

File No. 190572

Committee Item No. 2

Board Item No. 35

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date June 14, 2019

Board of Supervisors Meeting Date June 25, 2019

Cmte Board

- Motion
- Resolution
- Ordinance
- Legislative Digest
- Budget and Legislative Analyst Report
- Youth Commission Report
- Introduction Form
- Department/Agency Cover Letter and/or Report
- MOU
- Grant Information Form
- Grant Budget
- Subcontract Budget
- Contract/Agreement
- Form 126 – Ethics Commission
- Award Letter
- Application
- Public Correspondence

OTHER (Use back side if additional space is needed)

<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____

Completed by: Victor Young Date June 7, 2019

Completed by: _____ Date June 17, 2019

BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

BUDGET AND FINANCE COMMITTEE

SAN FRANCISCO BOARD OF SUPERVISORS

TO: Supervisor Sandra Lee Fewer, Chair
Budget and Finance Committee

FROM: Linda Wong, Assistant Clerk

DATE: June 17, 2019

SUBJECT: **COMMITTEE REPORT, BOARD MEETING**
Tuesday, June 18, 2019

The following file should be presented as a **COMMITTEE REPORT** at the Board meeting on Tuesday, June 18, 2019, at 2:00 p.m. This item was acted upon at a Special Committee Meeting on June 14, 2019, at 10:00 a.m., by the votes indicated.

Item No. 52 **File No. 190572**

Ordinance appropriating a total of \$26,071,000 of proceeds from Revenue Bonds and water revenues for the San Francisco Public Utilities Commission (SFPUC) Water Enterprise's Capital Improvement Program for FY2019-2020 at \$26,071,000; de-appropriating and re-appropriating \$33,997,225 of Water System Improvement Program appropriations for FY2019-2020, and placing \$20,571,000 of Revenue Bond proceeds by project on Controller's reserve subject to the Controller's certification of funds availability, including proceeds of indebtedness, and for construction related expenditures (excluding program management, planning and design) for these projects, as applicable, is also subject to the prior occurrence of the SFPUC's and the Board of Supervisors' discretionary adoption of California Environmental Quality Act findings for projects, following review and consideration of completed project related environmental analysis, where required.

RECOMMENDED AS A COMMITTEE REPORT

Vote: Supervisor Sandra Lee Fewer - Aye
Supervisor Catherine Stefani - Aye
Supervisor Rafael Mandelman - Aye
Supervisor Hillary Ronen - Aye
Supervisor Norman Yee - Aye

c: Board of Supervisors
Angela Calvillo, Clerk of the Board
Jon Givner, Deputy City Attorney
Alisa Somera, Legislative Deputy Director

1 [Appropriation - Revenue Bonds and Water Revenues - Water Capital Improvements -
2 \$26,071,000 - FY2019-2020 - De-Appropriation and Re-Appropriation - Water System
3 Improvement Program - \$33,997,225 - FY2019-2020]

4 Ordinance appropriating a total of \$26,071,000 of proceeds from Revenue Bonds and
5 water revenues for the San Francisco Public Utilities Commission (SFPUC) Water
6 Enterprise's Capital Improvement Program for FY2019-2020 at \$26,071,000; de-
7 appropriating and re-appropriating \$33,997,225 of Water System Improvement Program
8 appropriations for FY2019-2020, and placing \$20,571,000 of Revenue Bond proceeds by
9 project on Controller's reserve subject to the Controller's certification of funds
10 availability, including proceeds of indebtedness, and for construction related
11 expenditures (excluding program management, planning and design) for these
12 projects, as applicable, is also subject to the prior occurrence of the SFPUC's and the
13 Board of Supervisors' discretionary adoption of California Environmental Quality Act
14 findings for projects, following review and consideration of completed project related
15 environmental analysis, where required.

