

File No. 240897

Committee Item No. 6

Board Item No. 2

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date October 30, 2024

Board of Supervisors Meeting

Date November 19, 2024

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- PUC Resolution No. 24-0193 9/10/2024
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Completed by: Brent Jalipa

Date October 24, 2024

Completed by: Brent Jalipa

Date October 31, 2024

1 [Increase of Wastewater Enterprise Interim Funding Program - Not to Exceed \$1,250,000,000;
 2 Increase of Water Enterprise Interim Funding Program - Not to Exceed \$750,000,000;
 3 Increase of Power Enterprise Interim Funding Program - Not to Exceed \$450,000,000]

4 **Ordinance authorizing (i) an increase of the aggregate principal amount of the**
 5 **Wastewater Enterprise's Interim Funding Program from an aggregate principal amount**
 6 **of \$750,000,000 to a not to exceed aggregate principal amount of \$1,250,000,000 to**
 7 **finance on a short-term interim basis various capital projects benefitting the**
 8 **Wastewater Enterprise, (ii) an increase of the aggregate principal amount of the Water**
 9 **Enterprise's Interim Funding Program from an aggregate principal amount of**
 10 **\$500,000,000 to a not to exceed aggregate principal amount of \$750,000,000 to finance**
 11 **on a short-term interim basis various capital projects benefitting the Water Enterprise,**
 12 **and (iii) an increase of the aggregate principal amount of the Power Enterprise's Interim**
 13 **Funding Program from an aggregate principal amount of \$250,000,000 to a not to**
 14 **exceed aggregate principal amount of \$450,000,000 to finance on a short-term interim**
 15 **basis various capital projects benefitting the Power Enterprise; and ratifying previous**
 16 **actions taken in connection therewith, as defined herein.**

17
 18 Note: Additions are *single-underline italics Times New Roman*;
 19 deletions are *strikethrough italics Times New Roman*.
 20 Board amendment additions are double underlined.
 21 Board amendment deletions are ~~strikethrough normal~~.

22 Be it ordained by the People of the City and County of San Francisco ("City");

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

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

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

8 B. On June 5, 2018, the voters of the City approved Proposition A ("Proposition A"),
9 which among other things, amended Section 8B.124 of the Charter of the City ("Charter") to
10 authorize the Commission to issue indebtedness, including revenue bonds, notes, commercial
11 paper or other forms of indebtedness, when authorized by ordinance approved by a two-thirds
12 vote of the Board, for the purpose of reconstructing, replacing, expanding, repairing or
13 improving power facilities under the jurisdiction of the Commission ("Power Enterprise"), or for
14 any other lawful purpose of the power facilities of the City in furtherance of the purposes
15 specified in Charter Section 8B.124, provided that the Commission is prohibited from financing
16 the construction of power plants that generate electricity using fossil fuels or nuclear energy
17 under Proposition A; and

18 C. Pursuant to Section 43.5 of the San Francisco Administrative Code ("Article V"),
19 enacted by Ordinance No. 203-98 adopted by the Board on June 8, 1998, and signed by the
20 Mayor of the City on June 19, 1998, as amended by Ordinance No. 270-06, adopted on
21 October 24, 2006 by the Board and signed by the Mayor on October 31, 2006,
22 the Board established a procedure pursuant to which the Commission may issue short-term
23 indebtedness (including the issuance of commercial paper and other forms of short-term
24 indebtedness) in anticipation of the issuance of its revenue bonds; and
25

1 D. As it relates to the Wastewater Enterprise: (i) the Board has previously approved
2 pursuant to Ordinance No. 266-06, adopted by the Board on October 24, 2006, and signed by
3 the Mayor on October 31, 2006, the establishment of a commercial paper program/interim
4 funding program (“Wastewater Interim Funding Program”) for the Wastewater Enterprise and
5 the issuance of up to \$150 million, at that time, in aggregate principal amount of Wastewater
6 Enterprise commercial paper notes and/or bank notes outstanding at any one time; (ii) the
7 Board has approved pursuant to Ordinance No. 91-12, adopted by the Board on May 8, 2012,
8 and signed by the Mayor on May 14, 2012, an ordinance to authorize, an increase in the
9 Wastewater Interim Funding Program to an aggregate principal amount not-to-exceed \$300
10 million, at that time, of commercial paper notes and/or bank notes outstanding at any one time
11 from an aggregate principal amount of not-to-exceed \$150 million of commercial paper notes
12 and/or bank notes outstanding at any one time; (iii) the Board has approved pursuant to
13 Resolution No. 378-14, adopted by the Board on September 30, 2014, and signed by the
14 Mayor on October 9, 2014, a resolution to authorize, an increase in the Wastewater Interim
15 Funding Program to an aggregate principal amount not-to-exceed \$500 million, at that time, of
16 commercial paper notes and/or bank notes outstanding at any one time from an aggregate
17 principal amount of not-to-exceed \$300 million of commercial paper notes and/or bank notes
18 outstanding at any one time; and (iv) the Board has approved pursuant to Resolution No. 193-
19 17, adopted by the Board on May 23, 2017, and signed by the Mayor on May 26, 2017, an
20 increase in the Wastewater Interim Funding Program to an aggregate principal amount not-to-
21 exceed \$750 million from \$500 million aggregate principal amount of short-term indebtedness
22 (including, but not limited to, commercial paper notes and/or bank notes), outstanding at any
23 one time; and

24 E. Pursuant to (i) Ordinance No. 128-21, adopted by the Board on July 27, 2021 and
25 signed by the Mayor on August 4, 2021, (ii) Ordinance No. 110-22, adopted by the Board on

1 June 14, 2022 and signed by the Mayor on June 24, 2022, (iii) Ordinance No. 181-23, adopted
2 by the Board on July 25, 2023 and signed by the Mayor on July 28, 2023, and (iv) Ordinance
3 No. 125-24, adopted by the Board on June 11, 2024 and signed by the Mayor on June 21,
4 2024, the Board has authorized the issuance from time to time of up to \$4,030,588,703 of
5 Wastewater Enterprise revenue bonds and other forms of indebtedness of the Commission
6 under Proposition E, and in the anticipation of the issuance of such indebtedness, has
7 authorized the issuance of short-term indebtedness of the Commission; and

8 F. As it relates to the Water Enterprise: (i) the Board has previously approved pursuant
9 to Ordinance No. 300-03, adopted by the Board on May 6, 2003, and signed by the Mayor on
10 May 16, 2003, the establishment of a commercial paper program/interim funding program
11 (“Water Interim Funding Program”) for the Water Enterprise and the issuance of up to \$250
12 million, at that time, in aggregate principal amount of Water Enterprise commercial paper notes
13 and/or bank notes outstanding at any one time; and (ii) the Board has previously approved
14 pursuant to Ordinance No. 311-08, adopted by the Board on December 16, 2008 and signed
15 by the Mayor on December 19, 2008, an increase in the Water Interim Funding Program from
16 an aggregate principal amount of \$250 million to an aggregate principal amount of \$500 million
17 outstanding at any one time; and

18 G. Pursuant to (i) Ordinance No. 174-20 adopted by the Board on September 29, 2020
19 and signed by the Mayor on October 1, 2020, (ii) Ordinance No. 112-22, adopted by the Board
20 on June 14, 2022 and signed by the Mayor on June 24, 2022, (iii) Ordinance No. 180-23,
21 adopted by the Board on July 25, 2023 and signed by the Mayor on July 28, 2023, and (iv)
22 Ordinance No. 131-24 adopted by the Board on June 18, 2024 and signed by the Mayor on
23 June 27, 2024, the Board has authorized the issuance from time to time of up to
24 \$1,887,552,493 of water revenue bonds and other forms of indebtedness of the Commission
25 under Proposition E, and in the anticipation of the issuance of such indebtedness, has

1 authorized the issuance of short-term indebtedness of the Commission; and

2 F. As it relates to the Power Enterprise: (i) the Board has previously approved pursuant
3 to Resolution No. 427-15, adopted by the Board on November 17, 2015, and signed by the
4 Mayor on November 25, 2015, the establishment of a commercial paper program/interim
5 funding program (“Power Interim Funding Program”) for the Power Enterprise and the issuance
6 of up to \$90 million, at that time, in aggregate principal amount of Power Enterprise
7 commercial paper notes outstanding at any one time; and (ii) the Board has previously
8 approved pursuant to Ordinance No. 2-19, adopted by the Board on January 15, 2019, and
9 signed by the Mayor on January 18, 2019, an increase in the Power Interim Funding Program
10 from an aggregate principal amount of \$90 million to an aggregate principal amount of \$250
11 million of commercial paper notes outstanding at any one time; and

12 G. Pursuant to (i) Ordinance No. 142-18 adopted by the Board on June 12, 2018 and
13 signed by the Mayor on June 20, 2018, (ii) Ordinance No. 152-19 adopted by the Board on
14 June 25, 2019 and signed by the Mayor on June 28, 2019, (iii) Ordinance No. 127-21 adopted
15 by the Board on July 27, 2021 and signed by the Mayor on August 4, 2021, (iv) Ordinance No.
16 109-22 adopted by the Board on June 14, 2022 and signed by the Mayor on June 24, 2022, (v)
17 Ordinance No. 182-23 adopted by the Board on July 25, 2023 and signed by the Mayor on July
18 28, 2023, and (vi) Ordinance No. 126-24 adopted by the Board on June 11, 2024 and signed
19 by the Mayor on June 21, 2024, the Board has authorized the issuance from time to time of up
20 to \$836,960,525 of Power Enterprise revenue bonds and other forms of indebtedness of the
21 Commission under Proposition A and Sections 9.107(6) and 9.107(8) of the Charter, and in the
22 anticipation of the issuance of such indebtedness, has authorized the issuance of short-term
23 indebtedness of the Commission; and

24 H. Under Section 8B.124 of the Charter, the Board’s authority to authorize an issuance
25 of debt under Proposition A or Proposition E, as applicable, is subject to the provision of

