

File No. 140484

Committee Item No. 10

Board Item No. 14

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date June 11, 2014

Board of Supervisors Meeting

Date 6/17/14

Cmte Board

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Legislative Digest |
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| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
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Completed by: Linda Wong

Date June 6, 2014

Completed by: L.W.

Date 6/12/14

FILE NO. 140484

ORDINANCE NO.

1 [SFPUC Water Revenue Bond Issuance---Not to Exceed ~~\$209,171,566~~ 290,431,536]

2
3 Ordinance approving the issuance and sale of water revenue bonds by the San
4 Francisco Public Utilities Commission in an aggregate principal amount not to
5 exceed \$ ~~209,171,566~~ 290,431,536 to finance the costs of various capital water projects
6 benefitting the Water Enterprise pursuant to amendments to the Charter of the City
7 and County of San Francisco enacted by the voters on November 5, 2002 as
8 Proposition E; declaring the Official Intent of the Commission to Reimburse Itself with
9 one or more issues of tax-exempt bonds; and ratifying previous actions taken in
10 connection therewith.

11 NOTE: Additions are single-underline italics Times New Roman;
12 deletions are ~~strike-through italics Times New Roman~~.
13 Board amendment additions are double-underlined;
14 Board amendment deletions are ~~strikethrough normal~~.

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

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

17 A. On November 5, 2002, the voters of the City and County of San Francisco (the
18 "City") approved Proposition E ("Proposition E"), which among other things, authorized the
19 San Francisco Public Utilities Commission (the "Commission") issue revenue bonds,
20 including notes, commercial paper or other forms of indebtedness, when authorized by
21 ordinance approved by a two-thirds vote of the Board of Supervisors, for the purpose of
22 reconstructing, replacing, expanding, repairing or improving water facilities or clean water
23 facilities or combinations of water and clean water facilities under the jurisdiction of the
24 Commission; and
25

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

6 C. By Resolution 14-00032 adopted by the Commission on February 11, 2014 (the
7 "Commission Resolution") the Commission has determined to issue water revenue bonds
8 (the "Revenue Bonds") to finance the costs of various capital water projects benefitting the
9 Water Enterprise (the "Capital Improvement Projects" such projects being more fully
10 described in the Commission Resolution), pursuant to Proposition E, and has formally
11 requested this Board of Supervisors to authorize the issuance and sale of water revenue
12 bonds for such purposes, such Commission Resolution being on file with the Clerk of the
13 Board in File No. 140484, which is hereby declared to be a part of this Ordinance as if set
14 forth fully herein; and

15 D. In order to finance the costs of the Capital Improvement Projects, the Board now
16 desires to authorize the issuance and sale of water revenue bonds for such purposes; and

17 E. The Commission has paid, beginning no earlier than 60 days prior to the
18 adoption of this Ordinance and will pay, on and after the date hereof, certain expenditures
19 (the "Expenditures") in connection with the acquisition, construction and/or equipping of the
20 Capital Improvement Projects, and

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

1 Section 2. Approval of the Water Revenue Bonds. The Board hereby approves the
2 issuance and sale of the Water Revenue Bonds from time to time by the Commission
3 pursuant to Proposition E and in accordance with the Commission Resolution in an
4 aggregate principal amount not to exceed \$209,171,566 ~~290,431,536~~ (inclusive of financing
5 costs), at a maximum rate or rates of interest of not to exceed twelve percent (12%) per
6 annum to finance a portion of the costs of the design, acquisition and construction of the
7 Capital Improvement Projects. The Commission is hereby authorized to determine the
8 timing, amount and manner of sale (i.e., competitive or negotiated) of each series of Water
9 Revenue Bonds issued pursuant to this authorization; provided however, the Commission's
10 authorization to issue Water Revenue Bonds is subject to approval by the Commission's
11 Board of the form of substantially final offering document related to such bonds and the filing
12 with its Board and the Clerk of the Board any certifications required by Proposition E prior to
13 the issuance of any bonds herein authorized.