16
17 Note: Unchanged Code text and uncodified text are in plain Arial font.
18 Additions to Codes are in single-underline italics Times New Roman font.
19 Deletions to Codes are in ~~striketrough italics Times New Roman font~~.
20 Board amendment additions are in double-underlined Arial font.
21 Board amendment deletions are in ~~striketrough Arial font~~.
22 Asterisks (***) indicate the omission of unchanged Code
23 subsections or parts of tables.
24
25

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

1 Section 1. The sources of funding outlined below are herein appropriated to reflect the funding
 2 available for Fiscal Year 2019-2020.

3
 4 **SOURCES Appropriation**

Fund /	Project & Activity /	Account	Description	Amount
Department ID	Authority			
26601 Water Capital	10026501_ 0001	480111 Proceeds	Proceeds from	\$20,571,000
Bond Fund /	Water Bond/Commercial	from Sale of Bonds-	Sale of Bonds	
232396 WTR01	Paper Expense -	Face Amount		
Administration	Financing Costs / 17731			
	UB Non-WSIP Water			
	Bond-CP Exp			
25960 WTR Revenue	10026521_ 0001 Puc-	495030	Water	\$5,500,000
Continuing / 232396	Water Inactive Project -	ITI Fr 5W- Water	Enterprise	
WTR01 Administration	Puc-Water Inactive	Department Fd	Revenue	
	Project /			
	15680 UW WTR			
	Revenue Transfer			
Total SOURCES Appropriation				\$26,071,000

1 Section 2. The uses of funding outlined below are herein appropriated in account 567000
 2 Buildings Structures and Improvements, 584030 Capital Renewal Projects, 581130 Internal
 3 Audits and 573110 Bond Issuance Cost, and reflects the projected uses of funding to support
 4 the Water Capital Improvement Program at the San Francisco Public Utilities Commission for
 5 Fiscal Year 2019-2020.

6 USES Appropriation

Fund /	Project & Activity /	Account	Description	Amount
Department ID	Authority			
26601 Water Capital	10015089_0001	567000	Water Supply &	\$18,000,000
Bond Fund /	Water Supply & Storage		Storage (Regional)	
232421 WTR0501	/ 15492 UW Water			
WST Admin	Supply & Storage			
25960 Revenue	10034505_0001 Water	584030	Water Supply Projects	\$5,500,000
Continuing /	Supply Projects Local		(Local)	
232406 WTR0304	Water Supply Projects /			
CDD Engineering	20711 Water			
	Diversification Projects			

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Fund / Department ID	Project & Activity / Authority	Account	Description	Amount
26601 Water Capital Bond Fund / 232396 WTR01 Administration	10026501_0001 Water Bond/Commercial Paper Expense - Financing Costs /17731 UB Non- WSIP Water Bond-CP Exp	573110 Bond Issuance Cost- Unamortized	Financing Cost	\$2,513,715
26601 Water Capital Bond Fund / 232396 WTR01 Administration	10026501_0001 Water Bond/Commercial Paper Expense - Financing Costs / 17731 UB Non- WSIP Water Bond-CP Exp	581130 GF-CON- Internal Audits	City Services Auditor	\$47,000
26601 Water Capital Bond Fund / 232396 WTR01 Administration	10026501_0001 Water Bond/Commercial Paper Expense - Financing Costs / 17731 UB Non- WSIP Water Bond-CP Exp	567000 Blds; Structures & Improvements	Revenue Bond Oversight Committee	\$10,285
Total USES Appropriation				\$26,071,000

1 Section 3. Of the above appropriated amount, \$47,000, representing 0.2% of the expenditure
2 budget net of bond financing and audit costs, is to be allocated and available to support the
3 Controller's Audit Fund, pursuant to Charter Appendix F1.113; and \$10,285, representing
4 0.05% of gross bond proceeds is to be allocated and available to support the San Francisco
5 Public Utilities Commission Revenue Bond Oversight Committee, pursuant to Administrative
6 Code Section 5A.31.

