

File No. 170678

Committee Item No. 4  
Board Item No. 15

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date June 15, 2017

Board of Supervisors Meeting

Date June 27, 2017

#### Cmte Board

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| <input type="checkbox"/>            | <input type="checkbox"/>            | Motion                                       |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Resolution                                   |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Ordinance                                    |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Legislative Digest                           |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report        |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Youth Commission Report                      |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Introduction Form                            |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/>            | <input type="checkbox"/>            | MOU  |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Grant Information Form                       |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Grant Budget                                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Subcontract Budget                           |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Contract/Agreement                           |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Form 126 – Ethics Commission                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Award Letter                                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Application                                  |
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#### OTHER

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Completed by: Linda Wong Date: June 8, 2017

Completed by: Linda Wong Date: June 21, 2017

1 [Ordinance Amendment - Public Utilities Commission - Water Revenue Bond Issuance - Not  
2 to Exceed \$274,130,430]

3 **Ordinance amending Ordinance No. 112-16 to authorize an increase of the issuance**  
4 **and sale of tax-exempt or taxable Water Revenue Bonds and other forms of**  
5 **indebtedness (as described below) by the San Francisco Public Utilities Commission**  
6 **(Commission) to an aggregate principal amount not to exceed \$274,130,430 to finance**  
7 **the costs of various capital water projects benefitting the Water Enterprise, including**  
8 **new funding to finance the cost of the acquisition of the Rollins Road Property (as**  
9 **described below) pursuant to amendments to the Charter of the City and County of San**  
10 **Francisco enacted by the voters on November 5, 2002, as Proposition E; authorizing**  
11 **the issuance of Water Revenue Refunding Bonds; declaring the Official Intent of the**  
12 **Commission to reimburse itself with one or more issues of tax-exempt or taxable**  
13 **bonds or other forms of indebtedness; and ratifying previous actions taken in**  
14 **connection therewith.**

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

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

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

25 A. On November 5, 2002, the voters of the City and County of San Francisco (the  
"City") approved Proposition E ("Proposition E"), which among other things, authorized the

1 San Francisco Public Utilities Commission (the "Commission") to issue revenue bonds,  
2 including notes, commercial paper or other forms of indebtedness, when authorized by  
3 ordinance approved by a two-thirds vote of the Board of Supervisors, for the purpose of  
4 reconstructing, replacing, expanding, repairing or improving water facilities or clean water  
5 facilities or combinations of water and clean water facilities under the jurisdiction of the  
6 Commission; and

7 B. The Commission adopted the Amended and Restated Indenture dated as of  
8 January 1, 2002, as further amended and supplemented from time to time (the "Indenture"),  
9 between the Commission and U. S. Bank National Association and in connection therewith,  
10 has from time to time issued revenue bonds to finance projects benefitting the Water  
11 Enterprise; and

12 C. This Board adopted Ordinance No. 112-16 to authorize the issuance of not to  
13 exceed \$264,997,468 of the Commission's Water Revenue Bonds and other forms of  
14 indebtedness (including SRF Loans, as defined therein) (the "Prior Ordinance") to finance the  
15 costs of various capital projects benefitting the Water Enterprise (the "Capital Improvement  
16 Projects" such projects being more fully described in the Commission Resolution 16-0035,  
17 adopted by the Commission on February 9, 2016); and

18 D. On September 16, 2016, the Commission adopted Resolution No. 16-0197 to  
19 authorize the purchase of a one story building and related parking and storage space located  
20 at 1657-1663 Rollins Road, Burlingame, California (the "Rollins Road Property") that has been  
21 served as the primary work location for staff from Water Quality Division, the Natural  
22 Resources & Land Management Division, and the Water Supply & Treatment Division; and

23 D. To finance the costs of the purchase of the Rollins Road Property the Board now  
24 desires to amend the Prior Ordinance to increase the bonding authorization by \$9,132,962 for  
25 such purposes; and

1 E. The Commission has paid, beginning no earlier than 60 days prior to the  
2 adoption of this Ordinance and will pay, on and after the date hereof, certain expenditures (the  
3 "Expenditures") in connection with the acquisition, construction and/or equipping of the Capital  
4 Improvement Projects (including the Rollins Road Property), and

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

10 Section 2. Authorization to Issue Water Revenue Bonds and other forms of  
11 indebtedness. The Board hereby amends Ordinance No. 112-16 to increase the authorization  
12 of the issuance and sale of Water Revenue Bonds in one or more series from time to time by  
13 the Commission pursuant to Proposition E and in accordance with the Commission  
14 Resolution, and the execution and delivery of SRF Loan agreements, in an aggregate  
15 principal amount not to exceed \$274,130,430 (inclusive of financing costs), at a maximum rate  
16 or rates of interest of not to exceed twelve percent (12%) per annum to finance a portion of  
17 the costs of the design, acquisition and construction of the Capital Improvement Projects,  
18 including but not limited to the Rollins Road Property. All other terms and conditions of the  
19 Prior Ordinance are hereby incorporated by reference as if set forth in full herein.

20 Section 3. Declaration of Official Intent. The Board, on behalf of the Commission,  
21 hereby declares the official intent of the Commission to reimburse the Commission with  
22 proceeds of the Water Revenue Bonds or other forms of indebtedness (including SRF Loans)  
23 for the Expenditures with respect to the Capital Improvement Projects made on and after a  
24 date that is no more than 60 days prior to the adoption of this Ordinance. The Commission  
25 reasonably expects on the date hereof that it will reimburse the Expenditures with proceeds of

1 the Water Revenue Bonds or other forms of indebtedness (including SRF Loans). Each said  
2 Expenditure was and will be either (A) of a type properly chargeable to a capital account  
3 under general federal income tax principles (determined in each case as of the date of the  
4 Expenditure), (B) a cost of issuance with respect to the Water Revenue Bonds or other forms  
5 of indebtedness (including SRF Loans), (C) a nonrecurring item that is not customarily  
6 payable from current revenues, or (D) a grant to pay a party that is not related to or an agent  
7 of the issuer so long as such grant does not impose any obligation or condition (directly or  
8 indirectly) to repay any amount to or for the benefit of the Commission. The maximum  
9 principal amount of the Water Revenue Bonds or other forms of indebtedness (including SRF  
10 Loans) to be issued for the Capital Improvement Projects is \$274,130,430 (inclusive of  
11 financing costs).

12 The Commission will make a reimbursement allocation, which is a written allocation by  
13 the Issuer that evidences the Commission's use of proceeds of the Water Revenue Bonds or  
14 other forms of indebtedness (including SRF Loans) to reimburse an Expenditure, no later than  
15 18 months after the later of the date on which the Expenditure is paid or the component of the  
16 Capital Improvement Projects is placed in service or abandoned, but in no event more than  
17 three years after the date on which the Expenditure is paid. The Commission recognizes that  
18 exceptions are available for certain "preliminary expenditures," costs of issuance, certain de  
19 minimis amounts, expenditures by "small issuers" (based on the year of issuance and not the  
20 year of expenditure) and expenditures for construction projects of at least 5 years.