14 Section 3. Declaration of Official Intent. The Board, on behalf of the Commission ,
15 hereby declares the official intent of the Commission to reimburse the Commission with
16 proceeds of the Water Revenue Bonds for the Expenditures with respect to the Capital
17 Improvement Projects made on and after a date that is no more than 60 days prior to the
18 adoption of this Ordinance. The Commission reasonably expects on the date hereof that it
19 will reimburse the Expenditures with proceeds of the Water Revenue Bonds. Each said
20 Expenditure was and will be either (A) of a type properly chargeable to a capital account
21 under general federal income tax principles (determined in each case as of the date of the
22 Expenditure), (B) a cost of issuance with respect to the Water Revenue Bonds, (C) a
23 nonrecurring items that is not customarily payable from current revenues, or (D) a grant to pay
24 a party that is not related to or an agent of the issuer so long as such grand does not impose
25 any obligation or condition (directly or indirectly) to repay any amount to or for the benefit of

1 the Commission. The maximum principal amount of the Water Revenue Bonds to be issued
2 for the Capital Improvement Projects is \$209,171,566 ~~290,431,536~~ (inclusive of financing costs).

3 The Commission will make a reimbursement allocation, which is a written allocation
4 by the Issuer that evidences the Commission's use of proceeds of the Water Revenue
5 Bonds to reimburse an Expenditure, no later than 18 months after the later of the date on
6 which the Expenditure is paid or the component of the Capital Improvement Projects is
7 placed in service or abandoned, but in no event more than three years after the date on
8 which the Expenditure is paid. The Commission recognizes that exceptions are available for
9 certain "preliminary expenditures," costs of issuance, certain *de minimis* amounts,
10 expenditures by "small issuers" (based on the year of issuance and not the year of
11 expenditure) and expenditures for construction projects of at least 5 years.

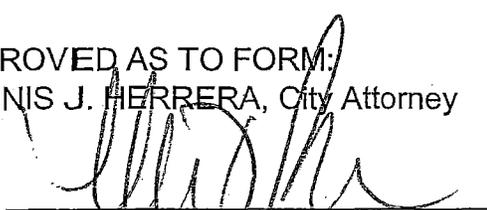
12 Section 4. General Authority. The Controller, Treasurer, the City Attorney and other
13 officers of the City and their duly authorized deputies and agents are hereby authorized and
14 directed, jointly and severally, to take such actions and to execute and deliver such
15 certificates, agreements, requests or other documents, as they may deem necessary or
16 desirable to facilitate the issuance, sale and delivery of the Water Revenue Bonds, to obtain
17 bond insurance or other credit enhancements with respect to the Water Revenue Bonds, to
18 obtain surety, to obtain title and other insurance with respect to the facilities to be financed,
19 and otherwise to carry out the provisions of this Ordinance.

20 Section 5. Ratification of Prior Actions. All actions authorized and directed by this
21 Ordinance and heretofore taken are hereby ratified, approved and confirmed by this Board.

22 Section 6. File Documents. All documents referred to as on file with the Clerk of the
23 Board are in File No. 140484.

1 Section 7. Effective Date. Pursuant to Charter Section 14.102, this Ordinance shall
2 take effect thirty (30) days after its adoption.

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

6 By: 

7 MARK D. BLAKE
8 Deputy City Attorney

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6/11/14

FILE NO. 140484

LEGISLATIVE DIGEST

[SFPUC Water Revenue Bonds---Not To Exceed \$209,171,566]

Ordinance approving the issuance and sale of water revenue bonds by the San Francisco Public Utilities Commission in an aggregate principal amount not to exceed \$209,171,566 to finance the costs of various capital water projects benefitting the Water Enterprise pursuant to amendments to the Charter of the City and County of San Francisco enacted by the voters on November 5, 2002 as Proposition E; declaring the Official Intent of the Commission to Reimburse Itself with one or more issues of tax-exempt bonds; and ratifying previous actions taken in connection therewith.

Existing Law

This is new legislation.