1 certain certifications of an independent engineer retained by Commission and certain
2 certifications by the San Francisco Planning Department, which certifications shall make the
3 findings and determinations set forth in Charter Section 8B.124 (“Proposition A Certificates” or
4 “Proposition E Certificates” (as applicable)), such Proposition A Certificates are on file with the
5 Clerk of the Board in, for the Water Enterprise, File No. 240455 and are part of Ordinance No.
6 131-24, and for the Wastewater Enterprise, File No. 240453 and are part of Ordinance
7 No. 125-24, and such Proposition E Certificates are on file with the Clerk of the Board in File
8 No. 240454 and are part of Ordinance No. 126-24; and

9 I. On September 10, 2024, the Commission approved Resolution No. 24-1093 to
10 authorize: (i) the expansion of the Wastewater Interim Funding Program through a \$500
11 million increase in the aggregate principal amount of short-term indebtedness authorized to be
12 outstanding at any one time under the Wastewater Interim Funding Program, increasing
13 authorization to \$1.250 billion from \$750 million of aggregate principal amount of short-term
14 indebtedness outstanding at any one-time (including, but not limited to, commercial paper
15 notes, revolving notes, bank notes, revolving lines of credit, any fixed and/or variable rate
16 short-term borrowing facility/program and/or any other short-term borrowing vehicle which
17 furthers the purpose and intent of the Wastewater Interim Funding Program), (ii) the expansion
18 of the Water Interim Funding Program through a \$250 million increase in the aggregate
19 principal amount of short-term indebtedness authorized to be outstanding at any one time
20 under the Water Interim Funding Program, increasing authorization to \$750 million from \$500
21 million of aggregate principal amount of short-term indebtedness outstanding at any one-time
22 (including, but not limited to, commercial paper notes, revolving notes, bank notes, revolving
23 lines of credit, any fixed and/or variable rate short-term borrowing facility/program and/or any
24 other short-term borrowing vehicle which furthers the purpose and intent of the Water Interim
25 Funding Program), and (iii) the expansion of the Power Interim Funding Program through a

1 \$200 million increase in the aggregate principal amount of short-term indebtedness authorized
2 to be outstanding at any one time under the Power Interim Funding Program, increasing
3 authorization to \$450 million from \$250 million of aggregate principal amount of short-term
4 indebtedness outstanding at any one-time (including, but not limited to, commercial paper
5 notes, revolving notes, bank notes, revolving lines of credit, any fixed and/or variable rate
6 short-term borrowing facility/program and/or any other short-term borrowing vehicle which
7 furthers the purpose and intent of the Power Interim Funding Program), contingent upon
8 adoption by the Board of this Ordinance; and

9 J. The Board now desires to authorize the expansions of the Wastewater Interim
10 Funding Program, the Water Interim Funding Program and the Power Interim Funding
11 Program as set forth herein and in accordance herewith.

12 Section 2. Approval and Authorization of Expansion of Wastewater Interim Funding
13 Program. The Board hereby approves the expansion of the Wastewater Interim Funding
14 Program through a \$500 million increase in the aggregate principal amount of short-term
15 indebtedness authorized to be outstanding at any one time under the Wastewater Interim
16 Funding Program, increasing authorization to \$1.250 billion from \$750 million of aggregate
17 principal amount of short-term indebtedness outstanding at any one-time (including, but not
18 limited to, commercial paper notes, revolving notes, bank notes, revolving lines of credit, any
19 fixed and/or variable rate short-term borrowing facility/program and/or any other short-term
20 borrowing vehicle which accomplishes the purpose and intent of the Wastewater Interim
21 Funding Program). The Board further approves of such short-term indebtedness to be issued
22 by or on behalf of the Commission and the Commission is hereby authorized to determine the
23 form of the document related to any such short-term indebtedness, the timing, the amount and
24 the manner of sale; provided, however, that such Commission authorization is subject to the
25 approval, by a resolution of the Commission, of the form of the document(s) related to such

1 short-term indebtedness and, in the case of any projects financed under Section 8B.124 of the
2 Charter, filing with the Clerk of the Board of the necessary Proposition E Certificates.

3 Section 3. Approval and Authorization of Expansion of Water Interim Funding
4 Program. The Board hereby approves the expansion of the Water Interim Funding Program
5 through a \$250 million increase in the aggregate principal amount of short-term indebtedness
6 authorized to be outstanding at any one time under the Water Interim Funding Program,
7 increasing authorization to \$750 million from \$500 million of aggregate principal amount of
8 short-term indebtedness outstanding at any one-time (including, but not limited to, commercial
9 paper notes, revolving notes, bank notes, revolving lines of credit, any fixed and/or variable
10 rate short-term borrowing facility/program and/or any other short-term borrowing vehicle which
11 accomplishes the purpose and intent of the Water Interim Funding Program). The Board
12 further approves of such short-term indebtedness to be issued by or on behalf of the
13 Commission and the Commission is hereby authorized to determine the form of the document
14 related to any such short-term indebtedness, the timing, the amount and the manner of sale;
15 provided, however, that such Commission authorization is subject to the approval, by a
16 resolution of the Commission, of the form of the document(s) related to such short-term
17 indebtedness and, in the case of any projects financed under Section 8B.124 of the Charter,
18 filing with the Clerk of the Board of the necessary Proposition E Certificates.

19 Section 4. Approval and Authorization of Expansion of Power Interim Funding
20 Program. The Board hereby approves the expansion of the Power Interim Funding Program
21 through a \$200 million increase in the aggregate principal amount of short-term indebtedness
22 authorized to be outstanding at any one time under the Power Interim Funding Program,
23 increasing authorization to \$450 million from \$250 million of aggregate principal amount of
24 short-term indebtedness outstanding at any one-time (including, but not limited to, commercial
25 paper notes, revolving notes, bank notes, revolving lines of credit, any fixed and/or variable

1 rate short-term borrowing facility/program and/or any other short-term borrowing vehicle which
2 accomplishes the purpose and intent of the Power Interim Funding Program). The Board
3 further approves of such short-term indebtedness to be issued by or on behalf of the
4 Commission and the Commission is hereby authorized to determine the form of the document
5 related to any such short-term indebtedness, the timing, the amount and the manner of sale;
6 provided, however, that such Commission authorization is subject to the approval, by a
7 resolution of the Commission, of the form of the document(s) related to such short-term
8 indebtedness and, in the case of any projects financed under Section 8B.124 of the Charter,
9 filing with the Clerk of the Board of the necessary Proposition A Certificates.

10 Section 5. General Authority. The General Manager of the Commission, the Controller
11 of the City, the Director of the Office of Public Finance, the Treasurer, the City Attorney and
12 other officers of the City and their duly authorized deputies and agents are hereby authorized
13 and directed, jointly and severally, to take such actions and to execute and deliver such
14 certificates, agreements, requests or other documents, as necessary or desirable to facilitate
15 the issuance, sale and delivery of the short-term indebtedness (including, but not limited to,
16 commercial paper notes, revolving notes, bank notes, revolving lines of credit, any fixed and/or
17 variable rate short-term borrowing facility/program and/or any other short-term borrowing
18 vehicle which accomplishes the purpose and intent of the respective Interim Funding
19 Program), and to otherwise carry out the provisions of this Ordinance. In addition, and subject
20 to any current and/or future ordinance/resolution of this Board, the proceeds of any short-term
21 indebtedness authorized herein and by such ordinance/resolution of this Board, may be used
22 to refund/refinance any outstanding short-term indebtedness.

23 Section 6. Ratification of Prior Actions. All actions authorized and directed by this
24 Ordinance and heretofore taken are hereby ratified, approved and confirmed by this Board.

25 ///

1 Section 7. Effective Date. Pursuant to Sections 14.102 and 8B.124 of the Charter, this
2 Ordinance shall take effect thirty (30) days after its adoption.

3
4 APPROVED AS TO FORM:

5 DAVID CHIU
6 CITY ATTORNEY

7
8 BY: /s/
9 KATHERINE THURSBY-ORTEGA
Deputy City Attorney

LEGISLATIVE DIGEST

[Increase of Wastewater Enterprise Interim Funding Program - Not-to-exceed \$1,250,000,000
Increase of Water Enterprise Interim Funding Program – Not-to-exceed \$750,000,000
Increase of Power Enterprise Interim Funding Program – Not-to-exceed \$450,000,000]

Ordinance authorizing (i) an increase of the not-to-exceed aggregate principal amount of the Wastewater Enterprise’s Interim Funding Program by \$500,000,000 from an aggregate principal amount not-to-exceed \$750,000,000 to an aggregate principal amount not-to-exceed \$1,250,000,000, to finance on a short-term interim basis various capital projects benefitting the Wastewater Enterprise, (ii) an increase of the not-to-exceed aggregate principal amount of the Water Enterprise’s Interim Funding Program by \$250,000,000 from an aggregate principal amount not-to-exceed \$500,000,000 to an aggregate principal amount not-to-exceed \$750,000,000, to finance on a short-term interim basis various capital projects benefitting the Water Enterprise, and (iii) an increase of the not-to-exceed aggregate principal amount of the Power Enterprise’s Interim Funding Program by \$200,000,000 from an aggregate principal amount not-to-exceed \$250,000,000 to an aggregate principal amount not-to-exceed \$450,000,000, to finance on a short-term interim basis various capital projects benefitting the Power Enterprise; and ratifying previous actions taken in connection therewith, as defined herein.

Existing Law

Section 8B.124 of the Charter authorizes the San Francisco Public Utilities Commission (PUC) 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. Such indebtedness may be issued for, amongst other purposes, any lawful purpose to finance capital projects for the Water, Wastewater, and Power Enterprises of the City.

The purpose of this action is to increase the authority of the PUC to provide cost-effective interim (short-term) funding for the Wastewater, Water, and Power Enterprises’ capital projects pursuant to each Enterprise’s respective 10-year capital improvement plan.

