a portion of the Series 2010F Bonds, Series 2011A Bonds, Series 2011B Bonds, Series 2011C Bonds, and Series 2012A Bonds, totaling \$616,975,000 in refunded principal amount. The par amount of the Series 2019 ABC Bonds is \$656,955,000. The Series 2019 ABC Bonds resulted in net present value debt service savings to ratepayers of approximately \$87 million, or 14% of refunded principal, exceeding the minimum 3.0% threshold required under Board Ordinance No. 143-18 and the Commission's "Debt Management Policies & Procedures".

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OUR MISSION: To provide our customers with high-quality, efficient and reliable water, power and sewer services in a manner that values environmental and community interests and sustains the resources entrusted to our care.



Highlights of the Series 2019 ABC Bonds refunding transaction are set forth below:

- **\$87 Million Ratepayer Debt Service Savings (in today's dollars)**
- **14% NPV Savings... Far Exceeded 3 % Hurdle**
- **3.33% True Interest Cost**
- **17.3 year Average Borrowing Term**
- **Negotiated Sale with Morgan Stanley plus Syndicate of 3 Underwriters**

Please do not hesitate to contact me with any questions on this refunding bond issue.

Very truly yours,



Eric L. Sandler
CFO/AGM Business Services

Enclosures: 1. Savings Report
 2. Final Official Statement

cc: Juliet Ellis, Assistant General Manager, External Affairs
 Charles Perl, Deputy CFO
 Richard Morales, Debt Manager
 Mark Blake, Deputy City Attorney



Memorandum

To: Board of Supervisors of the City and County of San Francisco

From: Public Utilities Commission of the City and County of San Francisco
Montague DeRose and Associates, LLC

Date: February 4, 2020

Subject: Board of Supervisors Bond Sale Savings Report
\$656,955,000 Water Revenue Bonds, 2019 Series ABC

- \$622,580,000 Sub-Series A Bonds (Refunding-Federally Taxable) (Green Bonds)
- \$16,450,000 Sub-Series B Bonds (Refunding-Federally Taxable)
- \$17,925,000 Sub-Series C Bonds (Refunding-Federally Taxable)

Background:

In May 2018, the Board of Supervisors of the City and County of San Francisco (the "Board of Supervisors") adopted Ordinance No. 143-18 which authorized the issuance of revenue bonds to finance capital projects benefiting the Water Enterprise pursuant to Proposition E (which was approved by voters in 2002). As authorized by Ordinance No. 143-18, the San Francisco Public Utilities Commission (the "SFPUC") issued the Water Revenue 2019 Series ABC Bonds (the "2019 Series ABC Bonds") on January 9, 2020 for the purposes of refunding \$616.975 million of outstanding SFPUC water revenue bonds for debt service savings.

Per Ordinance No. 143-18, within 30 days of the issuance of refunding bonds, the SFPUC must file with the Clerk of the Board of Supervisors a savings report (the "Report") that reflects at least a three percent net present value debt service savings ("NPV Savings"), together with a copy of the final Official Statement for the refunding bonds.

The SFPUC has requested that Montague DeRose and Associates, LLC, who served as co-financial advisor to the 2019 Series ABC Bonds, prepare this Report for purposes of complying with the requirements set forth in Ordinance No. 143-18.

Bond Sale Savings Report:

As noted, the SFPUC issued \$656.955 million of the 2019 Series ABC Bonds on January 9, 2020, which were made up of the Sub-Series A (Refunding-Federally Taxable-Green Bonds), Sub-Series B (Refunding-Federally Taxable), and Sub-Series C (Refunding-Federally Taxable) Bonds. The SFPUC sold the 2019 Series ABC Bonds via negotiated sale on December 12, 2019. Details

of the combined 2019 Series ABC Bonds and each of the Sub-Series Bonds, including debt service savings, are noted in Table 1 below:

Table 1 Summary Statistics: Combined 2019 Series ABC Bonds and Sub-Series Bonds				
	2019 Series ABC Bonds (combined)	2019 Sub-Series A Bonds (Refunding-Federally Taxable-Green Bonds)	2019 Sub-Series B Bonds (Refunding-Federally Taxable)	2019 Sub-Series C Bonds (Refunding-Federally Taxable)
Pricing Date	December 12, 2019			
Closing Date	January 9, 2020			
Method of Sale	Negotiated			
Par Amount	\$656.955 million	\$622.580 million	\$16.450 million	\$17.925 million
Par Amount of Refunded Bonds	\$616.975 million	\$584.195 million	\$15.685 million	\$17.095 million
NPV Savings (%)	14.04%	14.07%	13.58%	13.58%
NPV Savings (\$)	\$86.634 million	\$82.183 million	\$2.129 million	\$2.321 million

A copy of the final Official Statement for the 2019 Series ABC Bonds is included with this bond sale savings report.