Background Information

The proposed Ordinance authorizes the issuance by the SFPUC of its water revenue bonds (the "Water Revenue Bonds") in an amount not to exceed \$209,171,566 to finance the costs of various capital water projects benefitting the SFPUC Water Enterprise. The Water Revenue Bonds will be issued pursuant to Proposition E (codified at 8B.124 of the Charter), at a maximum rate of 12% per annum. The Ordinance delegates to the SFPUC the authority to determine the timing, amount and manner of sale of Water Revenue Bonds (i.e., competitive or negotiated), subject to the SFPUC approving the form of a substantially final offering document.

The Ordinance also authorizes declares the Official Intent of the City, on behalf of the SFPUC, to reimburse itself with a portion of the proceeds of the Water Revenue Bonds in accordance with Treasury Regulation Section 1.150-2.

<p>Items 5 and 10 Files 14-0479 and 14-0484</p>	<p>Department: Public Utilities Commission (PUC)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<p>File 14-0479: The proposed ordinance: (1) appropriates \$363,758,000 from water revenue bond proceeds and other Water Enterprise revenues; and (2) places \$229,023,000 by project on Controller’s reserve pending PUC and Board of Supervisors approval of California Environmental Quality Act (CEQA) findings and Controller’s certification of available funds.</p>	
<p>File 14-0484: The proposed ordinance authorizes PUC to issue water revenue bonds in the aggregate principal not-to-exceed amount of \$290,431,536 to finance water capital projects.</p>	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> • In November 2002, the voters approved Proposition A, authorizing PUC to issue \$1,628,000,000 in water revenue bonds to fund the Water System Improvement Program (WSIP); and Proposition E, allowing the Board of Supervisors to authorize PUC to issue additional water revenue bonds to fund the WSIP and other water capital projects with a two-thirds vote. The Board of Supervisors has authorized \$3,260,531,157 in water revenue bonds under Proposition E. • Under File 14-0484, the Board of Supervisors would authorize PUC to issue \$290,431,536 in new water revenue bonds to fund WSIP and other Water Enterprise and Hetch Hetchy Enterprise water projects. Of the \$290,431,536, \$61,408,536 of the bond proceeds would be allocated to the Hetch Hetchy Enterprise, and the balance of \$229,023,000 would be allocated to the Water Enterprise. • Under File 14-0479, the Board of Supervisors would appropriate (1) \$229,023,000 in water revenue bonds, placing these funds on Controller’s reserve, (2) \$134,735,000 in other Water Enterprise revenues to fund \$363,758,000 in Water Enterprise capital projects in the PUC’s FY 2014-15 to FY 2023-24 Capital Plan, and the associated financing costs. 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> • The anticipated interest rate for the proposed water revenue bonds is 5 percent. Total estimated debt service over the 30-year term of the bonds is \$533,090,970, consisting of \$290,431,536 in principal and \$242,659,434 in interest. The estimated average annual debt service payment is \$19,834,110 • As a result of receiving unanticipated lump-sum payments from wholesale customers, the PUC was able to use cash for certain projects rather than bond proceeds. As a result, the PUC currently has \$81,259,970 in surplus revenue bond authority. 	
<p style="text-align: center;">Recommendations</p>	
<ul style="list-style-type: none"> • Amend the proposed ordinance (File 14-0484) to reduce the aggregate principal revenue bond amount by \$81,259,970 from \$290,431,536 to \$209,171,566. • Approve the proposed ordinance as amended, authorizing the issuance and sale of revenue bonds (File 14-0484). • Approve the appropriation ordinance (File 14-0479) 	

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

Charter Section 8B.124 (Proposition E, November 2002) authorizes the San Francisco Public Utilities Commission (PUC) to issue revenue bonds, notes payable, commercial paper, and other forms of indebtedness for the purpose of reconstructing, replacing, expanding, repairing or improving water facilities or clean water facilities, subject to approval by two-thirds of the Board of Supervisors.

According to Charter Section 8B.124, authorization of revenue bonds is subject to certification (1) from an independent engineer that the projects to be financed by such debt meet utility standards; (2) that estimated net revenue will be sufficient to meet operating, maintenance, debt service coverage and other indenture or resolution requirements; and (3) by the Planning Department that facilities under the PUC's jurisdiction that are to be funded by such debt will comply with the California Environmental Quality Act (CEQA).