Expansion of the respective Enterprises’ short-term borrowing programs requires approval from the Board. San Francisco Administrative Code Section 43.5, Article V (Ordinance No. 203-98 and adopted by the Board on June 8, 1998, as amended by Ordinance No. 270-06, adopted by the Board on October 24, 2006), established a procedure for the Commission to issue short-term indebtedness, including the issuance of commercial paper in anticipation of the issuance of revenue bonds.

Amendments to Current Law

The total authorized interim (short-term) funding principal for each Enterprise that may be outstanding at any one time, as approved by this Board, has historically changed as follows:

Fiscal Year	2007	2012	2015	2017	2025 (Proposed)
WASTEWATER	\$150m	\$300m	\$500m	\$750m	\$1.25b
Ordinance/Resolution	266-06	91-12	378-14	193-17	<i>Proposed</i>
BOS Approval	Oct-06	May-12	Sep-14	May-17	<i>Nov-24</i>
Fiscal Year	2003	2009			2025 (Proposed)
WATER	\$250m	\$500m			\$750m
Ordinance/Resolution	300-03	311-08			<i>Proposed</i>
BOS Approval	May-03	Dec-08			<i>Nov-24</i>
Fiscal Year	2016	2019			2025 (Proposed)
POWER*	\$90m	\$250m			\$450m
Ordinance	427-15	2-19			<i>Proposed</i>
BOS Approval	Nov-15	Jan-19			<i>Nov-24</i>

- *The Power Enterprise commercial paper program is authorized under Sections 9.107(6) and 9.107(8) in addition to Chapter 43, Article V of the Charter as of November 2018.*

Authority Granted

This ordinance authorizes the following increases:

- Wastewater Enterprise: Increases the interim (short-term) funding limit from \$750 million to \$1.25 billion.
- Water Enterprise: Increases the interim (short-term) funding limit from \$500 million to \$750 million.
- Power Enterprise: Increases the interim (short-term) funding limit from \$250 million to \$450 million.

Background Information

Interim funding instruments, such as commercial paper, bank notes, etc., are short-term financing tools used to bridge the gap between project initiation and the long-term capital project financing that typically comes through revenue bonds or other debt instruments. The PUC uses interim funding to proceed with critical infrastructure projects without delay, proceeding with long-term capital improvement plans on schedule, while ensuring that essential services continue to operate efficiently. This approach provides flexibility in managing cash flow and project timelines while longer-term financing solutions are structured and secured. Interim funding tools allow the PUC to borrow only when needed, helping the agency prevent large bond issuances before they are needed, saving ratepayers money. Interim financing also helps the PUC manage tax risks by issuing bonds principally for expenditures that have already been made, streamlining compliance with IRS rules on spend down of tax-exempt proceeds, and

allows the agency to demonstrate funding for Controller budget releases without prematurely issuing bonds.

Reason for Expansion of the Programs: In February 2024, the Commission adopted the 10-Year Capital Plans for each of the Wastewater Enterprise, Water Enterprise, and Hetch Hetchy Water and Power Enterprise, for FY 2024-25 through 2033-34. These 10-Year Capital Plans reflect an overall 34.4% increase in size from the previously approved plans, growing from \$8.8 billion to \$11.8 billion in aggregate. The projected revenue bond issuance needed to fund the plans has also grown commensurately.

The proposed expanded programs for each Enterprise are intended to meet the interim expenditures and appropriation releases needed over the future two-year budget periods of the Capital Plans. Issued commercial paper or other interim funding sources will be retired by long-term revenue bonds or future state and/or federal loans, if available, including SRF Loans and WIFIA Loans. When long-term financing is secured, interim funding program capacity is released to be used again to provide funding for project appropriations in subsequent two-year budget periods.

Increases to the programs' sizes will provide additional flexibility and allow the PUC to release approximately two years of appropriations against the programs, such that the PUC could incur actual expenditures before issuing revenue bonds or borrowing additional state or federal loans. Simply securing the letters of credit or other facilities authorized under the expansions will provide the basis for the Controller's release of project funds. This process is much more expedient and cost-effective than issuing bonds in anticipation of future spending.

As contract payments are due, the PUC has and will issue commercial paper or make draws under a borrowing vehicle under the applicable short-term interim funding program to pay those contract payment costs on a programmatic basis. In today's market, the PUC's commercial paper borrowing results in (in aggregate, across all enterprises) an approximately 4% all-in borrowing rate. This provides low-cost, interim short-term funding for capital project expenditures, in all cases in advance of the issuance of long-term revenue bonds. As the Federal Reserve continues to lower rates, the rates on commercial paper should also decline. The credit markets provide lower interest rates for a commercial paper program that has credit or liquidity support through one or more letters of credit or liquidity facilities, and that also has qualified dealers to issue and remarket the commercial paper to investors. Other short-term funding products, such as revolving lines of credit, can also provide low-cost interim funding for projects.

The proposed Enterprise programs' sizes align to the average projected, consecutive two-year budget periods in the respective five-year capital plans. These amounts are used as proxies for anticipated appropriation releases and encumbrances. These years encompass the largest anticipated expenditures of each of the capital plans.

Debt Funded Capital Improvement Plan Appropriation (in \$ 000s):

FY	Water CIP	Water 2-yr CIP	WW CIP	WW 2-yr CIP	Power CIP	Power 2-yr CIP
2024	305,138		890,195		100,398	
2025	435,622	740,759	774,782	1,664,978	182,773	283,171
2026	444,134	879,756	683,538	1,458,320	227,010	409,784
2027	463,465	907,599	806,528	1,490,066	243,820	470,831
2028	338,515	801,980	447,426	1,253,954	268,348	512,168
2029	213,137	551,652	253,145	700,571	186,106	454,454
	2-yr Avg:	776,349		1,313,578		426,081
	Current Program	500,000		750,000		250,000
	Proposed Amendment	250,000		500,000		200,000
	Proposed Interim Funding Program	750,000		1,250,000		450,000

The expanded Enterprise programs will complement future revenue bond issuances in the 10-year financial plans, and will provide flexibility with respect to the timing of those issuances. With the expansions, the PUC may obtain additional credit facilities to support capital projects on an interim basis. After capital spending tapers in the later years of the capital plans, excess credit facilities may be allowed to expire or terminate.

Expanded facilities are not expected to be used entirely or immediately upon the Board's adoption of an ordinance with the terms described here. Credit facility procurement and entry into project contracts will both be strategically timed. This work will be coordinated with the renewal of existing facilities and structured to achieve optimal pricing of PUC credit facilities. As is standard practice for the PUC, the PUC plans to seek proposals for credit facilities through a competitive solicitation process from a pre-qualified pool of bank credit facility providers. The Commission will be asked to approve any new credit facility agreements to be created under this expansion.

The increase in the size of interim financing does not change the amount of debt authorized to be undertaken by the PUC, but merely expands the interim financing tool.

Item 6 File 24-0897	Department: San Francisco Public Utilities Commission
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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would increase the aggregate principal amount of San Francisco Public Utility Commission (SFPUC) Interim Funding Programs to finance various capital projects on a short-term basis, as follows: (a) an increase of \$500 million to a not to exceed amount of \$1.25 billion for the Wastewater Enterprise’s Interim Funding Program; (b) an increase of \$250 million to a not to exceed amount of \$750 million for the Water Enterprise Interim-Funding Program; and (c) an increase of \$200 million to a not to exceed amount of \$450 million for the Power Enterprise Interim-Funding Program.

Key Points

- The SFPUC can issue commercial paper (or other forms of short-term debt) under its Interim-Funding Programs in advance of an anticipated longer-term revenue bond sale in order to provide short-term funding (no more than 270 days) to finance capital projects. Proceeds from the sale of revenue bonds are then used to pay off the shorter-term debt. The Board of Supervisors previously authorized separate Interim-Funding Programs for the Wastewater Enterprise, Water Enterprise, and Power Enterprise and approved subsequent increases to the not to exceed amount of the interim financing for each enterprise.
- The SFPUC seeks to expand interim-funding programs given increases in the SFPUC capital plan and projected revenue bond issuances. The proposed expanded programs will allow the SFPUC to spend the equivalent of approximately two years of capital appropriations within each capital program. The additional proposed authorizations of the interim funding programs do not increase the total indebtedness authorized by the Board of Supervisors.

Fiscal Impact

- Commercial paper interest rates and fees (4.05 percent) are modeled to be significantly lower than long-term revenue bond interest rates and fees (6 percent). Increasing the interim-funding authorization for the three programs will allow the SFPUC to issue bonds at a later date, thereby lowering interest expense and debt service costs. Reducing SFPUC debt service costs should result in lower cost increases rate payers.
- Estimated maximum annual bank fees, dealer fees, and interest payments total \$38.48 million for the increased interim-funding authorizations across the three programs. However, interest and dealer fees accrue only when commercial paper is outstanding.

Recommendation

- Approve the proposed ordinance.

MANDATE STATEMENT

Charter Section 9.107(6, 8) states that the Board of Supervisors is authorized to provide for the issuance of revenue bonds for the purpose of the reconstruction or replacement of existing water facilities or electric power facilities under the jurisdiction of the Public Utilities Commission, when authorized by resolution adopted by a three-fourths affirmative vote of all members of the Board of Supervisors; and issued to finance or refinance the acquisition, construction, installation, equipping, improvement or rehabilitation of equipment or facilities for renewable energy and energy conservation.

City Charter Section 8B.124 states that the San Francisco Public Utilities Commission (SFPUC) may issue revenue bonds, including notes, commercial paper or other forms of indebtedness in order to reconstruct, replace, expand, repair or improve SFPUC water facilities, clean water facilities, or power facilities and that such debt issuances are subject to two-thirds approval by ordinance by the Board of Supervisors. The SFPUC may not finance construction of an electricity generating power plant that uses fossil fuels or nuclear energy.

The Board of Supervisors authority under Charter Section 8B.124 is subject to receipt of a certification from (1) an independent engineer that (i) the projects to be financed by such debt meet utility standards and (ii) estimated net revenue will be sufficient to meet operating, maintenance, debt service coverage and other indenture or resolution requirements and (2) the San Francisco Planning Department that facilities financed with such debt will comply with applicable requirements of the California Environmental Quality Act (CEQA).