21  
22 Section 4. General Authority. The Controller, Treasurer, the City Attorney and other  
23 officers of the City and their duly authorized deputies and agents are hereby authorized and  
24 directed, jointly and severally, to take such actions and to execute and deliver such  
25 certificates, agreements, requests or other documents, as they may deem necessary or

1 desirable to facilitate the issuance, sale and delivery of the Water Revenue Bonds, Refunding  
2 Bonds, to obtain bond insurance or other credit enhancements with respect to such  
3 obligations, to obtain surety, to obtain title and other insurance with respect to the facilities to  
4 be financed, and otherwise to carry out the provisions of this Ordinance. The Commission is  
5 hereby directed to provide the final form to the Clerk of the Board of any disclosure document  
6 prepared in connection with the execution of any Water Revenue Bonds or Refunding Bonds,  
7 and the final executed Installment Sale Agreement or other document reflecting the  
8 incurrence of an SRF Loan, within 30 days of the closing of such transactions.

9 Section 5. Ratification of Prior Actions. All actions authorized and directed by this  
10 Ordinance in connection with the issuance of the Water Revenue Bonds or other forms of  
11 indebtedness (including SRF Loans), Refunding Bonds, and heretofore taken are hereby  
12 ratified, approved and confirmed by this Board.

13 Section 6. File Documents. All documents referred to as on file with the Clerk of the  
14 Board are in File Nos. 170678.

15 Section 7. Effective Date. Pursuant to Charter Section 8B.124, this Ordinance shall  
16 take effect thirty (30) days after its adoption.

17  
18 APPROVED AS TO FORM  
19 DENNIS J. HERRERA, City Attorney

20  
21 By: 

22 Mark D. Blake  
23 Deputy City Attorney

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25

**LEGISLATIVE DIGEST**

[Ordinance Amendment - Public Utilities Commission - Water Revenue Bond Issuance - Not to Exceed \$274,130,430]

**Ordinance amending Ordinance No. 112-16 to authorize an increase of the issuance and sale of tax-exempt or taxable Water Revenue Bonds and other forms of indebtedness (as described below) by the San Francisco Public Utilities Commission (Commission) to an aggregate principal amount not to exceed \$274,130,430 to finance the costs of various capital water projects benefitting the Water Enterprise, including new funding to finance the cost of the acquisition of the Rollins Road Property (as described below) 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; 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 law proposes to amend Ordinance No. 112-16, passed by the Board on June 16, 2016 and signed by the Mayor on June 24, 2016.

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 amends Ordinance No. 112-16 (the "Prior Ordinance") to increase the bonding authorization to \$274,130,430 from \$264,997,468 to (an increase of \$9,132,962) to provide funds for purchase of a one story building and related parking and storage space located at located at 1657-1663 Rollins Road, Burlingame, California (referred to as the Rollins Road Property"). The Rollins Road Property has served as the primary work location for staff from Water Quality Division, the Natural Resources & Land Management Division, and the Water Supply & Treatment Division of the Public Utilities Commission.

FILE NO. 170678

The Bonds will be issued under an Amended and Restated Indenture dated as of January 1, 2002, as further amended and supplemented from time to time, between the Commission and U. S. Bank National Association. Bonds authorized by the Prior Ordinance, as amended, will be issued for any purposes of the Water Enterprise, including, without limitation, the financing or refinancing of capital additions, improvements, repairs and replacements to the Water Enterprise, including the acquisition of the Rollins Road Property.

All other terms of the Prior Ordinance remain in effect, and are incorporated by reference.



|  |   |
|--|---|
| <p><b>Items 3 and 4</b><br/><b>Files 17-0677 and 17-0678</b></p>   | <p><b>Department:</b><br/>San Francisco Public Utilities Commission (SFPUC)</p> |
| <p><b>EXECUTIVE SUMMARY</b></p>  |   |
| <p style="text-align: center;"><b>Legislative Objectives</b></p>   |   |
| <p><b>File 17-0677:</b> Ordinance appropriating \$9,132,962 of proceeds from Water Enterprise Revenue Bonds to purchase the property at 1657-1663 Rollins Road in Burlingame that is the primary work location for SFPUC staff from the Water Quality Division, the Natural Resources &amp; Land Management Division and the Water Supply &amp; Treatment Division; and placing \$9,132,962 of proceeds on Controller’s Reserve pending receipt of proceeds of indebtedness.</p>   |   |
| <p><b>File 17-0678:</b> Ordinance amending Ordinance No. 112-16 to authorize an increase of 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) to an aggregate principal amount not to exceed \$274,130,430 to finance the costs of various capital water projects benefitting the Water Enterprise, including new funding to finance the cost of the acquisition of the Rollins Road Property 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; declaring the official intent of the SFPUC 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.</p> |   |
| <p style="text-align: center;"><b>Key Points</b></p>   |   |
| <ul style="list-style-type: none"> <li>• SFPUC is proposing to purchase the site for \$9,100,000, based on the appraised value of the site, and confirmed by the appraisal review</li> </ul>   |   |
| <p style="text-align: center;"><b>Fiscal Impact</b></p>  |   |
| <ul style="list-style-type: none"> <li>• SFPUC estimates 4% annual interest for 30-year revenue bonds, to be sold during the winter of FY 2017-18. Based on total costs of \$9,439,754, debt service over 30-years is estimated at \$16,377,057, including interest of \$6,937,303. Average annual debt service of \$545,902 will be funded through rates and charges to SFPUC Water customers.</li> </ul>   |   |
| <p style="text-align: center;"><b>Policy Consideration</b></p>   |   |
| <ul style="list-style-type: none"> <li>• SFPUC has authority under Charter Section 9.118 for expenditures up to \$10 million and ten years. If the SFPUC did not require appropriation or bond authorization, the SFPUC could move forward with this transaction without the Board of Supervisors knowledge.</li> </ul>  |   |
| <p style="text-align: center;"><b>Recommendations</b></p>  |   |
| <ul style="list-style-type: none"> <li>• Approve the proposed ordinances.</li> <li>• Consider amending the City’s Charter or Administrative Code to clarify that City departments that enter into contracts or leases that cumulatively extend for ten years or more or cumulatively cost more than \$10 million, including debt expense, be subject to Board of Supervisors approval. Consider amending the City’s Charter or Administrative Code to clarify that all purchases of property that are intended to extend longer than ten years be subject to Board of Supervisors approval.</li> </ul>   |   |

**MANDATE STATEMENT**

Charter Section 8B.124 authorizes the San Francisco Public Utilities Commission (SFPUC) 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, to reconstruct, replace, expand, repair or improve water or clean water facilities under the jurisdiction of the SFPUC.

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.

Charter Section 9.118 requires approval by the Board of Supervisors of contracts or agreements, excluding construction contracts, with a term in excess of ten years or \$10,000,000.

Administrative Code Section 23.3 requires an appraisal prior to the purchase of property exceeding \$10,000 in value, and an appraisal review for the purchase of property exceeding \$200,000 in appraised value.

**BACKGROUND**

On November 5, 2002, San Francisco voters approved Proposition E, which authorized the SFPUC to issue revenue bonds, commercial paper and other forms of indebtedness to reconstruct, replace, expand, repair, or improve SFPUC water facilities or clean water facilities when authorized by ordinance and approved by a two-thirds vote of the Board of Supervisors. On June 14, 2016, the Board of Supervisors approved the issuance of not to exceed \$264,997,468 of SFPUC Water Revenue Bonds to finance various SFPUC water capital projects (Ordinance 112-16).

Since 1999<sup>1</sup>, the SFPUC has leased 17,060 square feet of a one-story 25,085 square foot office building at 1657-1663 Rollins Road in Burlingame, California, which includes office, shower locker rooms, equipment storage and 80 parking spaces on a total 115,889 square foot parcel. The prior leases were approved by the SFPUC under authority granted by Charter Sections 9.118. The SFPUC's existing seven-year lease with Clemco Properties LLC (Clemco) extends from May 1, 2016 through April 30, 2023 and includes two one-year options. Under this lease, SFPUC pays electricity and pro-rata share of operating expenses. Currently, the SFPUC pays \$532,272 in annual rent or \$31.20 per square foot annually.