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 Appendix F1.113 states that 0.2 percent of the bond expenditures net of bond financing and auditing costs be allocated to the support the Controller's Audit Fund.

Charter Section 9.105 states that all amendments to the Annual Appropriation Ordinance are subject to approval by the Board of Supervisors after the Controller certifies the availability of funds.

Background

The Public Utilities Commission (PUC) 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 PUC water system is divided into two geographic groups including (1) the regional water conveyance system and the (2) in-city 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.

Table 1 below summarizes the assets of the PUC's regional water conveyance system and the in-city distribution system.

Table 1: Regional Water Conveyance System and In-City Distribution System Assets

Asset	Regional Water Conveyance System	In-City Distribution System
Pipelines	280 Miles	1,250 Miles
Tunnels	60 Miles	0
Pump Stations	5	12
Reservoirs / Water Tanks	11	21
Treatment Plants	2	0

Water Enterprise Capital Improvement Plan

The PUC annually updates its ten-year capital improvement plan to renew and replace the water enterprise's infrastructure. The FY 2014-15 through FY 2023-24 Ten-Year Capital Plan was approved by the Public Utilities Commission on January 28, 2014 and includes \$1,093,229,000 in various water capital projects.

The PUC began the Water System Improvement Program (WSIP) in 2002 to administer 83 projects designed to improve the water system. The San Francisco voters approved Proposition A in November 2002, authorizing the PUC to issue revenue bonds in the amount of \$1,628,000,000 to fund the WSIP. The voters also approved Proposition E in November 2002, authorizing the PUC to issue future water revenue bonds subject to approval by ordinance of two-thirds of the Board of Supervisors. The Board of Supervisors has authorized the PUC to issue an additional \$3,260,531,157 in water revenue bonds, as shown in Table 2 below.

Table 2: Water Enterprise Bond Authority and Revenue Bond Issuances

	Water System Improvement Program	Non - Water System Improvement Program	Total
Proposition A Bond Authority	\$1,611,480,000	\$16,520,000	\$1,628,000,000
<i>Prop A Bonds Issued</i>			
2006 Series A	(507,815,000)	-	(507,815,000)
2009 Series A	(412,000,000)	-	(412,000,000)
2009 Series B	(412,000,000)	-	(412,000,000)
2012 Series B	-	(16,520,000)	(16,520,000)
Subtotal Proposition A	(1,331,815,000)	(16,520,000)	(1,348,335,000)
Remaining Proposition A Bond Authority	\$279,665,000	\$0	\$279,665,000
Proposition E Bond Authority	2,957,556,317	302,974,840	3,260,531,157
<i>Prop E Bonds Issued</i>			
2010 Series A	-	(56,945,000)	(56,945,000)
2010 Series B	(417,720,000)	-	(417,720,000)
2010 Series D	(71,360,000)	-	(71,360,000)
2010 Series E	(344,200,000)	-	(344,200,000)
2010 Series FG	(532,430,000)	-	(532,430,000)
2011 Series A	(602,715,000)	-	(602,715,000)
2011 Series B	-	(28,975,000)	(28,975,000)
2011 Series C	-	(33,595,000)	(33,595,000)
2012 Series A	(591,610,000)	-	(591,610,000)
Subtotal Proposition E	(\$2,560,035,000)	(119,515,000)	(2,679,550,000)
Remaining Proposition E Authority	\$397,521,317	\$183,459,840	\$580,981,157
Total Remaining Debt Authority	\$677,186,317	\$183,459,840	\$860,646,157

As shown in Table 2 above, the PUC currently has \$860,646,157 in authorized but unissued revenue bonds, of which \$677,186,317 is allocated to future WSIP projects (see Table 3 below). Therefore, there is a balance of \$183,459,480 in authorized and unissued revenue bonds.