BACKGROUND

SFPUC Capital Plan

The San Francisco Public Utilities Commission (SFPUC) updates its 10-year Capital Plan annually. The adopted 10-Year Capital Plan for FY 2024-25 through FY 2033-34 was \$11.8 billion in aggregate, reflecting an increase of \$3.0 billion (34 percent) from the previous year’s approved capital plan. According to the FY 2024-25 to FY 2033-34 adopted plan, the increase is driven by increases for projects to address regulatory mandates, climate change, and aging infrastructure. SFPUC capital projects are primarily funded by revenue bonds and operating revenue. Exhibit 1 below shows the change in the adopted capital plan by enterprise.

Exhibit 1: Change in SFPUC 10-Year Capital Plan

10-Year Capital Plan	FY 2023-24 to FY 2032-33	FY 2024-25 to FY 2033-34	One-Year Change	Percent Change
Wastewater	\$4,879,378,510	\$6,039,735,049	\$1,160,356,539	23.8%
Water	2,263,905,780	2,954,803,945	690,898,165	30.5%
Hetch Hetchy Water	976,897,145	1,533,671,239	556,774,094	57.0%
Hetch Hetchy Power	595,522,989	1,234,856,298	639,333,309	107.4%
CleanPowerSF	73,035,928	48,538,563	(24,497,365)	-33.5%
Total	\$8,788,740,352	\$11,811,605,094	\$3,022,864,742	34.4%

Source: SFPUC Adopted FY 2024-25 to FY 2033-34 10-Year Capital Plan

In June 2024, the Board of Supervisors approved the SFPUC two-year FY 2024-25 and FY 2025-26 capital budget with more than \$3.0 billion in total placed on Controller’s reserve pending the availability of funds (File 24-0452).

Wastewater, Water, and Power Revenue Bonds

San Francisco voters approved Proposition E in 2002 and Proposition A in 2018, providing for the Board of Supervisors to authorize issuance of Wastewater, Water, and Power Revenue Bonds and other forms of debt with two-thirds approval of the Board members. The Board of Supervisors previously authorized: (a) wastewater revenue bonds up to \$4,030,588,703; (b) water revenue bonds up to \$1,887,552,493; and (c) power revenue bonds up to \$836,960,525.

Interim-Funding Programs

The SFPUC can issue commercial paper (or other forms of short-term debt, including draws against revolving credit lines) under its Interim-Funding Programs in advance of an anticipated longer-term revenue bond sale in order to provide short-term funding (no more than 270 days) to finance capital projects. Proceeds from the sale of revenue bonds (or state or federal loans) are then used to pay off the shorter-term debt. Once long-term financing is secured, interim funding capacity is released to provide funding for other projects in subsequent two-year budget periods. The Board of Supervisors previously authorized separate Interim-Funding Programs for the Wastewater Enterprise, Water Enterprise, and Power Enterprise and approved subsequent increases to the not to exceed amount of the interim financing for each enterprise. Currently, the not to exceed amount of interim funding is \$750 million for the Wastewater Enterprise, \$500 million for the Water Enterprise, and \$250 million for the Power Enterprise, for a total of \$1.5 billion across the three programs. Exhibit 2 below shows the initial authorization, previously approved increases in the authorization, and the current request for increased authorization for the three programs.

Exhibit 2: SFPUC Interim-Funding Programs Authorizations

Interim-Funding Program	File Number	Date Approved	Not to Exceed Amount Authorized	Increased Amount
Wastewater	06-1298	Oct 2006	\$150,000,000	
	12-0354	May 2012	300,000,000	150,000,000
	14-0955	Sep 2014	500,000,000	200,000,000
	17-0470	May 2017	750,000,000	250,000,000
	24-0897 <i>(proposed)</i>	<i>Nov 2024</i>	<i>1,250,000,000</i>	<i>500,000,000</i>
Water	03-0630	May 2003	250,000,000	
	08-1453	Dec 2008	500,000,000	250,000,000
	24-0897 <i>(proposed)</i>	<i>Nov 2024</i>	<i>750,000,000</i>	<i>250,000,000</i>
Power	15-1088	Nov 2015	90,000,000	
	18-1109	Jan 2019	250,000,000	160,000,000
	24-0897 <i>(proposed)</i>	<i>Nov 2024</i>	<i>450,000,000</i>	<i>200,000,000</i>

Source: BLA and Proposed Ordinance

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would increase the aggregate principal amount of Interim Funding Programs for three Public Utility Commission enterprises to finance various capital projects on a short-term basis, as follows:

- An increase of \$500 million from \$750 million to a not to exceed amount of \$1.25 billion for the Wastewater Enterprise’s Interim Funding Program;
- An increase of \$250 million from \$500 million to a not to exceed amount of \$750 million for the Water Enterprise Interim-Funding Program;
- An increase of \$200 million from \$250 million to a not to exceed amount of \$450 million for the Power Enterprise Interim-Funding Program.

The ordinance also authorizes the SFPUC General Manager, the Treasurer, the City Attorney, the Controller, the Director of the Office of Public Finance, and other City officers to take actions and execute necessary certificates, agreements, and other documents to facilitate the issuance, sale, and delivery of the short-term debt, such as commercial paper notes and revolving lines of credit.

Proposed Expansion

According to the SFPUC staff memo to the Public Utilities Commission on the proposed expansion (SFPUC memo), the SFPUC seeks to expand interim-funding programs given the increases in the SFPUC capital plan and projected revenue bond issuance to fund the plan. The proposed expanded programs will allow the SFPUC to spend the equivalent of approximately two years of capital appropriations within each capital program. This will provide the SFPUC another funding

source for capital program spending, allowing the SFPUC to spend before issuing revenue bonds, resulting in interest savings.

Bank Credit Facilities

The existing interim-funding programs are secured by letters of credit, liquidity facilities, and revolving credit agreements from banks. The credit and liquidity facilities provide investors assurance that funds will be available to pay short-term debt at maturity and the paper is rated based on the respective bank’s short-term rating. The SFPUC only draws on the credit facilities if it cannot make the required payments on short-term debt. If the proposed ordinance is approved, the SFPUC would conduct a competitive solicitation process from a pre-qualified pool of bank credit facility providers to select bank credit facilities to support the increased authorization in coordination with the renewal of existing facilities. Any new credit facility agreements would be subject to approval by the Public Utilities Commission and the Board of Supervisors if the term exceeds ten years and/or the cost is more than \$10 million. Exhibit 3 below shows the bank credit facilities that support the existing authorizations.

Exhibit 3: Credit Facilities for Existing Interim-Funding Programs

Series*	Amount	Credit Facility Bank	Facility Type	Expiration Date
<u>Wastewater (\$750m)</u>				
A-1	\$150m	Sumitomo Mitsui Bank	Letter of Credit	Mar-29
A-2	\$150m	Bank of America	Letter of Credit	Apr-26
A-4	\$150m	TD Bank, N.A.	Liquidity Facility	Jul-28
A-6	\$125m	Bank of America	Liquidity Facility	Aug-27
A-7	\$100m	Sumitomo Mitsui Bank	Letter of Credit	May-27
R-1	\$75m	US Bank	Revolving Credit Agreement	Jul-27
<u>Water (\$500m)</u>				
A-1	\$100m	Sumitomo Mitsui Bank	Letter of Credit	May-25
A-2	\$200m	Sumitomo Mitsui Bank	Letter of Credit	Jun-27
A-3	\$100m	Barclay's Bank	Letter of Credit	Jul-27
R-1	\$100m	US Bank	Revolving Credit Agreement	Jul-27
<u>Power (\$250m)</u>				
A-1	\$125m	Bank of America	Letter of Credit	Mar-26
A-2	\$125m	Bank of America	Letter of Credit	Mar-26

Source: SFPUC

* “A” series reflect Commercial Paper series and “R” series reflect revolving credit lines

Capital spending is anticipated to decline in subsequent years of the capital plans. According to the SFPUC memo, SFPUC would allow excess credit facilities to expire or terminate if the full authorization is not needed in later years of the capital plan. The additional proposed authorizations of the interim funding programs do not increase the total indebtedness authorized by the Board of Supervisors.

Charter Required Certifications

Under Charter Section 8B.124, the Public Utilities Commission must obtain certification from (1) an independent engineer that projects funds by SFPUC debt meet utility standards, and estimated net revenue will be sufficient to meet operating, maintenance, debt service, and other requirements; and (2) from the Planning Department that these projects conform to CEQA. According to the proposed ordinance, the use of any indebtedness, including commercial paper, is subject to the receipt of these certifications for any new projects funded pursuant to Propositions A and E. While approval of the proposed ordinance does not require such certifications, issuance of future debt for projects funded pursuant to Propositions A and E and Charter Section 8B.124, including the use of commercial paper as interim financing for these projects, does require these certifications

FISCAL IMPACT

The SFPUC is requesting increased authorization of \$950 million across the three interim-funding programs to provide immediate short-term funding for capital projects, including an increase of \$500 million for Wastewater, an increase of \$250 million for Water, and an increase of \$200 million for Power. This reflects an overall increase of 63 percent in interim-funding authorization, as shown in Exhibit 4 below.

Exhibit 4: Proposed Changes to Interim-Funding Authorizations

Enterprise	Existing	Proposed	Change	% Change
Wastewater	\$750,000,000	\$1,250,000,000	\$500,000,000	67%
Water	500,000,000	750,000,000	250,000,000	50%
Power	250,000,000	450,000,000	200,000,000	80%
Total	\$1,500,000,000	\$2,450,000,000	\$950,000,000	63%

According to SFPUC staff, approximately \$272 million of the existing \$500 million authorization for the Water Interim-Funding Program is outstanding with \$228 million in authorization remaining. In addition, approximately \$136.6 million of the existing \$250 million authorization for the Power Interim-Funding Program is outstanding with \$113.4 million remaining. No interim-funding is currently outstanding against the existing \$750 million authorization for the Wastewater Interim-Funding Program.