<sup>1</sup> The original SFPUC lease at Rollins Road was for seven years, with one 2.5 year option and extended from June 17, 1999 to April 30, 2009, including options. A second SFPUC lease at Rollins Road was for three years with two two-year options and extended from April 30, 2009 through April 30, 2016, including options. The current SFPUC lease at Rollins Road is for seven years from May 1, 2016 through April 30, 2023, with two one-year options or through April 30, 2025.

The SFPUC has approximately 70 SFPUC staff from the following three divisions at the 1657-1663 Rollins Road location, primarily supporting the SFPUC's Millbrae facility<sup>2</sup>:

- (1) Water Quality Division,
- (2) Natural Resources & Land Management Division, and
- (3) Water Supply & Treatment Division.

Under the existing lease, Clemco provided an exclusive right to the SFPUC to purchase the property. In accordance with this provision, Clemco and the SFPUC negotiated a purchase price of \$9.1 million. On September 16, 2016, the SFPUC authorized the purchase of 1657-1663 Rollins Road in Burlingame, California from Clemco for \$9.1 million.

To finance the cost of the purchase of the subject 1657-1663 Rollins Road property, the SFPUC is also requesting to increase the SFPUC's current revenue bond authorization by \$9,132,962.

#### DETAILS OF PROPOSED LEGISLATION

**File 17-0677:** Ordinance appropriating \$9,132,962 of proceeds from Water Enterprise Revenue Bonds to purchase the property located at 1657-1663 Rollins Road in Burlingame that has served as the primary work location for SFPUC staff from the Water Quality Division, the Natural Resources & Land Management Division and the Water Supply & Treatment Division; and placing \$9,132,962 of proceeds on Controller's Reserve pending receipt of proceeds from the sale of the revenue bonds.

**File 17-0678:** The proposed ordinance would amend Ordinance No. 112-16 to authorize an increase of 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) from a not to exceed \$264,997,468 by \$9,132,962 to an aggregate principal amount not to exceed \$274,130,430 to finance the costs of various capital water projects benefitting the Water Enterprise, including new funding for the cost of the acquisition of the Rollins Road Property 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; authorize the issuance of Water Revenue Refunding Bonds; declare the official intent of the SFPUC to reimburse itself with one or more issues of tax-exempt or taxable bonds or other forms of indebtedness; and ratify previous actions taken in connection therewith.

#### Use of Property

As noted above, the 1657-1663 Rollins Road property is currently used for office and related equipment storage purposes for the SFPUC. SFPUC advises that they anticipate the same

<sup>2</sup> SFPUC's Millbrae facility is the headquarters for the Water Supply & Treatment Division, which is responsible for operating and maintaining the regional water system (dams, pipelines, treatment facilities and treated water storage). SFPUC's Water Quality Division, Natural Resources & Land Management Division and Water Supply & Treatment Division work together and were previously all located at the Millbrae facility until 1999, when SFPUC outgrew this space and leased the Rollins Road facility.

continued use of the space. The Real Estate Division advises that the subject property is in good condition, such that no major improvements are anticipated in the near future.

Approximately 8,025 square feet of space is currently leased to IMEDD for a medical clinic for industrial related injuries through January 31, 2018. The SFPUC would assume this lease under the proposed purchase of the property. IMEDD currently pays \$21,507 per month in rent. When the IMEDD lease term expires, SFPUC advises that they intend to expand into the space currently lease by IMEDD.

**Commercial Paper and Bond Sales**

According to Mr. Mike Brown of the SFPUC, the purchase of the subject property at 1657-1663 Rollins Road in Burlingame at \$9.1 million would be immediately funded through SFPUC’s commercial paper program. The commercial paper would then be refunded with the issuance of SFPUC revenue bonds during the winter of FY 2017-18. To date, Mr. Brown advises that the SFPUC has not issued any of the previously authorized debt.

Under the proposed ordinance authorizing the increase in the amount and issuance of Water Revenue Bonds, the bonds may be sold on a competitive or negotiated basis as taxable or tax-exempt bonds. Mr. Brown advises that these bonds are likely to be sold on a competitive and tax-exempt basis. However, the sale will be subject to market conditions at the time.

**FISCAL IMPACT**

**Appraisal and Appraisal Review**

An appraisal conducted by Mateo Advisors on July 16, 2016 for the City’s Real Estate Division determined the 1657-1663 Rollins Road property in Burlingame value at \$9.1 million. R. Blum+ Associates reviewed the appraisal for the City and found the appraisal to be reasonable.

**Purchase Price and Closing Costs**

The subject property would be purchased for \$9,100,000. Table 1 below shows a breakdown of the estimated closing costs of \$32,962, for total requested funding of \$9,132,962.

**Table 1: Estimated Closing Costs**

|   | <b>Amount</b>   |
|---|-----------------|
| Estimated Closing Proration for rent, taxes, etc. | \$20,000        |
| Escrow and Notary Fees                            | 2,840           |
| Title Insurance Policy                            | 8,862           |
| Additional Title Endorsements                     | 1,260           |
| <b>Estimated Total Closing Costs</b>              | <b>\$32,962</b> |

Source: Charlie Dunn of Real Estate Division.

Table 2 below shows the requested supplemental appropriation ordinance (File 17-0677) to cover the cost of the property purchase.

**Table 2: Supplemental Appropriation Request**

| <b>Sources</b>                              | <b>Amount</b>      |
|---|--------------------|
| Water Revenue Bond Proceeds 2017A           | \$9,132,962        |
| <b>Total Sources</b>                        | <b>\$9,132,962</b> |
| <b>Uses</b>                                 | <b>Amount</b>      |
| Property Purchase at 1657-1663 Rollins Road | \$9,132,962        |
| <b>Total Uses</b>                           | <b>\$9,132,962</b> |

Mr. Charlie Dunn of the Real Estate Division advises that as a government entity, transfer taxes for this transaction will be waived.

### Debt Financing

Table 3 below shows the estimated cost for the issuance of the \$9,132,962 of revenue bonds.

**Table 3: Estimated Costs of Issuance**

|  | <b>Amount</b>      |
|--|--------------------|
| Project Funds                            | \$9,132,962        |
| Underwriter's Discount                   | 23,599             |
| Cost of Issuance*                        | 283,193            |
| <b>Estimated Total Costs of Issuance</b> | <b>\$9,439,754</b> |

\*Cost of Issuance includes fees for rating agencies, financial advisors, attorneys and Controller's Revenue Bond Oversight Committee

Source: Mike Brown of SFPUC.

The projected \$306,792 expense for the underwriter's discount and cost of issuance for the \$9,132,962 project would be funded from previous SFPUC authorized appropriations.

The SFPUC estimates an approximate 4% annual interest rate for 30-year revenue bonds, which are anticipated to be sold during the winter of FY 2017-18. Based on a total cost of \$9,439,754 shown in Table 3 above, total debt service over the 30-year term is estimated at \$16,377,057, including interest costs of \$6,937,303 and average annual debt service payments of \$545,902. Annual debt service will be budgeted each year in the SFPUC's Water Enterprise operating budget, subject to Board of Supervisors appropriation approval, and funded through rates and charges to SFPUC Water customers.

### Projected Annual Rent Savings and Operating Expenses

Table 4 below shows SFPUC's projected annual lease savings over the next nine years, totaling \$5,444,799, assuming the existing seven year lease is extended for the two option years.