Table 3: WSIP Projects to be Funded by Authorized and Unissued Revenue Bonds

<i>Regional Water System</i>	<i>Authorized and Unissued</i>
San Joaquin Water System	\$7,143,025
Sunol Valley Water System	119,190,207
Bay Division Water System	25,710,869
Peninsula Water System	65,240,834
San Francisco Regional Water System	77,388,543
Regional System-wide Projects	66,891,795
Subtotal Regional Water System	\$361,565,273
<i>In-City Distribution</i>	
San Francisco Local Reservoirs	6,592,475
San Francisco Local Pump Station / Tanks	1,719,699
Miscellaneous	325,502
Lake Merced Water Level Restoration	25,333,964
San Francisco Groundwater Supply	49,751,999
Recycled Water Project in San Francisco	139,724,120
Harding Park Recycled Water	1,466,153
San Francisco Eastside Recycled Water	19,412,012
San Francisco Bay Area Desalinization Plant	23,402
Subtotal In-City Distribution System	244,349,326
Costs of Issuance	71,271,718
Total Water System Improvement Program	\$677,186,317

According to Mr. Mike Brown, PUC Capital Finance, of the remaining \$183,459,840 in authorized and unissued bonds, \$102,223,574 is allocated to other Water Enterprise projects and financing costs and \$81,236,266 remains unallocated, as shown in Table 4 below.

**Table 4: Water Enterprise Projects Authorized but Unissued Debt –
Non-Water System Improvement Program**

Currently Existing Bond Issuance Authority	\$183,459,840
Proposed Uses	
Pipeline Renewal and Replacement	\$24,621,000
Hetch Hetchy Water Projects	18,600,000
Buildings and Ground Improvements	13,054,000
Hetch Hetchy Joint Projects	12,040,200
Regional Water Treatment Program	2,073,000
Town of Sunol-Fire Suppression System	930,000
Subtotal , Projects	\$71,318,200
Reserve Pending Sale	\$20,060,490
Financing Costs	10,406,765
City Auditor's Fund	373,345
Revenue Bond Oversight Committee	41,070
Subtotal, Financing and Oversight	\$30,881,670
Subtotal Proposed Uses	\$102,199,870
Surplus Authority	\$81,259,970

In May 2013, the Board of Supervisors approved an ordinance (File 13-0365) that de-appropriated the use of bond proceeds for various capital projects. According to Mr. Brown, as a result of receiving unanticipated lump-sum payments from wholesale customers, the PUC was able to use cash for certain projects rather than bond proceeds. As a result, the PUC currently has a remaining balance of \$81,259,970 in authorized and unissued bonds that are not allocated to projects.

The Budget and Legislative Analyst's Office recommends reducing PUC's authorization to issue new bonds by \$81,259,970, from the requested \$290,431,536 to \$209,171,566. The PUC would still be able to issue \$81,259,970 in revenue bonds previously authorized by the Board of Supervisors.

DETAILS OF PROPOSED LEGISLATION

File 14-0484: The proposed ordinance authorizes PUC to issue and sell water revenue bonds in the aggregate principal not-to-exceed amount of \$290,431,536 to finance various projects in the Water Enterprise and Hetch Hetchy Enterprise capital improvement plans.

File 14-0479: The proposed ordinance: (1) appropriates \$363,758,000 from revenue bond proceeds, Bay Area Water Supply and Conservation Agency pre-payment funds, water revenues, and water capacity fees for various projects in the Water Enterprise capital plan in FY 2014-15 and FY 2015-16; and (2) places \$229,023,000 by project on Controller's reserve pending PUC and Board of Supervisors approval of California Environmental Quality Act (CEQA) findings and Controller's certification of available funds.

FISCAL IMPACT**File 14-0484 :**

The proposed ordinance authorizes the PUC to issue and sell water revenue bonds in the aggregate principal not-to-exceed amount of \$290,431,536 to fund various capital projects in the Water Enterprise and Hetch Hetchy Enterprise capital plans.

The anticipated interest rate for the bond payments is 5 percent. Total estimated debt service over the 30-year term of the bonds is \$533,090,970, consisting of \$290,431,536 in principal and \$242,659,434 in interest. The estimated average annual debt service payment is \$19,834,110.

On May 13, 2014, the PUC approved its schedule of water rates that are charged to retail and wholesale customers and which project the debt service coverage ratios for the next ten years. According to Mr. Brown, PUC rates are increasing in part because the PUC assumes in its projections that the PUC will issue all previously authorized and requested bond amounts.