7
8 Section 4: \$20,571,000 of the appropriation is hereby placed on Controller's Appropriation
9 Reserve by project. Release of appropriation reserves by the Controller is subject to the
10 Controller's certification of funds availability, including A) proceeds of indebtedness; B) receipt
11 of commercial paper proceeds used as interim financing until issuance of revenue bonds; or C)
12 availability of commercial paper capacity authorizing the San Francisco Public Utilities
13 Commission to issue commercial paper as interim financing for bond-funded capital projects
14 and receipt from SFPUC of verification of available commercial paper capacity; and for
15 construction related expenditures (excluding program management, planning and design) for
16 these projects, as applicable, is also subject to the prior occurrence of the SFPUC's and the
17 Board of Supervisors' discretionary adoption of California Environmental Quality Act (CEQA)
18 Findings for projects, following review and consideration of completed project related
19 environmental analysis, where required.

20
21 Section 5. Associated Bond financing costs up to \$2,513,715 is also hereby appropriated,
22 including but not limited to, issuance costs, debt service reserve, capitalized interest, rating
23 agency, and disclosure costs, all on Controller's reserve pending receipt of bond proceeds.

1 Section 6. The uses of funding outlined below are herein appropriated in account 567000
 2 Buildings Structures and Improvements and reflects the projected uses of funding to
 3 support the Water System Improvement Program at the San Francisco Public Utilities
 4 Commission for Fiscal Year 2019-2020.

5
 6 USES De - Appropriation

7 Fund /	Project & Activity /	Account	Description	Amount
8 Department ID	Authority			
9 26416 WTR CPF	10015487_0002	567000	San Joaquin	(\$540,463)
10 2019 Regional Bond /	San Joaquin Water	Blds; Structures &	Water System	
11 232146 PUB0402	Sys Improve -	Improvements	Improvement	
12 Project Management	Project Closeout /			
	15674 UW San			
	Joaquin Water Sys			
	Impro			
17 26416 WTR CPF	10015492_0001	567000	Sunol Valley	(\$4,000,000)
18 2019 Regional Bond /	Sunol Valley Water	Blds; Structures &	Water System	
19 232421 WTR0501	System Impr -	Improvements	Improvement	
20 WST Admin	Budget Control /			
	15679 UW Sunol			
	Valley Water			
	System I			

1	Fund /	Project & Activity /	Account	Description	Amount
2	Department ID	Authority			
3	26230 WTR CPF	10015492_0001	567000	Sunol Valley	(\$16,865,928)
4	2002 Prop E Bond /	Sunol Valley Water	Blds; Structures &	Water System	
5	232396 WTR01	System Impr -	Improvements	Improvement	
6	Administration	Budget Control /			
7		15679 UW Sunol			
8		Valley Water			
9		System I			
10					
11	26230 WTR CPF	10015484_0002	567000	UW Bay Division	(\$6,060,000)
12	2002 Prop E Bond /	UW Bay Division	Blds; Structures &	Pipeline Upgrade	
13	232421 WTR0501	Pipeline Upgra -	Improvements		
14	WST Admin	Budget Control /			
15		15672 UW Bay			
16		Division Pipeline			
17		Upgra			
18					
19	26416 WTR CPF	10015484_0001	567000	UW Bay Division	(\$1,000,000)
20	2019 Regional Bond /	UW Bay Division	Blds; Structures &	Pipeline Upgrade	
21	232146 PUB0402	Pipeline Upgra -	Improvements		
22	Project Management	Wsjp Closeout-Bay			
23		Division / 15672			
24		UW Bay Division			
25		Pipeline Upgra			

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Fund / Department ID	Project & Activity / Authority	Account	Description	Amount
26220 WTR CPF	10015484_0002	567000	UW Bay Division	(\$1,545,645)
2002 Prop A Bond /	UW Bay Division	Blds; Structures &	Pipeline Upgrade	
232421 WTR0501	Pipeline Upgra -	Improvements		
WST Admin	Budget Control /			
	15672 UW Bay			
	Division Pipeline			
	Upgra			
26220 WTR CPF	10015486_0001	567000	Peninsula Water	(\$3,985,189)
2002 Prop A Bond /	Peninsula Water	Blds; Structures &	System	
232396 WTR01	System Improve -	Improvements	Improvement	
Administration	Budget Control /			
	15673 UW			
	Peninsula Water			
	System Impr			
Total USES De- Appropriation				(\$33,997,225)