**Table 4: Projected Lease Savings\***

|                                      |                    |
|--------------------------------------|--------------------|
| FY 2016-17                           | \$532,272          |
| FY 2017-18                           | 552,445            |
| FY 2018-19                           | 569,018            |
| FY 2019-20                           | 586,089            |
| FY 2020-21                           | 603,672            |
| FY 2021-22                           | 621,782            |
| FY 2022-23                           | 640,435            |
| FY 2023-24**                         | 659,648            |
| FY 2024-25**                         | 679,438            |
| <b>Estimated Total Lease Savings</b> | <b>\$5,444,799</b> |

\*Assumes 3% annual increase in lease costs.

\*\*Assumes options to extend lease.

Source: Charlie Dunn of Real Estate Division.

However, these annual lease savings will be partially offset by annual operating expenses of approximately \$273,000 beginning in FY 2017-18, as shown in Table 5 below.

**Table 5: Estimated FY 2017-18 Annual Operating Expenses**

|                                   |                  |
|-----------------------------------|------------------|
| Utilities (gas, water, electric)* | \$43,899         |
| Refuse Removal                    | 4,856            |
| Maintenance                       | 87,797           |
| Janitorial                        | 29,855           |
| Security                          | 3,763            |
| Property Taxes (\$9.1 million)    | 103,303          |
| <b>Estimated Annual Expenses</b>  | <b>\$273,473</b> |

\*Assumes Hetch Hetchy rates.

Source: Charlie Dunn of Real Estate Division.

**Projected Rental Income**

As noted above, approximately 8,025 square feet of the Rollins Road office is currently rented to IMEDD for \$21,507 per month. Assuming rental income from the IMEDD lease through the option period or January 31, 2018 will also result in an estimated \$129,042 in rental revenues for the SFPUC over this period.

**POLICY CONSIDERATION**

**SFPUC Lease for 26 Years Not Previously Approved by Board of Supervisors**

Charter Section 9.118 specifies that leases (with options) having a term of ten years or more or with City expenditures of \$10 million or more must be approved by the Board of Supervisors. As noted above, for the past 18 years, or since 1999, the SFPUC has leased office, storage and parking space at 1657-1663 Rollins Road in Burlingame, California. Because the SFPUC entered into three separate leases which were less than ten years each or \$10 million, none of these leases were subject to approval by the Board of Supervisors. However, cumulatively these

leases have now extended for 18 years and are authorized by the SFPUC to potentially extend through April 30, 2025, or for a total of 26 years, without Board of Supervisors approval.

### **SFPUC Purchase of Property**

In addition, City Administrative Code Section 23.1 requires the Director of Real Estate to recommend approval of real property transactions prior to approval by the Board of Supervisors. However, SFPUC staff report that Section 23.1 of the Administrative Code does not apply to the SFPUC. Rather, Charter Section 9.118 only requires Board of Supervisors approval if the SFPUC's purchase of property is over \$10 million or ten years.

The SFPUC indicates that the subject acquisition of 1657-1663 Rollins Road in Burlingame does not therefore require separate authorization from the Board of Supervisors because the price is \$9.1 million or \$900,000 less than the \$10 million threshold. However, as noted above, the actual cost to the SFPUC is an estimated \$16,377,057, including debt service over the 30-year bond term. In addition, the SFPUC intends to own the subject property for longer than ten years, with estimated annual SFPUC operating costs of \$273,473 beginning in FY 2017-18.

### **Code Amendments**

If the SFPUC did not require separate appropriation authorization or increased bond authorization for the subject purchase, the SFPUC could move forward with this transaction without the Board of Supervisors' approval or knowledge.

Therefore, the Board of Supervisors may want to consider amending the City's Charter or Administrative Code to clarify that in the future, City departments that enter into contracts or leases that cumulatively extend for ten years or more or cumulatively cost more than \$10 million, including debt expense, be subject to Board of Supervisors approval. Furthermore, given that the purchase of property by the City is generally considered a long-term investment, which extends longer than ten years; the Board of Supervisors may also want to consider amending the City's Charter or Administrative Code to clarify that all purchases of property that are intended to extend longer than ten years be subject to Board of Supervisors approval.

## **RECOMMENDATIONS**

1. Approve the proposed ordinances.
2. Consider amending the City's Charter or Administrative Code to clarify that City departments that enter into contracts or leases that cumulatively extend for ten years or more or cumulatively cost more than \$10 million, including debt expense, be subject to Board of Supervisors approval. Consider amending the City's Charter or Administrative Code to clarify that all purchases of property that are intended to extend longer than ten years be subject to Board of Supervisors approval.





AMENDED IN COMMITTEE

5/25/16

FILE NO. 160472

ORDINANCE NO. 112-16

1 [Public Utilities Commission - Issuance Water Revenue Bonds - Not to Exceed \$264,997,468]

2  
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 **\$264,997,468 to finance the costs of various capital water projects benefitting the Water**  
7 **Enterprise pursuant to amendments to the Charter of the City and County of San**  
8 **Francisco enacted by the voters on November 5, 2002, as Proposition E; authorizing**  
9 **the issuance of Water Revenue Refunding Bonds; declaring the Official Intent of the**  
10 **Commission to Reimburse Itself with one or more issues of tax-exempt or taxable**  
11 **bonds or other forms of indebtedness; and ratifying previous actions taken in**  
12 **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 ~~*italics Times New Roman font*~~.  
16 **Board amendment additions** are in **double-underlined Arial font**.  
17 **Board amendment deletions** are in ~~**Arial font**~~.  
18 **Asterisks (\* \* \* \*)** indicate the omission of unchanged Code  
19 subsections or parts of tables.

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

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

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

1 ordinance approved by a two-thirds vote of the Board of Supervisors, for the purpose of  
2 reconstructing, replacing, expanding, repairing or improving water facilities or clean water  
3 facilities or combinations of water and clean water facilities under the jurisdiction of the  
4 Commission; and

5 B. The Commission adopted the Amended and Restated Indenture dated as of  
6 January 1, 2002, as further amended and supplemented from time to time (the "Indenture"),  
7 between the Commission and U. S. Bank National Association and in connection therewith,  
8 has from time to time issued revenue bonds to finance projects benefitting the Water  
9 Enterprise; and

10 C. By Resolution 16-0035 adopted by the Commission on February 9, 2016 (the  
11 "Commission Resolution") the Commission has determined to issue Water Revenue Bonds  
12 (the "Water Revenue Bonds") and other forms of indebtedness (including SRF Loans as  
13 described below) to finance the costs of various capital projects benefitting the Water  
14 Enterprise (the "Capital Improvement Projects" such projects being more fully described in the  
15 Commission Resolution), pursuant to Proposition E, and has formally requested this Board to  
16 authorize the issuance and sale of Water Revenue Bonds for such purposes, such  
17 Commission Resolution being on file with the Clerk of the Board of Supervisors in File No.  
18 160472, which is hereby declared to be a part of this Ordinance as if set forth fully herein; and

19 D. In order to finance the costs of the Capital Improvement Projects, the Board now  
20 desires to authorize the issuance and sale of Water Revenue Bonds and other forms of  
21 indebtedness, including obtaining State Revolving Fund Loans and/or grants from the State  
22 Water Resources Control Board (collectively "SRF Loans") for such purposes; and

23 E. The Commission has paid, beginning no earlier than 60 days prior to the  
24 adoption of this Ordinance and will pay, on and after the date hereof, certain expenditures (the  
25

1 "Expenditures") in connection with the acquisition, construction and/or equipping of the Capital  
2 Improvement Projects, and

3 F. This Board is concurrently considering with this Ordinance a Capital  
4 Improvement Program related supplemental appropriations Ordinance totaling \$316,468,468  
5 for fiscal years ending 2017 and 2018, such amount being inclusive of the Water Revenue  
6 Bonds and other forms of indebtedness (including SRF Loans).