Public Utilities Commission Debt Policy

The PUC annually approves a set of debt policies and procedures that govern the PUC debt program. PUC has established a debt limit in which annual net operating income must be at least 1.25 times annual debt service (debt service coverage ratio). The PUC anticipates that debt service coverage ratios in the Water Enterprise will range from 2.17 in FY 2014-15 to 1.46 in FY 2023-24, exceeding the minimum ration established by PUC's debt service ratio of 1.25.

File 14-0479 – Supplemental Appropriation of Revenues Including Bond Proceeds

The proposed ordinance appropriates \$363,758,000 in various revenues for various capital projects, as shown in Table 5 below.

Table 5: Sources and Uses of Proposed Supplemental Appropriation

Sources	FY 2014-15	FY 2015-16	Total
Water Bonds (Files 14-0479 and 14-0484)	\$125,166,088	\$165,265,448	\$290,431,536
Hetch Hetchy Enterprise (Files 14-0480 and 14-0482)	<u>(38,204,088)</u>	<u>(23,204,448)</u>	<u>(61,408,536)</u>
Net Bond Proceeds to Water Enterprise	86,962,000	142,061,000	229,023,000*
Water Enterprise Operating Funds	29,219,000	37,484,000	66,703,000
Water Capacity Fee Fund Balance	2,500,000	3,000,000	5,500,000
Wholesale Customer Revenues	62,532,000	0	62,532,000
Subtotal Sources	\$181,213,000	\$182,545,000	\$363,758,000
Uses	FY 2014-15	FY 2015-16	Total
Pipeline Renewal and Replacement	\$53,700,000	\$53,700,000	\$107,400,000
Calaveras Dam	50,000,000	40,000,000	90,000,000
Sunol Yard Upgrade	500,000	25,875,000	26,375,000
Pacific Rod and Gun Club Remediation Project	11,105,000	155,000	11,260,000
New Irvington Tunnel	10,000,000	-	10,000,000
Regional Groundwater Storage and Recovery	7,178,000	1,074,000	8,252,000
Systems Monitoring and Control	1,510,000	5,900,000	7,410,000
South Valley Water Treatment Plant	5,900,000	700,000	6,600,000
Crystal Springs / San Andreas Reservoir Upgrades	5,000,000	-	5,000,000
Other Recycled Water Projects	986,000	3,925,000	4,911,000
HT Water Treatment Plant	2,341,000	2,347,000	4,688,000
Calaveras Micro Turbine	1,500,000	2,860,000	4,360,000
Watershed Road and ROW Management	1,408,000	2,804,000	4,212,000
Pipeline Improvement Program	730,000	3,450,000	4,180,000
Microwave Backbone Upgrade	2,500,000	1,500,000	4,000,000
Corrosion Protection Capital Upgrades	1,850,000	1,850,000	3,700,000
College Hill Reservoir Outlets Structure Retrofit	650,000	2,820,000	3,470,000
Dam Structural Upgrades	1,855,000	994,000	2,849,000
Buildings and Ground Improvements	800,000	1,525,000	2,325,000
Pipeline Inspection and Repair Project	1,010,000	1,010,000	2,020,000
Town of Sunol Fire Suppression System	2,000,000	0	2,000,000
Pump Station Upgrades	910,000	910,000	1,820,000
Valve Replacement	508,000	1,013,000	1,521,000
Security System	1,000,000	500,000	1,500,000
Millbrae Yard Upgrade	-	1,490,000	1,490,000
Tesla UV Facility	600,000	600,000	1,200,000
Vault Upgrades	338,000	338,000	676,000
Metering Upgrades	350,000	200,000	550,000
Desalination	200,000	200,000	400,000
McLaren Park Pump Station Upgrades	-	358,000	358,000
Merced Manor Reservoir Facilities Repairs	-	270,000	270,000
Subtotal, Projects	\$166,429,000	\$158,368,000	\$324,797,000
Bond Financing	14,407,661	23,789,234	38,196,895
Controller's Audit Fund	332,858	316,736	649,594
Revenue Bond Oversight Committee	43,481	71,030	114,511
Subtotal, Financing and Oversight	\$14,784,000	\$24,177,000	\$38,961,000
Total	\$181,213,000	\$182,545,000	\$363,758,000

*Placed on Controller's reserve.