Sizing of Program Authorizations and Projects to be Funded

According to SFPUC, the proposed expansions were sized based approximately on the average projected two-year capital budgets for debt-funded wastewater and water projects and the average projected three-year capital budget for debt-funded power projects. According to SFPUC staff, the Power Interim-Funding Program is sized based on three-year capital budgets rather than two-year capital budgets because the SFPUC anticipates longer periods between appropriation release and project spending based on past spending on power projects. With an expanded interim-funding program, more project expenditures can be incurred prior to issuance

of long-term debt. Exhibit 5 below provides a summary of FY 2024-25, FY 2025-26, and FY 2026-27 projects that may be funded by the proposed interim-funding programs.

Exhibit 5: Projects to be Funded with Interim-Funding

Water Enterprise Capital Projects	FY24-25 and FY25-26 Project Costs
Regional Water Facilities and Infrastructure	\$292,546,966
Regional Alternative Water Supplies	7,390,050
Local Water Facilities and Infrastructure	467,570,403
Hetchy Water – Water Projects	113,101,955
Hetchy Water and Power – Joint Projects (Water Portion)	60,003,902
Total	\$940,613,276
Water CIP 2-Year Average from FY23-24 to FY28-29	\$776,349,191
Proposed Interim Funding Program Size	\$750,000,000

Wastewater Enterprise Capital Projects	FY24-25 and FY25-26 Project Costs
Sewer System Improvement Program Phase 1	\$636,924,348
Sewer System Improvement Program Phase 2	595,889,815
Repair and Replacement	319,662,829
Treasure Island Capital Improvement Facilities and Infrastructure	40,897,470
	117,334,004
Total	\$1,710,708,466
Wastewater CIP 2-Year Average, FY23-24 to FY28-29	\$1,313,577,913
Proposed Interim Funding Program Size	\$1,250,000,000

Power Enterprise Capital Projects	FY24-25, FY25-26, and FY26-27 Project Costs
Hetchy Water - Power Infrastructure	\$149,422,407
Hetchy Water and Power Joint Projects (Power Portion)	104,005,426
Distribution Services Retail	189,861,364
Total	\$443,289,197
Power CIP 3-Year Average, FY23-24 to FY28-29	\$437,420,575
Proposed Interim Funding Program Size	\$450,000,000

Source: SFPUC

Interest Rates and Fees

According to the SFPUC memo, the all-in borrowing rate on commercial paper is currently modeled to be approximately 4.05 percent annually, including bank credit facility fees, dealer fees, and interest payments. In addition to the commercial paper interest rate of 3.5 percent, there are bank credit facility fees and dealer fees, which generally result in an additional 0.55 percent cost or total costs of approximately 4.05 percent annually as conservatively projected in

the SFPUC’s 10-year financial plans. Based on existing credit facilities and market conditions, total costs currently range from 3.33 percent to 3.92 percent.

Estimated maximum annual fees and interest payments total \$20.25 million for the increased Wastewater interim-funding authorization, \$10.13 million for the increased Water interim-funding authorization, and \$8.1 million for the increased Power interim-funding authorization, for a total of \$38.48 million across the three programs, as shown in Exhibit 6 below. This calculation assumes that the funds are fully drawn down. The actual amount of fees will vary depending on when the SFPUC issues commercial paper as interest and dealer fees accrue only when commercial paper is outstanding.

Exhibit 6: Maximum Estimated Annual Fees and Interest Payments

	Wastewater	Water	Power	Total
Increased Authorization	\$500,000,000	\$250,000,000	\$200,000,000	\$950,000,000
<u>Annual Fees</u>				
Bank Fees (.5% annually) *	2,500,000	1,250,000	1,000,000	4,750,000
Dealer Fees (.05% annually) *	250,000	125,000	100,000	475,000
Interest Payments (3.5% annually)**	17,500,000	8,750,000	7,000,000	33,250,000
Total Maximum Annual Fees	\$20,250,000	\$10,125,000	\$8,100,000	\$38,475,000

Source: SFPUC

*Fees are estimates used for planning purposes and are subject to change. Current actual bank fees range from .21% to .42% and actual dealer fees range from .045% to .05%. Annual fees are paid from capital fund sources.

**Assumed annual interest for the fully issued commercial paper amount. Actual commercial paper amounts will be issued as needed.

Commercial Paper vs Revenue Bonds

At approximately 4.05 percent annually, commercial paper interest rates and fees are modeled to be significantly lower than long-term revenue bond interest rates and fees, which are currently approximately 6 percent annually in the SFPUC’s 10-year financial plans. Increasing the SFPUC interim-funding authorization for the three programs will reduce the period of paying capitalized interest and allow the SFPUC to issue bonds at a later date, thereby lowering interest expense and the SFPUC’s debt and debt service costs. Reducing SFPUC debt service costs should result in lower cost increases to wastewater, water, and electricity rate payers.

RECOMMENDATION

Approve the proposed ordinance.

SFPUC Interim Financing Program Expansion

Nikolai J. Sklaroff
Capital Finance Director

October 30, 2024

Agenda

- Background
- Purpose of Interim Funding Programs
- Current Interim Funding Programs
- Need for Resizing and Expansion of Programs
- Proposed Ordinance

Summary

- The BOS first authorized the SFPUC to use Interim Financing in 1998, and has amended the capacity since
- The current \$1.5 billion interim financing program is used to lower costs to ratepayers, by allowing the SFPUC to borrow funds on a short-term basis only when needed
- The interim financing program also allows the SFPUC to release funds on Controller's Appropriation Reserve without incurring the added cost of issuing bonds early
- No change is requested in the projects to be financed nor the amount of long-term bonds to be issued, as previously approved by the Board of Supervisors
- This action merely allows the SFPUC to procure additional credit facilities to expand the Interim Funding program as needed up to an additional \$950 million.



Legislative History

- Section 43.5, Article V of the San Francisco Administrative Code
- Enacted: Ordinance No. 203-98 adopted by the Board on June 8, 1998
- Amended: Ordinance No. 270-06, adopted by the Board on October 24, 2006
- Established a procedure for the Commission to issue short-term indebtedness in anticipation of the issuance of revenue bonds.

Fiscal Year	2007	2012	2015	2017	2025 (Proposed)
Wastewater	\$150m	\$300m	\$500m	\$750m	\$1.25b
Ordinance/Resolution	266-06	91-12	378-14	193-17	Proposed
BOS Approval	Oct-06	May-12	Sep-14	May-17	Nov-24

Fiscal Year	2003	2009	2025 (Proposed)
Water	\$250m	\$500m	\$750m
Ordinance/Resolution	300-03	311-08	Proposed
BOS Approval	May-03	Dec-08	Nov-24

Fiscal Year	2016	2019	2025 (Proposed)
Power*	\$90m	\$250m	\$450m
Ordinance	427-15	2-19	Proposed
BOS Approval	Nov-15	Jan-19	Nov-24

*The Power Enterprise Commercial Paper Program is authorized under Sections 9.107(6) and 9.107(8) in addition to Chapter 43, Article V of the Charter as of November 2018.

Purpose of Interim Funding

Meet Interim Appropriation Release Needs

- Increase flexibility by allowing the ability to release appropriation from the Controller against the interim funding programs to incur actual expenditures
- Increase flexibility in the timing of future bond issuances and reduce interest costs by providing additional credit facilities to interim fund capital projects as needed

Provides low-cost interim funding of Capital Programs

- Approximately 4% all-in Commercial Paper borrowing rate in today's market (interest rate (coupon), credit facility fees, dealer fees)
- As the Federal Reserve begins to lower rates, the rates on commercial paper should decline
- Credit agreements such as revolvers provide direct bank loans at a predetermined spread to a benchmark index (ex. SOFR or SIFMA)



Wastewater Enterprise (Interim Funding Program)

\$750 million authorized

- Five series (\$675 million) for Commercial Paper (CP); one series (\$75 million) for Revolving Credit Line:

Series	Amount (\$millions)	Credit Facility Bank	Facility Type	Exp. Date
A-1	150	Sumitomo Mitsui Bank	Letter of Credit	3/2/29
A-2	150	Bank of America	Letter of Credit	4/24/26
A-4	150	TD Bank, N.A.	Liquidity Facility	7/3/28
A-6	125	Bank of America	Liquidity Facility	8/2/27
A-7	100	Sumitomo Mitsui Bank	Letter of Credit	5/31/27
R-1	75	US Bank	Revolving Credit Agreement	7/16/27



Water Enterprise (Interim Funding Program)

\$500 million authorized

- Three series (\$400 million) for Commercial Paper (CP); one series (\$100 million) for Revolving Credit Line:

Series	Amount (\$millions)	Credit Facility Bank	Facility Type	Exp. Date
A-1	100	Sumitomo Mitsui Bank	Letter of Credit	5/16/25
A-2	200	Sumitomo Mitsui Bank	Letter of Credit	6/14/27
A-3	100	Barclay's Bank	Letter of Credit	7/15/27
R-1	100	US Bank	Revolving Credit Agreement	7/16/27

Power Enterprise (Interim Funding Program)

\$250 million authorized

- Two series (\$250 million) for Commercial Paper (CP):

Series	Amount (\$millions)	Credit Facility Bank	Facility Type	Exp. Date
A-1	125	Bank of America	Letter of Credit	3/6/26
A-2	125	Bank of America	Letter of Credit	3/6/26

