

File No. 220502

Committee Item No. 13

Board Item No. 38

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Appropriations Committee Date May 25, 2022

Board of Supervisors Meeting Date June 7, 2022

Cmte Board

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>PUC Resolution No. 22-0030 2/8/2022</u> |
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Completed by: Brent Jalipa Date May 20, 2022

Completed by: Brent Jalipa Date May 31, 2022

1 [SFPUC Water Revenue Bond and Other Forms of Indebtedness Issuance - Various Capital
2 Water Projects Benefitting the Water Enterprise - Not to Exceed \$141,418,472]

3 **Ordinance authorizing the issuance and sale of tax-exempt or taxable Water Revenue**
4 **Bonds and other forms of indebtedness (as described below) by the San Francisco**
5 **Public Utilities Commission (SFPUC) in an aggregate principal amount not to exceed**
6 **\$141,418,472 to finance the costs of various capital water projects benefitting the Water**
7 **Enterprise pursuant to amendments to the Charter of the City and County of San**
8 **Francisco enacted by the voters on November 5, 2002, as Proposition E; authorizing**
9 **the issuance of Water Revenue Refunding Bonds and the retirement of outstanding**
10 **Water Enterprise Commercial Paper; declaring the Official Intent of the SFPUC to**
11 **reimburse itself with one or more issues of tax-exempt bonds or other forms of**
12 **indebtedness; and ratifying previous actions taken in connection therewith, as defined**
13 **herein.**

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

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

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

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

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

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

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

16 D. Pursuant to Ordinance No. 311-08, adopted by the Board of Supervisors on
17 December 16, 2008, and Resolution No. 09-175, adopted by this Commission on October 27,
18 2009, the Water Enterprise’s commercial paper program (“Water CP Program”) was increased
19 to an aggregate principal amount of \$500,000,000, and the Commission has caused its Water
20 Enterprise Commercial Paper to be issued from time to time; and

21 E. By Resolution 22-0030, adopted by the Commission on February 8, 2022
22 (“Commission Resolution”) the Commission has determined to issue Water Revenue Bonds
23 (“Water Revenue Bonds”) and other forms of indebtedness (including without limitation State
24 Revolving Fund (SRF) Loans as described below), as well as interim funding vehicles such as
25

1 commercial paper, revolving credit agreements, bond anticipation notes or other forms of
2 notes, which interim funding vehicles will be issued in advance of being paid off by either
3 Water Revenue Bonds and other forms of indebtedness (including without limitation SRF
4 Loans) to finance the costs of various capital projects benefitting the Water Enterprise (the
5 "Capital Improvement Projects" such projects being more fully described in the Commission
6 Resolution), pursuant to Proposition E, and has formally requested this Board to authorize the
7 issuance and sale of Water Revenue Bonds and other forms of indebtedness for such
8 purposes, such Commission Resolution being on file with the Clerk of the Board in File
9 No. 220502; and

10 F. In order to finance the costs of the Capital Improvement Projects, the Board now
11 desires to authorize the issuance and sale of Water Revenue Bonds and other forms of
12 indebtedness, as described above, for such purposes, including obtaining SRF Loans and/or
13 grants from the State Water Resources Control Board; and

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

18 H. This Board is concurrently considering with this Ordinance, related supplemental
19 appropriation ordinances for fiscal year ending 2023, including expenditures of the proceeds
20 of the Water Revenue Bonds and other forms of indebtedness (including, without limitation
21 and for illustrative purposes only, SRF Loans, commercial paper, revolving credit agreements,
22 and bond anticipation notes); and

23 I. This Board, on behalf of the Commission, adopts this Ordinance as official
24 action of the Commission in order to comply with Treasury Regulation §1.150-2 and any other
25 regulations of the Internal Revenue Service relating to the qualification for reimbursement of

1 Commission expenditures incurred prior to the date of issue of the Water Revenue Bonds and
2 other forms of indebtedness (including, without limitation and for illustrative purposes only,
3 SRF Loans, commercial paper, revolving credit agreements, and bond anticipation notes).

4 Section 2. Authorization to Issue Water Revenue Bonds and other forms of
5 indebtedness. The Board hereby authorizes the issuance and sale of taxable or tax-exempt
6 Water Revenue Bonds or other forms of indebtedness (including SRF Loans, commercial
7 paper, revolving credit agreements, and bond anticipation notes) in one or more series from
8 time to time by the Commission pursuant to Proposition E and in accordance with the
9 Commission Resolution, in an aggregate principal amount not to exceed \$141,418,472
10 (inclusive of financing costs, but exclusive of refunding indebtedness), bearing a maximum
11 rate or rates of interest of not to exceed twelve percent (12%) per annum, to finance a portion
12 of the costs of the design, acquisition and construction of the Capital Improvement Projects.
13 Without limiting the foregoing, the Commission shall be authorized to incur state and federal
14 at such time, in such amounts, and upon such other terms and conditions as the Commission
15 may deem advantageous, and to approve any financing documentation related thereto
16 consistent with this Ordinance. The Commission is hereby further authorized to determine the
17 timing, amount and manner of sale (i.e., competitive or negotiated) of each series of Water
18 Revenue Bonds, bond anticipation notes, revolving credit agreements, or commercial paper,
19 pursuant to this authorization; provided however, the Commission's authorization to issue
20 Water Revenue Bonds, bond anticipation notes, revolving credit agreements, or commercial
21 paper is subject to approval by the Commission of the form of substantially final offering
22 document related to such obligations (if any) and the approval of any related agreements,
23 financing documents and the filing with its Board and the Clerk of the Board any certifications
24 required by Proposition E prior to the issuance of any bonds or incurrence of any
25 indebtedness herein authorized. The Commission shall also file, within 30 days of closing any