1 USES Re - Appropriation

2

3

4

Fund /	Project & Activity /	Account	Description	Amount
Department ID	Authority			
26220 WTR CPF	10015241_0007	567000	Regional	\$5,530,834
2002 Prop A Bond /	Regional	Blds; Structures &	Groundwater	
232147 PUB0403	Groundwater	Improvements	Storage	
Construction Mgmt	Storage - Budget			
	Control / 15557 UW			
	Regional			
	Groundwater			
	Storag			
26416 WTR CPF	10015241_0007	567000	Regional	\$5,540,463
2019 Regional Bond /	Regional	Blds; Structures &	Groundwater	
232147 PUB0403	Groundwater	Improvements	Storage	
Construction Mgmt	Storage - Budget			
	Control /			
	15557 UW Regional			
	Groundwater			
	Storag			

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Fund / Department ID	Project & Activity / Authority	Account	Description	Amount
26230 WTR CPF	10015241_0007	567000	Regional	\$20,086,730
2002 Prop E Bond /	Regional	Blds; Structures &	Groundwater	
232147 PUB0403	Groundwater	Improvements	Storage	
Construction Mgmt	Storage - Budget			
	Control / 15557.UW			
	Regional			
	Groundwater			
	Storag			
26230 WTR CPF	10034919_0001	567000	System Wide	\$2,839,198
2002 Prop E Bond /	System Wide	Blds; Structures &	Regional	
232147 PUB0403	Regional - Budget	Improvements		
Construction Mgmt	Control /			
	15606			
	UW Program			
	Management			
	Services			
Total USES Re- Appropriation				<u>\$33,997,225</u>

1 Section 7: The Controller is authorized to record transfers between funds and adjust the
2 accounting treatment of sources and uses appropriated in this ordinance as necessary to
3 conform to Generally Accepted Accounting Principles.
4
5
6
7
8
9
10
11

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

14 By: BDH
15 BUCK DELVENTHAL
16 Deputy City Attorney

FUNDS AVAILABLE
BEN ROSENFELD, Controller

14 By: [Signature]
15 BEN ROSENFELD
16 Controller

<p>Items 1 and 2 Files 19-0571 and 19-0572</p>	<p>Department: Public Utilities Commission</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<p>File 18-0571 is an ordinance amending Ordinance No. 143-18 to authorize an increase in the San Francisco Public Utilities Commission (SFPUC) authorization to sale tax-exempt and taxable Water Revenue Bonds by \$35,084,529 from \$478,440,136 to \$513,524,665 to finance water capital projects.</p>	
<p>File 19-0572 is an ordinance appropriating \$26,071,000 of Water Revenue Bond proceeds and water revenues for the San Francisco Public Utilities Commission (SFPUC) Water Enterprise; and de-appropriating and re-appropriating \$33,997,225 of Water System Improvement Program appropriations for FY 2019-20, totaling \$60,068,225.</p>	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> • SFPUC owns and operates a municipal water supply, storage, and distribution system that provide drinking water to retail customers in the City, certain retail customers that are located outside of the City, and wholesale customers in Alameda County, Contra Costa County, and Santa Clara County. • Proposition E, approved by San Francisco voters in 2002, allows SFPUC to issue revenue bonds to pay for water capital projects. Proposition E did not set a cap on the amount of bonds that could be issued but requires a two-thirds vote by ordinance of the Board of Supervisors to authorize the issuance of bonds. The Board of Supervisors previously authorized the issuance and sale of \$4.2 billion in Water Revenue Bonds. • SFPUC's 10-Year Capital Plan provides for \$1.6 billion in Water Enterprise projects, of which \$763.2 million are regional water projects, \$736.1 million are local water projects, and \$125 million is for the Emergency Firefighting Water System. 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> • According to the SFPUC's 10-Year Financial Plan for FY 2019-20 to FY 2028-29, annual debt service on Water Revenue Bonds and other Water Enterprise debt is within the SFPUC's debt service coverage policy requirements. • SFPUC planned an 8.3 percent increase in water rates in FY 2019-20 and a 7.8 percent increase in water rates in FY 2020-21 to cover the Water Enterprise's operating and capital costs. 	
<p style="text-align: center;">Recommendation</p>	
<ul style="list-style-type: none"> • Approve File 19-0571 and File 19-0572. 	