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

12 Section 2. Authorization to Issue Water Revenue Bonds and other forms of  
13 indebtedness. The Board hereby authorizes the issuance and sale of Water Revenue Bonds  
14 in one or more series from time to time by the Commission pursuant to Proposition E and in  
15 accordance with the Commission Resolution, and the execution and delivery of SRF Loan  
16 agreements, in an aggregate principal amount not to exceed \$264,997,468 (inclusive of  
17 financing costs), at a maximum rate or rates of interest of not to exceed twelve percent (12%)  
18 per annum to finance a portion of the costs of the design, acquisition and construction of the  
19 Capital Improvement Projects. Without limiting the foregoing, the Commission shall also be  
20 authorized to enter into agreements to obtain State Revolving Fund Loans and/or grants  
21 (collectively "SRF Loans") from the State Water Resources Control Board on such terms as  
22 the Commission may deem advantageous. The Commission is hereby authorized to  
23 determine the timing, amount and manner of sale (i.e., competitive or negotiated) of each  
24 series of Water Revenue Bonds or the delivery of other forms of indebtedness (including SRF  
25 Loans) pursuant to this authorization; provided however, the Commission's authorization to

1 issue Water Revenue Bonds or incur other forms of indebtedness (including SRF Loans) is  
2 subject to approval by the Commission of the form of substantially final offering document  
3 related to such bonds (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 of any bonds herein authorized. The Commission shall  
6 also file, within 30 days of any bond sale authorized hereby, with the Clerk of the Board of Supervisors  
7 a report showing the results of the sale of bonds or other form of indebtedness including (i) principal  
8 amount sold and method of sale, (ii) true interest cost, (iii) final maturity, (iv) the facilities constructed  
9 and/or improved, and (v) a statement about the remaining bonding authorization under this Ordinance  
10 (the "Report").

11 Section 3. Authorization to Issue Water Revenue Refunding Bonds. The Board  
12 further authorizes and approves the issuance by the Commission of Water Revenue  
13 Refunding Bonds and other forms of indebtedness (including SRF Loans) (the "Refunding  
14 Bonds"), without limitation as to principal amount, in one or more series on one or more dates,  
15 at a maximum interest rate or rates of interest not to exceed twelve percent (12%) per annum,  
16 provided that each such Refunding Bond issue or obligation is permitted under the applicable  
17 policies and procedures of the City and authorized by either Section 9.109 of the Charter or  
18 Proposition E of 2002 (including related ordinances and resolutions of the Board). The  
19 Refunding Bonds may be issued as tax-exempt or taxable bonds, or any combination thereof.  
20 Refunding Water Revenue Bonds authorized hereunder shall be subject to the further  
21 following conditions, that: (i) three percent (3%) net present value debt service savings or  
22 greater is achieved to ensure ratepayer savings; (ii) this authorization is subject to a 2-year  
23 term through June 30, 2018, at which time this Board may consider an extension; principal  
24 payments and term may be adjusted, where permitted under federal and state tax law, only if  
25 and when the underlying capital asset funded through said refunded bonds has a useful life

1 not in excess of any limit permitted under federal and state tax law than the refunded term;  
2 and (iii) the Commission shall within 30 days of any executed refunding transaction provide a  
3 savings report prepared by its financial advisors (that reflects at least a three percent (3%) net  
4 present value debt service savings) to the Board, together with a copy of the final Official  
5 Statement with respect to such series of Refunding Bonds.

6 Section 4. Declaration of Official Intent. The Board, on behalf of the Commission,  
7 hereby declares the official intent of the Commission to reimburse the Commission with  
8 proceeds of the Water Revenue Bonds or other forms of indebtedness (including SRF Loans)  
9 for the Expenditures with respect to the Capital Improvement Projects made on and after a  
10 date that is no more than 60 days prior to the adoption of this Ordinance. The Commission  
11 reasonably expects on the date hereof that it will reimburse the Expenditures with proceeds of  
12 the Water Revenue Bonds or other forms of indebtedness (including SRF Loans). Each said  
13 Expenditure was and will be either (A) of a type properly chargeable to a capital account  
14 under general federal income tax principles (determined in each case as of the date of the  
15 Expenditure), (B) a cost of issuance with respect to the Water Revenue Bonds or other forms  
16 of indebtedness (including SRF Loans), (C) a nonrecurring item that is not customarily  
17 payable from current revenues, or (D) a grant to pay a party that is not related to or an agent  
18 of the issuer so long as such grant does not impose any obligation or condition (directly or  
19 indirectly) to repay any amount to or for the benefit of the Commission. The maximum  
20 principal amount of the Water Revenue Bonds or other forms of indebtedness (including SRF  
21 Loans) to be issued for the Capital Improvement Projects is \$264,997,468 (inclusive of  
22 financing costs).

23 The Commission will make a reimbursement allocation, which is a written allocation by  
24 the Issuer that evidences the Commission's use of proceeds of the Water Revenue Bonds or  
25 other forms of indebtedness (including SRF Loans) to reimburse an Expenditure, no later than

1 18 months after the later of the date on which the Expenditure is paid or the component of the  
2 Capital Improvement Projects is placed in service or abandoned, but in no event more than  
3 three years after the date on which the Expenditure is paid. The Commission recognizes that  
4 exceptions are available for certain "preliminary expenditures," costs of issuance, certain de  
5 minimis amounts, expenditures by "small issuers" (based on the year of issuance and not the  
6 year of expenditure) and expenditures for construction projects of at least 5 years.

7 Section 5. General Authority. The Controller, Treasurer, the City Attorney and other  
8 officers of the City and their duly authorized deputies and agents are hereby authorized and  
9 directed, jointly and severally, to take such actions and to execute and deliver such  
10 certificates, agreements, requests or other documents, as they may deem necessary or  
11 desirable to facilitate the issuance, sale and delivery of the Water Revenue Bonds, Refunding  
12 Bonds, to obtain bond insurance or other credit enhancements with respect to such  
13 obligations, to obtain surety, to obtain title and other insurance with respect to the facilities to  
14 be financed, and otherwise to carry out the provisions of this Ordinance. The Commission is  
15 hereby directed to provide the final form to the Clerk of the Board of any disclosure document  
16 prepared in connection with the execution of any Water Revenue Bonds or Refunding Bonds,  
17 and the final executed Installment Sale Agreement or other document reflecting the  
18 incurrence of an SRF Loan, within 30 days of the closing of such transactions.

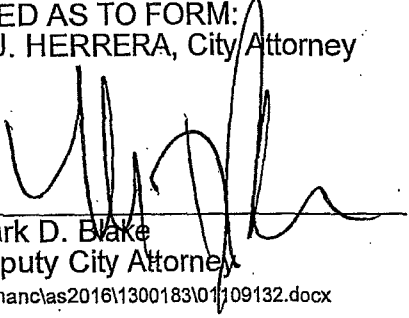
19 Section 6. Ratification of Prior Actions. All actions authorized and directed by this  
20 Ordinance in connection with the issuance of the Water Revenue Bonds or other forms of  
21 indebtedness (including SRF Loans), Refunding Bonds, and heretofore taken are hereby  
22 ratified, approved and confirmed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

23 Section 7. File Documents. All documents referred to as on file with the Clerk of the  
24 Board are in File No. 160472.