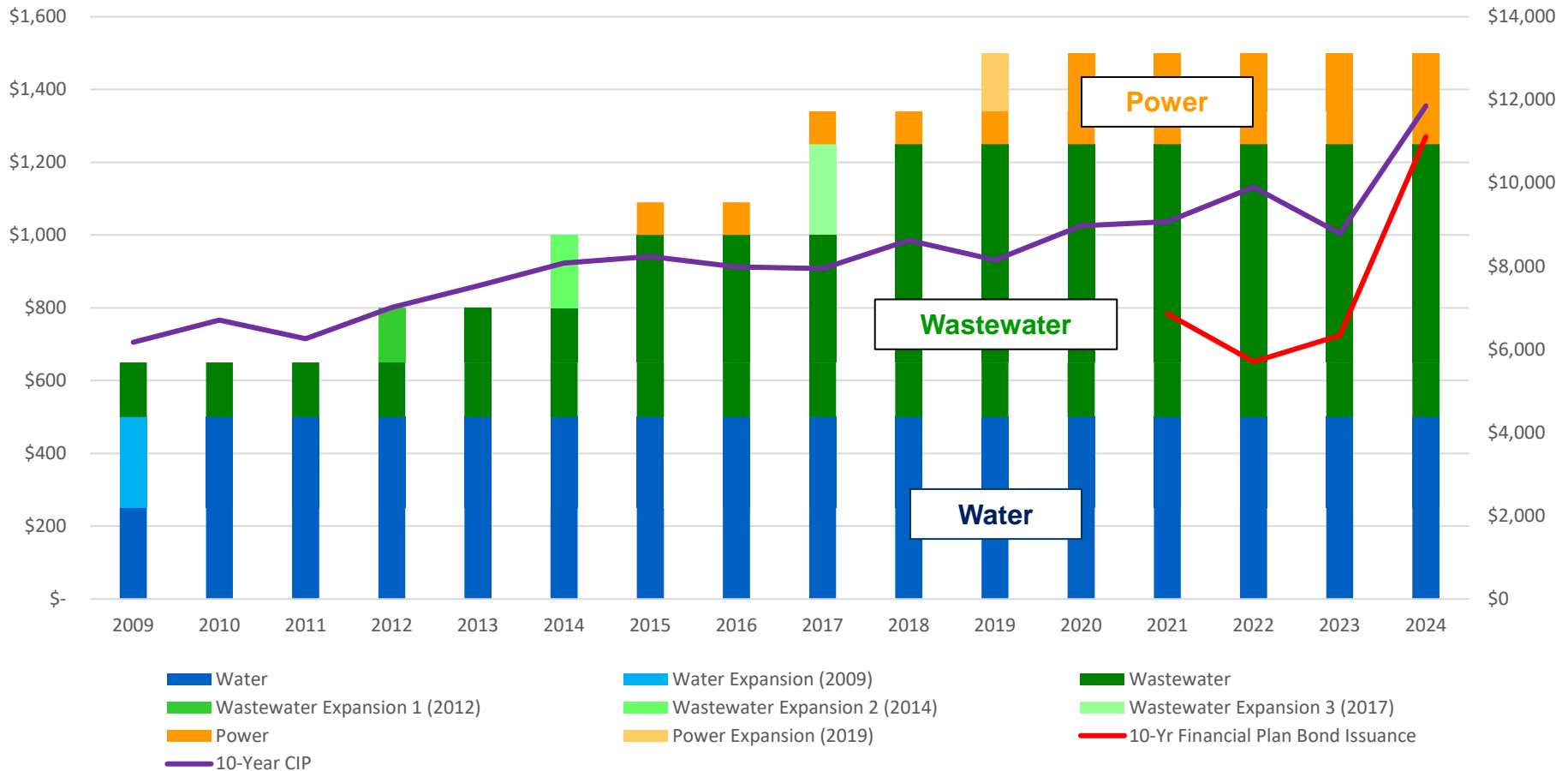
Need for Resizing and Expansion

- In February 2024, the Commission adopted the 10-Year Capital Plan for the Wastewater Enterprise, Water Enterprise, and Hetch Hetchy Water and Power Enterprise for FY 2024-25 through 2033-34 represented a 34.4% increase in total size from the previous approved plans, growing from \$8.8 billion to \$11.8 billion as compared to the prior plan.
- The Commission and BOS authorized a two-year Fiscal Year 2024-25 and Fiscal Year 2025-26 budget with total of **\$3 billion** placed on Controller's Appropriation Reserve.
- No construction contracts can be let until budget authority is released by the Controller and the Controller will not authorize such releases unless the source of full funding of the project is demonstrated.
- The interim funding program provides a low-cost tool for releasing budget without issuing bonds prematurely.
- The interim funding program allows the SFPUC to pay capital costs ahead of issuing bonds, reducing interest costs and comply with tax exempt bond rules efficiently.

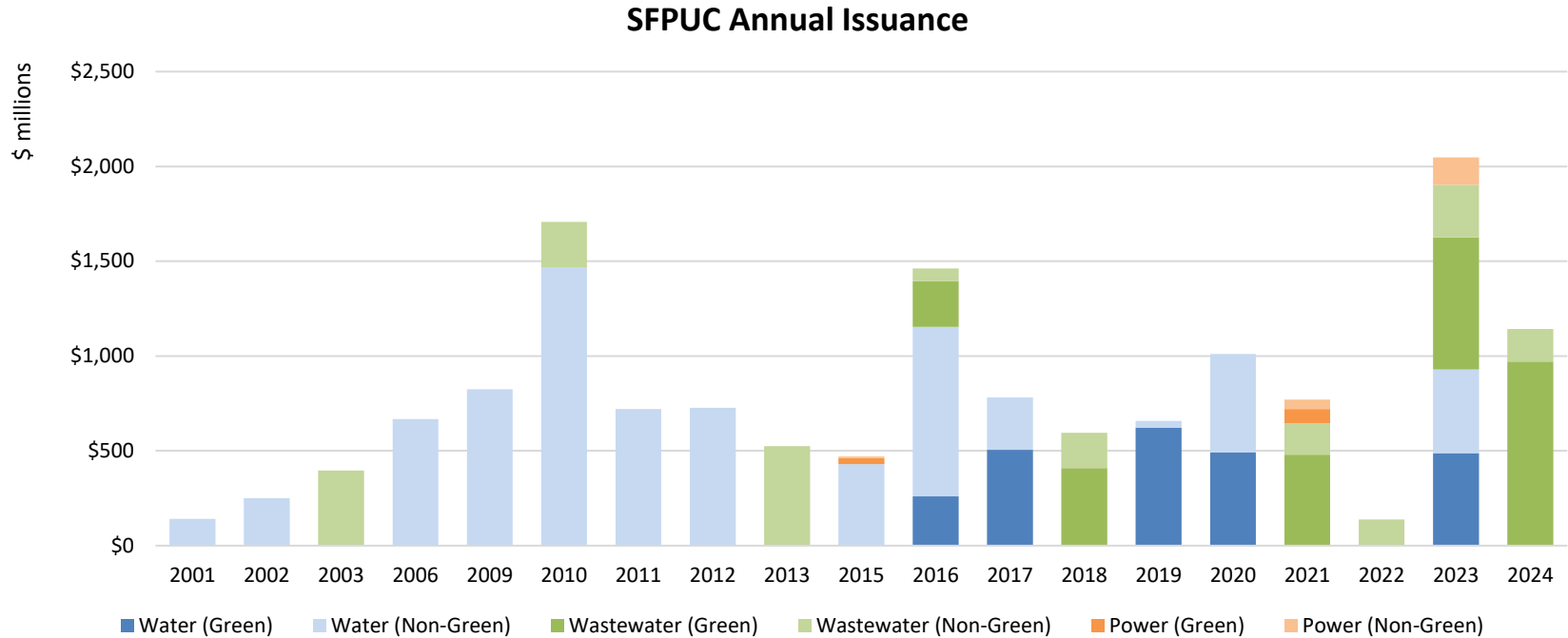


Interim Financing Program (Expansion Over Time)

Commercial Paper Program Expansion History and 10-Year Financial Plan Bond Issuance (in Millions)



Annual Bond Issuance (Calendar Year)

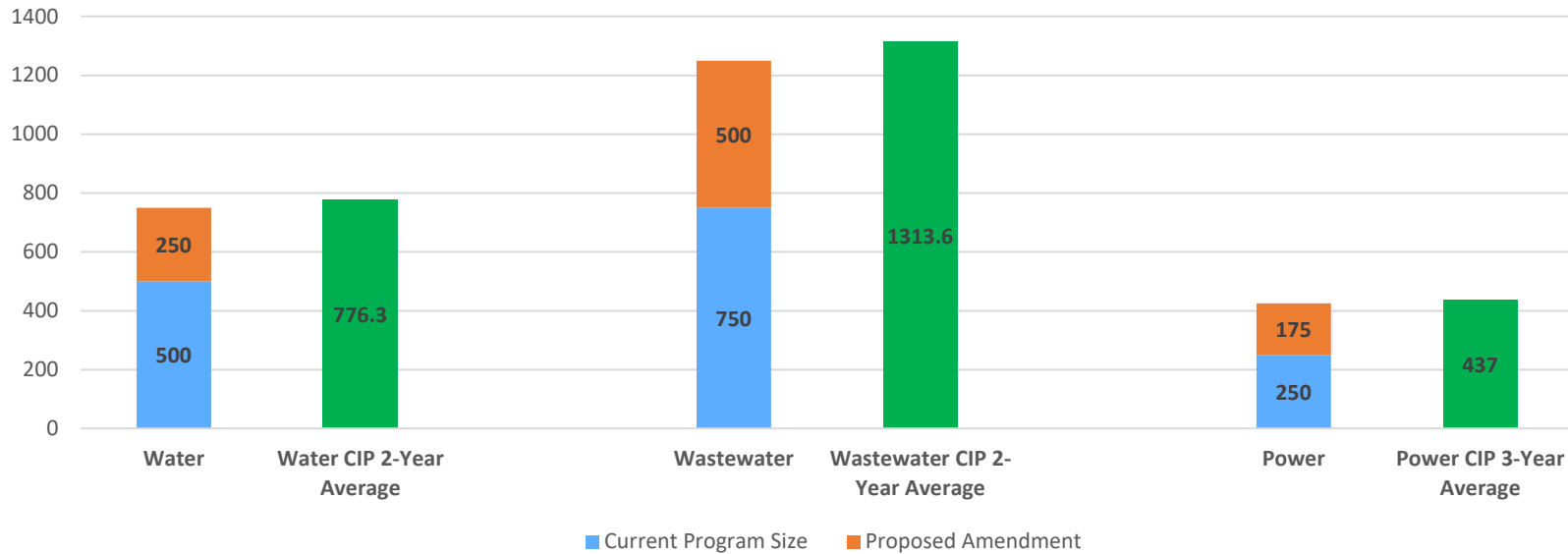


- The \$1.142 billion of **2024 ABCD Wastewater Bonds** represent the SFPUC’s **largest bond issuance to date**.
- **Aggregate bond issuances in 2023 were the largest year of bond issuances.**