MANDATE STATEMENT

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

Charter Section 5A.31(d) states that one-twentieth of one percent from the proceeds of each issuance or sale of public utility revenue bonds must be set aside for use by the Public Utilities Commission Revenue Bond Oversight Committee to cover the costs of Committee activities.

Charter Section 9.105 states that the Board of Supervisors shall approve by ordinance all amendments to the Annual Appropriation Ordinance after the Controller certifies the availability of funds.

BACKGROUND

The San Francisco Public Utilities Commission (SFPUC) owns and operates a municipal water supply, storage, and distribution system that provides drinking water to (1) retail customers in the City, (2) certain retail customers that are located outside of the City, and (3) wholesale customers in Alameda County, Contra Costa County, and Santa Clara County.

The SFPUC water system is divided into two geographic groups including (1) the regional water conveyance system and the (2) in-city (local) distribution system. The regional water conveyance system includes: (a) the Hetch Hetchy System, comprised of the Hetch Hetchy Reservoir and associated pipelines; (b) the Alameda System, comprised of the San Antonio and Calaveras Reservoirs and associated pipelines including the Irvington Tunnel; and (c) the Peninsula System, comprised of the San Andreas and Crystal Springs Reservoirs and associated pipelines that connect the regional water conveyance system to the in-city distribution system. The in-city distribution system is a series of pipelines that distributes water from the regional water conveyance system to residences and retail businesses in the City.

The Public Utilities Commission annually adopts a 10-Year Capital Plan and 10-Year Financial Plan in accordance with Charter Section 8B.123. The 10-Year Financial Plan evaluates the SFPUC's revenue requirements for the Water Enterprise, Wastewater Enterprise and Hetch Hetchy Enterprise to fund operations, maintenance and capital investment activities. For FY 2019-20 to FY 2028-29, the 10-Year Capital Plan provides for \$1.6 billion in Water Enterprise projects, of which \$763.2 million are regional water projects, \$736.1 million are local water projects, and \$125 million is for the Emergency Firefighting Water System.

DETAILS OF PROPOSED LEGISLATION

File 19-0571 is an ordinance (1) amending Ordinance No. 143-18 to authorize an increase of the issuance and sale of tax-exempt or taxable Water Revenue Bonds and other forms of indebtedness from \$478,440,136 to not-to-exceed \$513,524,665 to finance water capital projects; (2) authorizing the issuance of Water Revenue Refunding Bonds; (3) declaring the Official Intent of the Commission to reimburse itself; and (4) ratifying prior actions.

File 19-0572 is an ordinance (1) appropriating \$26,071,000 of Water Revenue Bond proceeds and water revenues for the SFPUC Water Enterprise's capital improvement program for FY 2019-20; (2) de-appropriating and re-appropriating \$33,997,225 of Water System Improvement Program appropriations for FY 2019-20; and (3) placing \$20,571,000 on Controller's Reserve pending certification of available funds and adoption of California Environmental Quality Act (CEQA) findings for specified projects.

File 19-0571: Water Revenue Bonds

The San Francisco voters approved Proposition E in 2002, authorizing the SFPUC to sell future Water Revenue Bonds subject to approval by ordinance of two-thirds of the Board of Supervisors. According to SFPUC's Comprehensive Annual Financial Report, SFPUC had \$5.0 billion in outstanding Water Revenue Bonds as of June 30, 2018.

In June 2018, the Board of Supervisors authorized SFPUC to issue and sell not-to-exceed \$478,440,136 of Water Revenue Bonds (File No. 18-0451; Ordinance No. 143-18). Approval of the proposed ordinance (File 19-0571) would amend Ordinance No. 143-18 to increase the bonding authority by \$35,084,529 to \$513,524,665 to provide funds for additional capital projects for the Water Enterprise.

The proposed amended allocation of bond proceeds is shown in Table 1 below.