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

3  
4 APPROVED AS TO FORM:  
5 DENNIS J. HERRERA, City Attorney

6  
7 By:

8   
9 Mark D. Blake  
10 Deputy City Attorney

11 n:\financ\as2016\1300183\01\109132.docx



City and County of San Francisco

City Hall  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102-4689

Tails  
Ordinance

File Number: 160472

Date Passed: June 14, 2016

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 \$264,997,468 to finance the costs of various capital 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; 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, as defined herein.

May 25, 2016 Budget and Finance Committee - AMENDED

May 25, 2016 Budget and Finance Committee - RECOMMENDED AS AMENDED

June 07, 2016 Board of Supervisors - PASSED, ON FIRST READING

Ayes: 11 - Avalos, Breed, Campos, Cohen, Farrell, Kim, Mar, Peskin, Tang, Wiener and Yee

June 14, 2016 Board of Supervisors - FINALLY PASSED

Ayes: 11 - Avalos, Breed, Campos, Cohen, Farrell, Kim, Mar, Peskin, Tang, Wiener and Yee

File No. 160472

I hereby certify that the foregoing Ordinance was FINALLY PASSED on 6/14/2016 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo  
Clerk of the Board

Mayor

6/24/16  
Date Approved



**PUBLIC UTILITIES COMMISSION**

City and County of San Francisco

RESOLUTION NO. 16-0035

WHEREAS, The General Manager of the San Francisco Public Utilities Commission (SFPUC) and staff presented the proposed FY 2016-17 and FY 2017-18 Capital Improvement Budget to the Commission at public hearings held on January 22, and 29, 2016, and February 5, and 9, 2016, for the Water Enterprise, Wastewater Enterprise, and Hetch-Hetchy Water and Power, including the Power Enterprise; and

WHEREAS, The proposed FY 2016-17 and FY 2017-18 Capital Improvement Budget must be submitted to, and approved by the Mayor and the Board of Supervisors; and

WHEREAS, The SFPUC General Manager recommends that the SFPUC requests a supplemental appropriation for the capital expenditures presented in the proposed FY 2016-17 and FY 2017-18 Capital Improvement Budget for the Water Enterprise, Wastewater Enterprise and Hetch Hetchy Water & Power, including the Power Enterprise, to timely implement public repairs and improvement projects, including the preparation and consideration of environmental analysis pursuant to the California Environmental Quality Act (CEQA) and Administrative Code Chapter 31, where required; and

WHEREAS, This Commission has considered the proposed Fiscal Years 2016-17 and 2017-18 Capital Improvement Program Budgets for the Water Enterprise, Wastewater Enterprise, and Hetch Hetchy Water and Power, including the Power Enterprise, which total \$529,817,000 for FY 2016-17 and \$1,033,414,000 for FY 2017-18; now, therefore, be it

RESOLVED, That this Commission hereby approves the Fiscal Years 2016-17 and FY 2017-18 Capital Improvement Program Budget for each Enterprise as follows:

| <b>Capital Improvement Program</b> | <b>FY 2016-17</b>    | <b>FY 2017-18</b>      |
|------------------------------------|----------------------|------------------------|
| Wastewater Enterprise              | \$285,236,000        | \$810,758,000          |
| Water Enterprise                   | \$176,166,000        | \$135,739,000          |
| Hetchy Power                       | \$ 31,710,000        | \$ 32,710,000          |
| Hetchy Water                       | \$ 36,705,000        | \$ 54,207,000          |
| <b>Total SFPUC</b>                 | <b>\$529,817,000</b> | <b>\$1,033,414,000</b> |

;and, be it

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, That this Commission hereby adopts the proposed FY 2016-17 and 2017-18 SFPUC Capital Improvement Program Budgets for the Water Enterprise, the Wastewater Enterprise, and Hetch Hetchy Water and Power, including the Power Enterprise, and authorizes the General Manager to request the Mayor to recommend to the Board of Supervisors a supplemental appropriation in the amount of \$577,930,880 to fund FY 2016-17 and \$1,144,772,706 to fund FY 2017-18 as follows:

| FY 2016-17 Projects   | Amount               | Financing           |                      |
|-----------------------|----------------------|---------------------|----------------------|
|                       |                      | Costs               | Total                |
| Wastewater Enterprise | \$285,236,000        | \$27,616,320        | \$312,852,320        |
| Water Enterprise      | \$176,166,000        | \$18,492,090        | \$194,658,090        |
| Hetchy Power          | \$31,710,000         | \$0                 | \$31,710,000         |
| Hetchy Water          | <u>\$36,705,000</u>  | <u>\$2,005,470</u>  | <u>\$38,710,470</u>  |
| <b>Total SFPUC</b>    | <b>\$529,817,000</b> | <b>\$48,113,880</b> | <b>\$577,930,880</b> |

| FY 2017-18 Projects   | Amount                 | Financing            |                        |
|-----------------------|------------------------|----------------------|------------------------|
|                       |                        | Costs                | Total                  |
| Wastewater Enterprise | \$810,758,000          | \$91,590,960         | \$902,348,960          |
| Water Enterprise      | \$135,739,000          | \$13,584,530         | \$149,323,530          |
| Hetchy Power          | \$32,710,000           | \$0                  | \$32,710,000           |
| Hetchy Water          | <u>\$54,207,000</u>    | <u>\$6,183,216</u>   | <u>\$60,390,216</u>    |
| <b>Total SFPUC</b>    | <b>\$1,033,414,000</b> | <b>\$111,358,706</b> | <b>\$1,144,772,706</b> |

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 not to exceed \$264,997,468 aggregate principal amount of Water Revenue Bonds and other forms of indebtedness, including commercial paper and State Revolving Fund (SRF) loans, and \$1,112,601,280 aggregate principal amount of Wastewater Revenue Bonds and other forms of indebtedness, including commercial paper and SRF loans, under the terms of Proposition E; provided, however, the issuance of such Bonds shall be subject to the terms of Proposition E (approved by the voters November 2002); and \$32,192,888 aggregate principal amount of Power Revenue Bonds and other forms of indebtedness, including commercial paper and Clean Renewable Energy Bonds, subject to the terms of Charter Sections 9.107(6) and 9.107(8). The General Manager shall return to this Commission and the Board of Supervisors 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 9, 2016.*

  
 \_\_\_\_\_  
 Secretary, Public Utilities Commission

## PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO. 16-0197

WHEREAS, Clemco Properties, LLC (Clemco) owns the real property and improvements at 1657 – 1663 Rollins Road in Burlingame, California (Property); and

WHEREAS, The Property consists of a one-story building and related parking and storage space; and

WHEREAS, The City and County of San Francisco (City) through the San Francisco Public Utilities Commission (SFPUC) has occupied a portion of the Property (Premises) since 1999 pursuant to a series of lease agreements between Clemco as landlord and the City and County of San Francisco (City) as tenant; and

WHEREAS, The SFPUC occupies the Premises pursuant to a seven-year lease dated March 17, 2016 (SFPUC Lease) with Clemco; and

WHEREAS, Under the SFPUC Lease, Clemco granted to the SFPUC an exclusive right of first negotiation to purchase the Property; and

WHEREAS, On April 25, 2016, Clemco delivered to the SFPUC a notice of sale under the terms and conditions of the Lease; and

WHEREAS, Clemco and the SFPUC agreed upon a purchase price of \$9.1 Million, plus closing costs; and