**This chart represents only bonds issued. In addition, there are various other financing tools the SFPUC utilizes including loans and credit facilities that we obtain and maintain.*

Analysis of Interim Financing

Current Program Size vs CIP 2-3 Year Average (2024-2029)
(In millions)



Enterprise	CIP 2-3 Year Average (2024-2029)	CIP 2-3 Year Max (2024-2029)	Current Program	Proposed Interim Funding Program	Proposed Amendment
Water	\$776.3 million	\$907.6 million	\$500 million	\$750 million	\$250 million
Wastewater	1,313.6 million	1,665.0 million	750 million	1,250 million	500 million
Power	437.4 million	521.9 million	250 million	450 million	200 million

Proposed Ordinance

- The Proposed Ordinance authorizes the expansion of the Wastewater, Water, and Power Enterprise Interim Funding Programs (“Programs”) from **\$750 million**, **\$500 million**, and **\$250 million** to not-to-exceed aggregate principal amounts of **\$1.25 billion**, **\$750 million**, and **\$450 million**, respectively
- Increase of \$950 million in potential capacity
- Credit facilities to be RFP’s and obtained gradually
- No change is proposed to the debt authorization already authorized by the Board of Supervisors and Commission
- Will allow the SFPUC to enter into additional credit facilities and other interim funding products to support capital spending until long-term financing is obtained

Questions



PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO.: _____ 24-0193 _____

WHEREAS, 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 San Francisco Public Utilities Commission (the “Commission”) to issue indebtedness, including revenue bonds, notes, commercial paper or other forms of indebtedness, when authorized by ordinance approved by a two-thirds vote of the Board of Supervisors of the City (the “Board”), for the purpose of (i) reconstructing, replacing, expanding, repairing or improving wastewater facilities under the jurisdiction of the Commission (the “Wastewater Enterprise”), and (ii) 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 “Water Enterprise”); and

WHEREAS, On June 5, 2018, the voters of the City approved Proposition A (“Proposition A”), which among other things, amended Section 8B.124 of the Charter of the City and County of San Francisco (the “Charter”) to authorize the Commission to issue indebtedness, including revenue bonds, notes, commercial paper or other forms of indebtedness, when authorized by ordinance approved by a two-thirds vote of the Board, for the purpose of reconstructing, replacing, expanding, repairing or improving power facilities under the jurisdiction of the Commission (the “Power Enterprise”), or for any other lawful purpose of the power facilities of the City in furtherance of the purposes specified in Charter Section 8B.124, provided that the Commission is prohibited from financing the construction of power plants that generate electricity using fossil fuels or nuclear energy under Proposition A; and

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

WHEREAS, Under Section 8B.124 of the Charter, the Board’s authority to authorize an issuance of debt under Proposition A or Proposition E, as applicable, is subject to the provision of certain certifications of an independent engineer retained by the Commission and certain certifications by the San Francisco Planning Department, which certifications shall make the findings and determinations set forth in Charter Section 8B.124 (the “Proposition A Certificates” or “Proposition E Certificates” (as applicable)); and

WHEREAS, As it relates to the Wastewater Enterprise: (i) the Commission has previously authorized pursuant to Resolution No. 06-0164, approved by the Commission on September 26, 2006, and the Board has previously approved pursuant to Ordinance No. 266-06, adopted by the Board on October 24, 2006, and signed by the Mayor on October 31, 2006, the establishment of a commercial paper program/interim funding program (the “Wastewater Interim Funding Program”) for the Wastewater Enterprise and the issuance of up to \$150 million, at that time, in aggregate principal amount of Wastewater Enterprise commercial paper notes and/or bank notes outstanding at any one time; (ii) the Commission has previously authorized pursuant

to Resolution No. 11-0197, approved by the Commission on December 13, 2011, and the Board has approved pursuant to Ordinance No. 91-12, adopted by the Board on May 8, 2012, and signed by the Mayor on May 14, 2012, an ordinance to authorize, an increase in the Wastewater Interim Funding Program to an aggregate principal amount not to exceed \$300 million, at that time, of commercial paper notes and/or bank notes outstanding at any one time from an aggregate principal amount of not to exceed \$150 million of commercial paper notes and/or bank notes outstanding at any one time; (iii) the Commission has previously authorized pursuant to Resolution No. 14-0139, approved by the Commission on August 26, 2014, and the Board has approved pursuant to Resolution No. 378-14, adopted by the Board on September 30, 2014, and signed by the Mayor on October 9, 2014, a resolution to authorize, an increase in the Wastewater Interim Funding Program to an aggregate principal amount not to exceed \$500 million, at that time, of commercial paper notes and/or bank notes outstanding at any one time from an aggregate principal amount of not to exceed \$300 million of commercial paper notes and/or bank notes outstanding at any one time; and (iv) the Commission has previously authorized pursuant to Resolution No. 17-0086, approved by the Commission on April 25, 2017, and the Board has approved pursuant to Resolution No. 193-17, adopted by the Board on May 23, 2017, and signed by the Mayor on May 26, 2017, an increase in the Wastewater Interim Funding Program to an aggregate principal amount not to exceed \$750 million from \$500 million aggregate principal amount of short-term indebtedness (including, but not limited to, commercial paper notes and/or bank notes), outstanding at any one time; and

WHEREAS, Pursuant to (i) Ordinance No. 128-21, adopted by the Board on July 27, 2021 and signed by the Mayor on August 4, 2021, (ii) Ordinance No. 110-22, adopted by the Board on June 14, 2022 and signed by the Mayor on June 24, 2022, (iii) Ordinance No. 181-23, adopted by the Board on July 25, 2023 and signed by the Mayor on July 28, 2023, and (iv) Ordinance No. 125-24, adopted by the Board on June 11, 2024 and signed by the Mayor on June 21, 2024, the Board has authorized the issuance from time to time of up to \$4,030,588,703 of Wastewater Enterprise revenue bonds and other forms of indebtedness of the Commission under Proposition E, and in the anticipation of the issuance of such indebtedness, has authorized the issuance of short-term indebtedness of the Commission; and

WHEREAS, The Commission has determined that it is necessary and desirable to make certain additional improvements to the facilities of the Wastewater Enterprise and has further determined to finance such additional improvements through the issuance of Wastewater Enterprise revenue bonds and other forms of indebtedness, and in anticipation of issuance of such Wastewater Enterprise revenue bonds and other forms of indebtedness, through the expansion of the Wastewater Interim Funding Program, the Commission now desires to increase the aggregate principal amount of short-term indebtedness authorized to be outstanding at any one time under the Wastewater Interim Funding Program by \$500 million, increasing authorization to \$1.250 billion from \$750 million of aggregate principal amount of short-term indebtedness outstanding at any one-time (including, but not limited to, commercial paper notes, revolving notes, bank notes, revolving lines of credit, any fixed and/or variable rate short-term borrowing facility/program and/or any other short-term borrowing vehicle which furthers the purpose and intent of the Wastewater Interim Funding Program), contingent upon the preparation and introduction of an ordinance for approval by the Board and acceptance by the Mayor (referred to herein, and describing all Enterprises, as the “Proposed Ordinance”); and

WHEREAS, As it relates to the Water Enterprise: (i) the Commission has previously authorized pursuant to Resolution No. 03-0048, approved by the Commission on March 25, 2003, and the Board has previously approved pursuant to Ordinance No. 300-03, adopted by the Board on May 6, 2003, and signed by the Mayor on May 16, 2003, the establishment of a commercial paper program/interim funding program (the “Water Interim Funding Program”) for the Water

Enterprise and the issuance of up to \$250 million, at that time, in aggregate principal amount of Water Enterprise commercial paper notes and/or bank notes outstanding at any one time; and (ii) the Commission has previously authorized pursuant to Resolution No. 08-0202, approved by the Commission on October 30, 2008, and the Board has previously approved pursuant to Ordinance No. 311-08, adopted by the Board on December 16, 2008 and signed by the Mayor on December 19, 2008, an increase in the Water Interim Funding Program from an aggregate principal amount of \$250 million to an aggregate principal amount of \$500 million outstanding at any one time; and

WHEREAS, Pursuant to (i) Ordinance No. 174-20 adopted by the Board on September 29, 2020 and signed by the Mayor on October 1, 2020, (ii) Ordinance No. 112-22, adopted by the Board on June 14, 2022 and signed by the Mayor on June 24, 2022, (iii) Ordinance No. 180-23, adopted by the Board on July 25, 2023 and signed by the Mayor on July 28, 2023, and (iv) Ordinance No. 131-24 adopted by the Board on June 18, 2024 and signed by the Mayor on June 27, 2024, the Board has authorized the issuance from time to time of up to \$1,887,552,493 of water revenue bonds and other forms of indebtedness of the Commission under Proposition E, and in the anticipation of the issuance of such indebtedness, has authorized the issuance of short-term indebtedness of the Commission; and