Table 1: Amended Allocation of \$513,524,665 in Water Revenue Bonds

Use	Original		Amendment		Total
	Water Enterprise (File 18-0451)	Hetch Hetchy Water (File 18-0450)	Water Enterprise (File 19-0571)	Hetch Hetchy Water (File 19-0545) ^a	
Capital Project Appropriation	\$329,219,969	\$89,415,150	\$18,000,000	\$12,336,500	\$448,971,619
Financing Costs (14%)	46,184,858	12,543,668	2,513,715	2,169,772	63,412,013
City Services Auditor (0.2%)	658,440	178,830	47,000	--	884,270
Revenue Bond Oversight Committee (0.05%)	188,126	51,094	10,285	7,257	256,762
Total	\$376,251,393	\$102,188,742	\$20,571,000	\$14,513,529	\$513,524,665

^a The appropriation of Hetch Hetchy Water Bond proceeds for the Mountain Tunnel project is discussed further in the Budget and Legislative Analyst report for Files 19-0545 and 19-0546.

Financing costs of \$63,412,013, equal to approximately 14 percent of the bond allocation to capital projects, are for issuance costs, debt service reserve, capitalized interest¹, bond counsel, and other costs.

File 19-0572: Appropriation, De-Appropriation, and Re-Appropriation to Water Enterprise

The proposed ordinance (File 19-0572) would appropriate bond proceeds and Water Enterprise revenues to regional water supply and storage projects and local water supply projects, as shown in Table 2 below. The supplemental appropriation would (1) add approximately \$13.5 million in FY 2019-20 funding for exploring alternative methods to expand regional water

¹ Capitalized interest is the accrual of interest prior to the receipt of revenues to repay the bonds.

sources including the Indirect Potable Reuse Project, Los Vaqueros expansion, and the Regional Desalination Project; (2) moving approximately \$4.5 million of the \$29.8 million budget for the Daly City Recycled Water Project from FY 2021-22 to FY 2019-20 to expedite project planning and design; (3) add \$5.5 million in new FY 2019-20 funding for exploring alternative methods to expand local water sources including the Eastside Water Purification Project; and (4) add approximately \$2.6 million in new FY 2019-20 funding for costs associated with the issuance of Water Revenue bonds.

The proposed ordinance would also de-appropriate funds from water system improvement projects that have been completed and closed out and re-appropriate the funds to the Regional Groundwater Storage Project and other system wide regional projects, as shown in Table 2.

Table 2: Proposed Water Enterprise Appropriation, De-Appropriation, and Re-Appropriation for FY 2019-20

	FY 2019-20
Appropriation Sources	
Bond Proceeds	\$20,571,000
Water Enterprise Revenue	5,500,000
Total Sources	\$26,071,000
Appropriation Uses	
Water Supply and Storage (Regional)	\$18,000,000
Water Supply Projects (Local)	5,500,000
Financing Costs	2,513,715
City Services Auditor (0.2%)	47,000
Revenue Bond Oversight Committee (0.05%)	10,285
Total Uses	\$26,071,000
De-Appropriation	
<i>Close Out of Water System Improvement Program</i>	
San Joaquin	(\$540,463)
Sunol Valley	(20,865,928)
Bay Division	(8,605,645)
Peninsula	(3,985,189)
Total De-Appropriation	(\$33,997,225)
Re-Appropriation	
Regional Groundwater Storage Project	\$31,158,027
System Wide Regional	2,839,198
Total Re-Appropriation	\$33,997,225

Of the proposed appropriation of the \$26,071,000, the \$20,571,000 in bond proceeds would be placed on Controller's Reserv  pending certification of available funds.

FISCAL IMPACT

SFPUC Debt Service Coverage Policy and Financial Plan

According to the SFPUC Comprehensive Annual Financial Report (CAFR), as of June 30, 2018, the SFPUC Water Enterprise had \$5.0 billion in outstanding debt, including \$4.9 billion in Water

Revenue Bonds and \$107.1 million in Certificates of Participation. The Water Enterprise's annual debt service payments in FY 2018-19 are \$286 million, increasing to \$307 million in FY 2019-20 and \$309 million in FY 2020-21.