WHEREAS, Clemco has leased a portion of the Property IMEDD Industrial Medical Clinic (IMEDD) for a one-year term, with a one-year option to extend the term; and

WHEREAS, The SFPUC desires to enter into a Purchase and Sale Agreement (Agreement) with the Clemco for the agreed-upon purchase price of \$9.1 Million, plus closing costs (Purchase Price); and

WHEREAS, The Agreement is subject to the SFPUC accepting the assignment of the IMEDD lease; and

WHEREAS, The Property was appraised on July 16, 2016 at \$9.1 Million by an MAI appraiser; and

WHEREAS, The Purchase Price was not appropriated in the Fiscal Year 2016-2017 budget; and

WHEREAS, The proposed action is not a project under CEQA Guidelines Sections 15060(c) and 15378 because it does not result in a physical change in the environment; now, therefore, be it

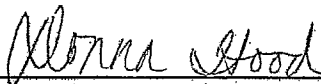
RESOLVED, That this Commission approves the terms and conditions of the Agreement and authorizes the General Manager to execute the Agreement; and be it

FURTHER RESOLVED, That this Commission recommends that the Board of Supervisors approve the Agreement; and be it

FURTHER RESOLVED, That this Commission authorizes the General Manager to seek the approval of the Mayor and the Board of Supervisors for a supplemental appropriation of \$9.1 Million, plus closing costs; and be it

FURTHER RESOLVED, That this Commission hereby authorizes the SFPUC General Manager to enter into any amendments or modifications to this Agreement, including without limitation, the exhibits, and to enter into any other related documents, instruments, memorandum or other agreements reasonably necessary to consummate the transaction contemplated in the Agreement, that the General Manager determines, in consultation with the City Attorney, are in the best interest of the City; do not materially increase the obligations or liabilities of the City; are necessary or advisable to effectuate the purposes and intent of the Agreement or this resolution; and are in compliance with all applicable laws, including the City Charter.

*I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting of September 13, 2016.*



---

Secretary, Public Utilities Commission

OFFICE OF THE MAYOR  
SAN FRANCISCO



EDWIN M. LEE  
MAYOR

To: Angela Calvillo, Clerk of the Board of Supervisors  
From: Melissa Whitehouse, Mayor's Acting Budget Director  
Date: June 1, 2017  
Re: Mayor's FY 2017-18 and FY 2018-19 Budget Submission

Madam Clerk,

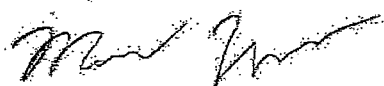
In accordance with City and County of San Francisco Charter, Article IX, Section 9.100, the Mayor's Office hereby submits the Mayor's proposed budget by June 1<sup>st</sup>, corresponding legislation, and related materials for Fiscal Year 2017-18 and Fiscal Year 2018-19.

In addition to the Annual Appropriation Ordinance, Annual Salary Ordinance, and Mayor's Proposed FY 2017-18 and FY 2018-19 Budget Book, the following items are included in the Mayor's submission:

- The budget for the Treasure Island Development Authority for FY 2017-18 and FY 2018-19
- The budget for the Office of Community Investment and Infrastructure for FY 2017-18
- 21 separate pieces of legislation (see list attached)
- A Transfer of Function letter detailing the transfer of 3.0 positions from the City Administrator's Office to the Public Utilities Commission
- An Interim Exception letter
- A letter addressing funding levels for consumer price index increases for nonprofit corporations or public entities for the coming two fiscal years

If you have any questions, please contact me at (415) 554-6253.

Best Regards,

  
Melissa Whitehouse  
Mayor's Budget Director

cc: Members of the Board of Supervisors  
Harvey Rose  
Controller

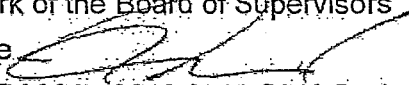
1 DR. CARLTON B. GOODLETT PLACE, ROOM 200  
SAN FRANCISCO, CALIFORNIA 94102-4681  
TELEPHONE: (415) 554-6141

| DEPT  | Budget & Finance Committee Calendar Date | Description or Title of Local Legislation   | Type of Legislation |
|-------|--|---|---------------------|
| PAB   | June 8 - Thursday                        | Administrative Code - Board of Appeals Surcharges on Permit Fees  | Ordinance           |
| MTA   | June 15 -Thursday                        | Re-Appropriation – 2014 Transportation and Road Improvements General Obligation Bonds Series 2015B Projects - \$26,200,000 - FY2017-18                              | Ordinance           |
| ADM   | June 15 -Thursday                        | Administrative Code - Cannabis Regulation   | Ordinance           |
| AIR   | June 15 -Thursday                        | Appropriation - Airport Hotel Project of \$70,060,000 and Re-Appropriation - Hotel Special Facility Revenue Bond of \$25,000,000 - Airport Commission - FY2016-2017 | Ordinance           |
| CON   | June 15 -Thursday                        | Neighborhood Beautification and Graffiti Clean-up Fund Tax Designation Ceiling  | Ordinance           |
| CON   | June 15 -Thursday                        | Resolution Adjusting the Access Line Tax with the Consumer Price Index of 2017  | Resolution          |
| CON   | June 15 -Thursday                        | Authorization the Examination of Prepaid Mobile Telephony Service Surcharge and Local Charge Records.   | Resolution          |
| CON   | June 15 -Thursday                        | Proposition J Contract Certification—Security Guard Services  | Resolution          |
| CON   | June 15 -Thursday                        | Proposition J Contract Certification Specified Contracted-Out Services Previously Approved  | Resolution          |
| MOHCD | June 15 -Thursday                        | Planning Code - Establish Fee for Monitoring of Student Housing by Mayor's Office of Housing and Community Development  | Ordinance           |
| PUC   | June 15 -Thursday                        | Appropriation – Proceeds from Waster Enterprise Fund Balance Revenue Bonds - Property Purchase Located at Rollins Road - FY 2017-2018 - \$9,132,962                 | Ordinance           |
| PUC   | June 15 -Thursday                        | Amending Ordinance 112-16—Public Utilities Commission Water Revenue Bond Issuance—Not to Exceed \$274,130,430   | Ordinance           |
| ART   | June 16 -Friday                          | Administrative Code - Arts Commission Contracting Authority   | Ordinance           |
| DPH   | June 16 -Friday                          | Business and Tax Regulations Code - Emergency Medical Services Fees   | Ordinance           |
| DPH   | June 16 -Friday                          | Health Code - Patient Rates 2017-2019   | Ordinance           |
| DPH   | June 16 -Friday                          | Accept and Expend Grants- Recurring State Grant Funds - Department of Public Health- FY2017-2018  | Resolution          |
| DPH   | June 16 -Friday                          | Agreement – Department of Public Health – Proposition 47 Grant Program  | Resolution          |
| DPH   | June 16 -Friday                          | Agreement – Department of Public Health – LEAD SF Pilot Program   | Resolution          |
| FIR   | June 16 -Friday                          | Fire Code - Fire Department Fees  | Ordinance           |
| HOM   | June 16 -Friday                          | Homelessness and Supportive Housing Fund - Fys 2017-2018 and 2018-2019 Expenditure Plans  | Resolution          |
| LIB   | June 16 -Friday                          | Accept and Expend Grant - Friends of San Francisco Public Library - Annual Grant Award, FY2017-2018 - Up to \$753,851 of In-Kind Gifts, Services, and Cash Monies   | Resolution          |

OFFICE OF THE MAYOR  
SAN FRANCISCO



EDWIN M. LEE  
RECEIVED  
BOARD OF SUPERVISORS  
SAN FRANCISCO  
2017 JUN - 1 AM 11:55

TO: Angela Calvillo, Clerk of the Board of Supervisors  
FROM: *for* Mayor Edwin M. Lee   
RE: Mayor's Proposed FY 2017-2018 2018-2019 Budget Trailing Legislation  
DATE: June 1, 2017

Attached for introduction to the Board of Supervisors is Mayor's FY 2017-2018 2018-2019 Proposed Budget Trailing legislation.