The proposed ordinance places a Controller's Reserve on \$229,023,000 of the water revenue bond proceeds allocated to the Water Enterprise, as shown in Table 5 above, pending certification by the Controller of receipt of bond proceeds and other revenues and approval of environmental findings by the Board of Supervisors for specific projects under the California Environmental Quality Act (CEQA).

Four of the largest projects to be funded by the proposed ordinance are:

- **The Water Pipeline Renewal and Replacement Program:** The PUC is requesting \$107,400,000 as part of an annual, ongoing appropriation to replace and renew portions of the 1,230 miles of distribution system pipelines that supply drinking water to residences and customers in the City.

The PUC is proposing to increase the rate of pipeline replacement from the 6 miles per year that was included in previous budgets to 12 miles in FY 2014-15 and 15 miles in FY 2015-16. According to PUC staff, the useful life of the pipes used to distribute water throughout the City is 100 years. Currently, 16 percent of the system is older than 100 years, increasing to more than 50 percent by 2040. The PUC is proposing to increase the rate of replacement to avoid broken water mains and lost service. Additionally, the PUC anticipates that more significant investments in this program will be required beginning in 2035 to maintain service.

- **Calaveras Dam:** The PUC is requesting an additional \$90,000,000 for delays and increased project costs related to site excavation and slope mitigation for seismic reasons at the Calaveras Dam. The PUC anticipates an up to 30-month delay in this project.
- **New Irvington Tunnel:** The PUC is requesting an additional \$10,000,000 for project costs related to groundwater flows for the New Irvington Tunnel. The ground conditions around the underground tunnel were more unstable than initially thought. As a result, the tunnel requires additional mining and support work. The PUC does not anticipate a delay in the project completion.
- **Crystal Spring / San Andreas Reservoirs:** The PUC is requesting an additional \$5,000,000 for slower than anticipated underwater construction work at Crystal Spring and San Andreas Reservoirs resulting in a one-year delay of project completion.

RECOMMENDATIONS

1. Amend the proposed ordinance (File 14-0484) to reduce the aggregate principal revenue bond amount by \$81,259,970 from \$290,431,536 to \$209,171,566.
2. Approve the proposed ordinance as amended, authorizing the issuance and sale of the revenue bonds (File 14-0484).
3. Approve the appropriation ordinance (File 14-0479).

PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO. 14-0032

WHEREAS, The General Manager of the San Francisco Public Utilities Commission (SFPUC) and staff presented the proposed FY 2014-15 and FY 2015-16 Capital Improvement Budget to the Commission at public hearings held on January 14 and 28, 2014, and February 11, 2014 for the Water Enterprise, Wastewater Enterprise, and Hetch-Hetchy Water and Power, including the Power Enterprise; and

WHEREAS, The proposed FY 2014-15 and FY 2015-16 Capital Improvement Budget must be submitted to, and approved by, Mayor Edwin M. Lee and the Board of Supervisors; and

WHEREAS, The SFPUC General Manager recommends that the SFPUC seek a supplemental appropriation for the capital expenditures presented in the proposed FY 2014-15 and FY 2015-16 Capital Improvement Budget for the Water Enterprise, Wastewater Enterprise and Hetch Hetchy Water & Power, including the Power Enterprise, to timely implement public repair and improvement projects, including the preparation and consideration of environmental analysis pursuant to the California Environmental Quality Act (CEQA) and Administrative Code Chapter 31, where required; and

WHEREAS, This Commission has considered the proposed Fiscal Years 14-15 and 2015-16 Capital Improvement Program Budgets for the Water Enterprise, Wastewater Enterprise, and Hetch Hetchy Water and Power, including the Power Enterprise, which total \$655,083,000 for FY 2014-15 and \$817,695,000 for FY 2015-16; now, therefore be it

RESOLVED, That this Commission hereby approves the Fiscal Years 2014-15 and FY 2015-16 Capital Improvement Program Budget for each Enterprise as follows:

Capital Improvement Program	FY 2014-15	FY 2015-16
Wastewater Enterprise	\$304,642,000	\$536,635,000
Water Enterprise	\$232,357,000	\$158,368,000
Hetchy Power	\$ 90,881,100	\$ 88,865,500
Hetchy Water	<u>\$ 27,202,900</u>	<u>\$ 33,826,500</u>
Total SFPUC	\$655,083,000	\$817,695,000

and, be it

FURTHER RESOLVED, That the General Manager of the San Francisco Public Utilities Commission (SFPUC) is authorized to make further technical adjustments to these approved amounts as may be necessary, or upon further direction from the Commission; and, be it

FURTHER RESOLVED, That this Commission hereby adopts the proposed FY 2014-15 and 2015-16 SFPUC Capital Improvement Program Budgets for the Water Enterprise, the Wastewater Enterprise, and Hetch Hetchy Water and Power, including the Power Enterprise, and authorizes the General Manager to request the Mayor to recommend to the Board of Supervisors a supplemental appropriation in the amount of \$729,811,000 to fund FY 2014-15 and \$935,769,000 to fund FY 2015-16 as follows:

FY 2014-15 Projects	Amount	Financing Costs	Total
Wastewater Enterprise	\$304,642,000	\$38,133,000	\$342,775,000
Water Enterprise	\$232,357,000	\$14,784,000	\$247,141,000
Hetchy Power	\$ 90,881,100	\$16,239,000	\$107,120,100
Hetchy Water	<u>\$ 27,202,900</u>	<u>\$ 5,572,000</u>	<u>\$ 32,774,900</u>
Total SFPUC	\$655,083,000	\$74,728,000	\$729,811,000

FY 2015-16 Projects	Amount	Financing Costs	Total
Wastewater Enterprise	\$536,635,000	\$71,496,000	\$608,131,000
Water Enterprise	\$158,368,000	\$24,177,000	\$182,545,000
Hetchy Power	\$ 88,865,500	\$15,472,000	\$104,337,500
Hetchy Water	<u>\$ 33,826,500</u>	<u>\$ 6,929,000</u>	<u>\$ 40,755,500</u>
Total SFPUC	\$817,695,000	\$118,074,000	\$935,769,000

FURTHER RESOLVED, The General Manager is hereby authorized and directed to submit to the Board proposed Ordinances authorizing the issuance of not to exceed \$302,707,000 aggregate principal amount of Water Revenue Bonds and \$846,906,000 aggregate principal amount of Wastewater Revenue Bonds under the terms of Proposition E; provided, however, the issuance of such Bonds shall be subject to the terms of Proposition E (approved by the voters November 2002); and \$148,874,000 aggregate principal amount of Power Revenue Bonds, subject to the terms of Charter Section 9.107(8). The General Manager shall return to this Commission and the Board for a subsequent discretionary approval of any disclosure and security documents prepared in connection with the issuance of such Bonds to finance these capital improvement program projects.

I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting of February 11, 2014.



 Secretary, Public Utilities Commission

OFFICE OF THE MAYOR
SAN FRANCISCO



RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO

EDWIN M. LEE
MAYOR

MAY 1 PM 3:12

TO: Angela Calvillo, Clerk of the Board of Supervisors *lc*
FROM: *per* Mayor Edwin M. Lee *gc*
RE: SFPUC Water Revenue Bond Issuance---Not to Exceed \$290,431,536
DATE: May 1, 2014

Attached for introduction to the Board of Supervisors is the ordinance approving the issuance and sale of water revenue bonds by the San Francisco Public Utilities Commission (the "Commission") in an aggregate principal amount not to exceed \$290,431,536 to finance the costs of various capital water projects benefitting the Water Enterprise pursuant to amendments to the Charter (the "Charter") of the City and County of San Francisco (the "City") enacted by the voters on November 5, 2002 as Proposition E ("Proposition E"); declaring the Official Intent of the Commission to Reimburse Itself with one or more issues of tax-exempt bonds; and ratifying previous actions taken in connection therewith.

I request that this item be calendared in Budget and Finance Committee.

Should you have any questions, please contact Jason Elliott (415) 554-5105.

140484