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

- Indenture coverage²: net revenues equal to a minimum of 1.35 times annual debt service
- Current coverage³: net revenues equal to a minimum of 1.10 times annual debt service

According to the SFPUC's 10-Year Financial Plan for FY 2019-20 to FY 2028-29, annual debt service on Water Revenue Bonds and other Water Enterprise debt is within the SFPUC's debt service coverage policy requirements.

Water Rate Increases in FY 2019-20 and FY 2020-21

SFPUC bills residential customers for a combined water and sewer bill. The average monthly residential combined water and sewer bill in FY 2018-19 is \$115, of which \$52 is water and \$63 is sewer. According to the FY 2019-20 to FY 2028-29 10-Year Financial Plan, SFPUC planned an 8.3 percent increase in water rates in FY 2019-20 and a 7.8 percent increase in water rates in FY 2020-21 to cover the Water Enterprise's operating and capital costs. The 10-Year Financial Plan estimates that the average monthly residential water bill will increase by \$4 in FY 2019-20, from \$52 in FY 2018-19 to \$56 in FY 2019-20; and by \$5 in FY 2020-21, from \$56 in FY 2019-20 to \$61 in FY 2020-21.

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

POLICY CONSIDERATION

San Francisco voters approved Proposition E in 2002, authorizing the SFPUC to sell future Water Revenue Bonds subject to approval by ordinance of two-thirds of the Board of Supervisors. Proposition E did not set a maximum amount of the Water Revenue Bonds that could be authorized. As of June 4, 2019, the Board of Supervisors authorized \$4,234,873,289 in Water Revenue Bonds. To date, \$3,339,462,000 of the Proposition E bonds have been issued and sold with \$895,411,289 in authorized and unsold bonds. According to Mr. Carlos Jacobo, Budget Director at SFPUC, SFPUC anticipates selling additional Water Revenue Bonds in the first or second quarter of FY 2019-20 with exact amounts depending on project spending and the availability of commercial paper.

² Indenture coverage is the ratio of Net Revenues + Unappropriated Fund Balance to Annual Debt Service

³ Current coverage is the ratio of Net Revenues to Annual Debt Service

The proposed ordinance (File 19-0571) would authorize an additional \$35.1 million in Water Revenue Bonds for a total of over \$930 million in authorized and unsold Proposition E Water Revenue Bonds. The SFPUC's policy is to request authorization for bonds and other form of debt to fund new capital appropriations. Because water capital projects occur over a long period of time, projects and project financing change, which may result in previously authorized bonds no longer being needed.

RECOMMENDATION

Approve File 19-0571 and File 19-0572.

OFFICE OF THE MAYOR
SAN FRANCISCO



LONDON N. BREED
MAYOR

SK

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Sophia Kittler
RE: Appropriation - Proceeds from Revenue Bonds and Water Revenues of \$26,071,000 for Water Capital Improvements and de-appropriation and re-appropriation of \$33,997,225 for Water System Improvement Program — FY 2019-2020
DATE: May 21, 2019

Ordinance appropriating a total of \$26,071,000 of proceeds from Revenue Bonds and water revenues for the San Francisco Public Utilities Commission (SFPUC) Water Enterprise's Capital Improvement Program for FY2019-2020 at \$26,071,000, de-appropriating and re-appropriating \$33,997,225 of Water System Improvement Program appropriations for FY 2019-20, and placing \$20,571,000 of Revenue Bond proceeds by project on Controller's reserve subject to the Controller's certification of funds availability, including proceeds of indebtedness, and for construction related expenditures (excluding program management, planning and design) for these projects, as applicable, is also subject to the prior occurrence of the SFPUC's and the Board of Supervisors' discretionary adoption of California Environmental Quality Act (CEQA) Findings for projects, following review and consideration of completed project related environmental analysis, where required.

Should you have any questions, please contact Sophia Kittler at 415-554-6153.

2019 MAY 21 PM 2:42
AK
BOARD OF SUPERVISORS
SAN FRANCISCO