**June 8, 2017 Budget & Finance Committee**

- Resolution approving the Interim Budget of the Treasure Island Development Authority for FY2017-2018 and FY2018-2019.
- / Resolution approving the Budget of the Treasure Island Development Authority for FY2017-2018 and FY2018-2019.
- Ordinance amending the Administrative Code to adjust existing surcharges on permit fees, license fees, permit review fees, and permit and license renewal fees for permits and licenses issued by the Planning Department, Department of Building Inspection, Department of Public Health and Police Department that may be appealed to the Board of Appeals.
- Resolution approving the Fiscal Year (FY) 2017-2018 Budget of the Office of Community Investment and Infrastructure (OCII), operating as the Successor Agency to the San Francisco Redevelopment Agency.

**June 15, 2017 Budget & Finance Committee**

- Ordinance amending the Administrative Code to establish an Office of Cannabis; to authorize the Director of the Office of Cannabis to issue permits to cannabis-related businesses; and to delegate to the Director of the Office of Cannabis the authority to establish permit application and annual license fees, subject to approval by the Controller.
- Ordinance adopting the Neighborhood Beautification and Graffiti Clean-up Fund Tax designation ceiling for tax year 2017.
- Resolution concurring with the Controller's establishment of the Consumer Price Index for 2017, and adjusting the Access Line Tax by the same rate.
- Resolution authorizing the Controller's Office and Office of the Treasurer and Tax Collector to examine the prepaid mobile telephony services surcharge and local charges collected by the State Board of Equalization.

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

- Resolution concurring with the Controller's certification that services previously approved can be performed by private contractor for a lower cost than similar work performed by City and County employees, for the following services: budget analyst (Board of Supervisors); citywide custodial services (excluding City Hall), citywide security services, central shops security, convention facilities management (General Services Agency—City Administrator); mainframe system support (General Services Agency—Technology); security services (Human Services Agency); food services for jail inmates (Sheriff); assembly of vote-by-mail envelopes (Department of Elections)
- Resolution concurring with the Controller's certification that security services at the new Medical Examiner facility at 1 Newhall St. can be performed by a private contractor for a lower cost than similar work performed by City and County employees at the General Services Agency—City Administrator.
- Ordinance amending the Planning Code to establish a fee for the Mayor's Office of Housing and Community Development to monitor Student Housing, affirming the Planning Department's determination under the California Environmental Quality Act; and making findings of public convenience, necessity, and welfare under Planning Code Section 302.
- Ordinance amending Ordinance No. 112-16 to authorize an increase of the issuance and sale of tax-exempt or taxable Water 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 \$274,130,430 to finance the costs of various capital water projects benefitting the Water Enterprise, including in addition the Rollins Road Property (as described below) 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; 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.
- Ordinance appropriating \$9,132,962 of proceeds from Water Enterprise Revenue Bonds to purchase the property located at 1657-1663 Rollins Road, Burlingame that has been served as the primary work location for SFPUC staff from the Water Quality Division, the Natural Resources & Land Management Division, and the Water Supply & Treatment Division in FY 2017-2018; and placing \$9,132,962 of proceeds on Controller's Reserve pending receipt of proceeds of indebtedness.
- Ordinance appropriating \$70,060,000, consisting of \$35,000,000 of proceeds from the sale of Airport Capital Plan Bonds and \$60,000 from fund balance, and \$35,000,000 of proceeds transfer from Hotel Special Facility Revenue Bonds to support San Francisco International Airport Hotel Project and placing \$70,000,000 on Controller's Reserve pending receipt of proceeds of indebtedness; de-appropriating and re-appropriating \$25,000,000 of Hotel Special Facility Revenue Bonds.



- Ordinance Re-appropriating \$26,200,000 of 2014 Transportation and Road Improvements General Obligation Bonds Series 2015B funded Better Market Street projects and Muni Forward and Pedestrian Safety Improvements Projects to Transit projects including Muni Facility Upgrades in FY2017-18. (8<sup>th</sup> or 15<sup>th</sup>?)

**June 16, 2017 Budget & Finance Committee**

- Ordinance amending the Administrative Code to authorize the Arts Commission to contract for the development, fabrication, maintenance, conservation, removal, or installation of art work.
- Ordinance amending the Business and Tax Regulations Code to require that payment of emergency medical services fees be made to the Department of Public Health rather than the Department of Emergency Management.
- Ordinance amending the Health Code to set patient rates and other services provided by the Department of Public Health for patient and other services rendered, starting July 1, 2017, and continuing through June 30, 2019.
- Resolution authorizing the acceptance and expenditure of State grant funds by the San Francisco Department of Public Health of FY2017-2018.
- Resolution authorizing the Director of Health to sign an agreement, on behalf of the City and County of San Francisco, with the California Board of State and Community Corrections for participation in the Law Enforcement Assisted Diversion Pilot Program for the period of July 1, 2017 to June 30, 2019.
- Ordinance amending the Fire Code to increase the fees for certain Fire Department services, and affirming the Planning Department's determination under the California Environmental Quality Act.
- Resolution approving the FYs 2017-2018 and 2018-2019 Expenditure Plans for the Department of Homelessness and Supportive Housing Fund.
- Resolution authorizing the San Francisco Public Library to accept and expend a grant in the amount of up to \$753,851 of in-kind gifts, services, and cash monies from the Friends of the San Francisco Public Library for direct support for a variety of public programs and services in FY2017-2018.
- Resolution authorizing the Director of Health to sign an agreement, on behalf of the City and County of San Francisco, with the California Board of State and Community Corrections for participation in the Proposition 47 Grant Program for the period of July 1, 2017 to August 15, 2020.

Should you have any questions, please contact Mawuli Tugbenyoh (415) 554-5168.

**Lew, Lisa (BOS)**

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**From:** Tavakoli, Shahde (MYR)  
**Sent:** Thursday, June 01, 2017 1:05 PM  
**To:** BOS Legislation, (BOS)  
**Cc:** Tugbenyoh, Mawuli (MYR); Whitehouse, Melissa (MYR); Campbell, Severin (BUD); Heller, Nereida (MYR); Kirkpatrick, Kelly (MYR); Howerton, Michael (BOS); Chan, Yoyo (BOS)  
**Subject:** Mayor\_Resolution\_PUC Water Revenue Bond Issuance  
**Categories:** 170678

Attached for introduction to the Board of Supervisors is an ordinance amending Ordinance No. 112-16 to authorize an increase of the issuance and sale of tax-exempt or taxable Water 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 \$274,130,430 to finance the costs of various capital water projects benefitting the Water Enterprise, including in addition the Rollins Road Property (as described below) 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; 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.

We respectfully request that this item be calendared in Budget & Finance Committee on June 15, 2017.

Should you have any questions, please contact Mawuli Tugbenyoh (415) 554-5168.

**Shahde Tavakoli**

Legislative Aide, Office of Mayor Edwin M. Lee  
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San Francisco, CA 94102  
[Shahde.Tavakoli@sfgov.org](mailto:Shahde.Tavakoli@sfgov.org) (415) 554-6153