WHEREAS, The Commission has determined that it is necessary and desirable to make certain additional improvement to the facilities of the Water Enterprise and has further determined to finance such additional improvements through the issuance of Water Enterprise revenue bonds and other forms of indebtedness, and in anticipation of issuance of such Water Enterprise revenue bonds and other forms of indebtedness, through the expansion of the Water Interim Funding Program, the Commission now desires to increase the aggregate principal amount of short-term indebtedness authorized to be outstanding at any one time under the Water Interim Funding Program by \$250 million, increasing authorization to \$750 million from \$500 million of aggregate principal amount of short-term indebtedness outstanding at any one-time (including, but not limited to, commercial paper notes, revolving notes, bank notes, revolving lines of credit, any fixed and/or variable rate short-term borrowing facility/program and/or any other short-term borrowing vehicle which furthers the purpose and intent of the Water Interim Funding Program), contingent upon approval of the Proposed Ordinance; and

WHEREAS, As it relates to the Power Enterprise: (i) the Commission has previously authorized pursuant to Resolution No. 15-0183, approved by the Commission on September 8, 2015, and the Board has previously approved pursuant to Resolution No. 427-15, adopted by the Board on November 17, 2015, and signed by the Mayor on November 25, 2015, the establishment of a commercial paper program/interim funding program (the “Power Interim Funding Program”) for the Power Enterprise and the issuance of up to \$90 million, at that time, in aggregate principal amount of Power Enterprise commercial paper notes outstanding at any one time; and (ii) the Commission has previously authorized pursuant to Resolution No. 18-0188, approved by the Commission on November 13, 2018, and the Board has previously approved pursuant to Ordinance No. 2-19, adopted by the Board on January 15, 2019, and signed by the Mayor on January 18, 2019, an increase in the Power Interim Funding Program from an aggregate principal amount of \$90 million to an aggregate principal amount of \$250 million of commercial paper notes outstanding at any one time; and

WHEREAS, Pursuant to (i) Ordinance No. 142-18 adopted by the Board on June 12, 2018 and signed by the Mayor on June 20, 2018, (ii) Ordinance No. 152-19 adopted by the Board on June 25, 2019 and signed by the Mayor on June 28, 2019, (iii) Ordinance No. 127-21 adopted by the Board on July 27, 2021 and signed by the Mayor on August 4, 2021, (iv) Ordinance No. 109-22 adopted by the Board on June 14, 2022 and signed by the Mayor on June

24, 2022, (v) Ordinance No. 182-23 adopted by the Board on July 25, 2023 and signed by the Mayor on July 28, 2023, and (vi) Ordinance No. 126-24 adopted by the Board on June 11, 2024 and signed by the Mayor on June 21, 2024, the Board has authorized the issuance from time to time of up to \$836,960,525 of Power Enterprise revenue bonds and other forms of indebtedness of the Commission under Proposition A and Sections 9.107(6) and 9.107(8) of the Charter, and in the anticipation of the issuance of such indebtedness, has authorized the issuance of short-term indebtedness of the Commission; and

WHEREAS, The Commission has determined that it is necessary and desirable to make certain additional improvement to the facilities of the Power Enterprise and has further determined to finance such additional improvements through the issuance of Power Enterprise revenue bonds and other forms of indebtedness, and in anticipation of issuance of such Power Enterprise revenue bonds and other forms of indebtedness, through the expansion of the Power Interim Funding Program, the Commission now desires to increase the aggregate principal amount of short-term indebtedness authorized to be outstanding at any one time under the Power Interim Funding Program by \$200 million, increasing authorization to \$450 million from \$250 million of aggregate principal amount of short-term indebtedness outstanding at any one-time (including, but not limited to, commercial paper notes, revolving notes, bank notes, revolving lines of credit, any fixed and/or variable rate short-term borrowing facility/program and/or any other short-term borrowing vehicle which accomplishes the purpose and intent of the Water Interim Funding Program), contingent upon approval of the Proposed Ordinance; and

WHEREAS, The Proposition A Certificates and the Proposition E Certificates (as applicable), meeting the Proposition A requirements and the Proposition E requirements (as applicable) are, or will be, on file with the Clerk of the Board in accordance with Proposition A and Proposition E, in accordance with Section 8B.124 of the Charter; and

WHEREAS, This action does not constitute a “project” under the California Environmental Quality Act Guidelines section 15378(b)(4) because approval of the expansion of the Wastewater, Water, and Power Enterprise Interim Funding Programs and authorization of the Proposed Ordinance would constitute the creation of a government funding mechanism, which does not involve any commitment to a specific project that may result in a potentially significant physical change in the environment; now, therefore, be it

RESOLVED by the Public Utilities Commission of the City and County of San Francisco, as follows:

Section 1. Proposed Ordinance. The SFPUC General Manager or the General Manager’s designee, is instructed to prepare and introduce an ordinance consistent with the terms stated in this Resolution and describing the expansions of the Wastewater Interim Funding Program, Water Interim Funding Program and Power Interim Funding Program, for adoption by the Board and approval by the Mayor, subject to filing with the Clerk of the Board the necessary Proposition E Certificates and Proposition A Certificates (as applicable).

Section 2. Expansion of Wastewater Interim Funding Program. The Commission hereby approves the expansion of the Wastewater Interim Funding Program and a \$500 million increase in the aggregate principal amount of short-term indebtedness authorized to be outstanding at any one time under the Wastewater Interim Funding Program, increasing authorization to \$1.250 billion from \$750 million of aggregate principal amount of short-term indebtedness outstanding at any one-time. The General Manager or their designee is authorized to issue up to \$1.250 billion in aggregate principal amount of short-term indebtedness (including, but not limited to, commercial paper notes, revolving notes, bank notes, revolving lines of credit, any fixed and/or

variable rate short-term borrowing facility/program and/or any other short-term borrowing vehicle which accomplishes the purpose and intent of the Wastewater Interim Funding Program) outstanding at any one-time in accordance with the terms hereof.

Section 3. Expansion of Water Interim Funding Program. The Commission hereby approves the expansion of the Water Interim Funding Program and a \$250 million increase in the aggregate principal amount of short-term indebtedness authorized to be outstanding at any one time under the Water Interim Funding Program, increasing authorization to \$750 million from \$500 million of aggregate principal amount of short-term indebtedness outstanding at any one-time. The General Manager or their designee is authorized to issue up to \$750 million in aggregate principal amount of short-term indebtedness (including, but not limited to, commercial paper notes, revolving notes, bank notes, revolving lines of credit, any fixed and/or variable rate short-term borrowing facility/program and/or any other short-term borrowing vehicle which accomplishes the purpose and intent of the Water Interim Funding Program) outstanding at any one-time in accordance with the terms hereof.

Section 4. Expansion of Power Interim Funding Program. The Commission hereby approves the expansion of the Power Interim Funding Program and a \$200 million increase in the aggregate principal amount of short-term indebtedness authorized to be outstanding at any one time under the Power Interim Funding Program, increasing authorization to \$450 million from \$250 million of aggregate principal amount of short-term indebtedness outstanding at any one-time. The General Manager or their designee is authorized to issue up to \$450 million aggregate principal amount of short-term indebtedness (including, but not limited to, commercial paper notes, revolving notes, bank notes, revolving lines of credit, any fixed and/or variable rate short-term borrowing facility/program and/or any other short-term borrowing vehicle which accomplishes the purpose and intent of the Power Interim Funding Program) outstanding at any one-time in accordance with the terms hereof.

Section 5. Limitations. This Resolution shall be ineffective unless and until a Proposed Ordinance is adopted by the Board and approved by the Mayor.

Section 6. Ratification. All actions heretofore taken by the officials, employees and agents of the Commission with respect to the expansions of the Wastewater Interim Funding Program, Water Interim Funding Program and Power Interim Funding Program are hereby approved, confirmed and ratified.

Section 7. Effective Date. This resolution shall take effect from and after its adoption.

I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting on September 10, 2024.



Director of Commission Affairs
San Francisco Public Utilities Commission

From: [Spitz, Jeremy M](#)
To: [BOS Legislation, \(BOS\)](#)
Cc: [Gonzalez Valle, Adolfo \(PUC\)](#); [Oliveros Reyes, Jennifer \(PUC\)](#); [ORTEGA, KATHERINE \(CAT\)](#)
Subject: SFPUC - Ordinance - Expansion of Interim Funding Programs
Date: Monday, September 16, 2024 12:06:17 PM
Attachments: [image006.png](#)
[image007.png](#)
[image008.png](#)
[image009.png](#)
[image010.png](#)
[Reso 24-0193 Approve Expansion of the Wastewater, Water, and Power Enterprise Interim Funding and Commercial Paper Programs and Advancement to the Board of Supervisors.pdf](#)
[SFPUC, Multi-enterprise short-term borrowing program expansion Board ordinance.docx](#)

Good Morning Clerk's Office Team,

Please see attached a proposed ordinance authorizing (i) an increase of the not-to-exceed aggregate principal amount of the Wastewater Enterprise's Interim Funding Program by \$500,000,000 from an aggregate principal amount not-to-exceed \$750,000,000 to an aggregate principal amount not-to-exceed \$1,250,000,000, to finance on a short-term interim basis various capital projects benefitting the Wastewater Enterprise, (ii) an increase of the not-to-exceed aggregate principal amount of the Water Enterprise's Interim Funding Program by \$250,000,000 from an aggregate principal amount not-to-exceed \$500,000,000 to an aggregate principal amount not-to-exceed \$750,000,000, to finance on a short-term interim basis various capital projects benefitting the Water Enterprise, and (iii) an increase of the not-to-exceed aggregate principal amount of the Power Enterprise's Interim Funding Program by \$200,000,000 from an aggregate principal amount not-to-exceed \$250,000,000 to an aggregate principal amount not-to-exceed \$450,000,000, to finance on a short-term interim basis various capital projects benefitting the Power Enterprise; and ratifying previous actions taken in connection therewith, as defined herein.

The following is a list of accompanying documents:

- Proposed Ordinance
- Legislative Digest
- SFPUC Resolution No. 24-0193

Please let me know if you have any questions.

Best,

Jeremy Spitz

Local and Regional Policy and Government Affairs Manager

San Francisco Public Utilities Commission

Cell: 415-214-5296

Pronouns: he, him, his

sfpuc.org