1 Water Revenue Bond or other form of indebtedness (including SRF Loans or other federal
2 loans and bond anticipation notes) transactions) authorized hereby, with the Clerk of the
3 Board of Supervisors for inclusion in Board File No. 220502 a report showing the results of the
4 transaction, including (i) principal amount sold and method of sale, (ii) true interest cost, (iii)
5 final maturity, (iv) the facilities constructed and/or improved, and (v) a statement about the
6 remaining bonding authorization under this Ordinance (“Bond Report”), provided that the
7 failure to file such Bond Report shall not affect the validity of any debt authorized hereunder.

8 Section 3. Authorization to Issue Water Revenue Refunding Bonds; Commercial
9 Paper Retirement. The Board further authorizes and approves the issuance by the
10 Commission of Water Revenue Refunding Bonds (“Refunding Bonds”) without limitation as to
11 principal amount, in one or more series on one or more dates, at a maximum interest rate or
12 rates of interest not to exceed twelve percent (12%) per annum, provided that each such
13 Refunding Bond issue is permitted under the applicable policies and procedures of the City
14 and authorized by Section 9.109 of the Charter (including related ordinances and resolutions
15 of the Board). The Refunding Bonds may be issued as taxable or tax-exempt obligations, or
16 any combination thereof. Refunding Bonds authorized hereunder shall be subject to the
17 further following conditions, that: (i) three percent (3%) net present value debt service savings
18 or greater is achieved to ensure ratepayer savings (exclusive of any issuance to refund
19 commercial paper, revolving credit notes, or bond anticipation notes); (ii) that the maturity of
20 the refunded bonds is not extended; (iii) this authorization is subject to a 5-year term through
21 June 30, 2027, at which time this Board may consider an extension; principal payments and
22 term may be adjusted, where permitted under federal and state tax law, only if and when the
23 underlying capital asset funded through said refunded bonds has a useful life not in excess of
24 any limit permitted under federal and state tax law than the refunded term; and (iv) the
25 Commission shall within 30 days of any executed refunding transaction provide a refunding

1 savings report ("Bond Refunding Savings Report") prepared by its financial advisors (that
2 reflects at least a three percent (3%) net present value debt service savings) to the Board,
3 together with a copy of the final Official Statement (if any) with respect to such series of
4 Refunding Bonds, provided that the failure to deliver such Bond Refunding Savings Report
5 shall in no way affect the validity of any Refunding Bonds. Notwithstanding the foregoing, the
6 Commission is authorized to issue Refunding Bonds for non-economic factors, including by
7 way of illustration, eliminating onerous covenants and obsolete provisions contained in the
8 Commission's indenture or other security documents. The Commission shall request a waiver
9 of the savings requirement for any Refunding Bonds issued for non-economic reasons. In
10 furtherance of the purpose of managing the Commission outstanding indebtedness, the
11 General Manager is hereby authorized and directed, in consultation the City Attorney, from
12 Available Water Enterprise Revenues to retire outstanding Water Enterprise Commercial
13 Paper at such times and in such amounts advantageous to the Commission.

14 Section 4. 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 or other forms of indebtedness (including SRF Loans
17 or other federal loans, commercial paper, revolving credit notes, or bond anticipation notes)
18 for the Expenditures with respect to the Capital Improvement Projects made on and after a
19 date that is no more than 60 days prior to the adoption of this Ordinance. The Commission
20 reasonably expects on the date hereof that it will reimburse the Expenditures with proceeds of
21 the Water Revenue Bonds or other forms of indebtedness (including, without limitation and for
22 illustrative purposes only, SRF Loans, commercial paper, revolving credit notes or bond
23 anticipation notes). Each said Expenditure was and will be either (A) of a type properly
24 chargeable to a capital account under general federal income tax principles (determined in
25 each case as of the date of the Expenditure), (B) a cost of issuance with respect to such

1 obligations, (C) a nonrecurring item that is not customarily payable from current revenues, or
2 (D) a grant to pay a party that is not related to or an agent of the issuer so long as such grant
3 does not impose any obligation or condition (directly or indirectly) to repay any amount to or
4 for the benefit of the Commission. The Commission will make a reimbursement allocation,
5 which is a written allocation by the Issuer that evidences the Commission's use of proceeds of
6 the Water Revenue Bonds or other forms of indebtedness to reimburse an Expenditure, no
7 later than 18 months after the later of the date on which the Expenditure is paid or the
8 component of the Capital Improvement Projects is placed in service or abandoned, but in no
9 event more than three years after the date on which the Expenditure is paid. The
10 Commission recognizes that exceptions are available for certain "preliminary expenditures,"
11 costs of issuance, certain de minimis amounts, expenditures by "small issuers" (based on the
12 year of issuance and not the year of expenditure) and expenditures for construction projects
13 of at least 5 years.

14 Section 5. General Authority. The Controller, Treasurer, the City Attorney and other
15 officers of the City, including the Director of the Office of Public Finance, and their duly
16 authorized deputies and agents are hereby authorized and directed, jointly and severally, to
17 take such actions and to execute and deliver such certificates, agreements, requests or other
18 documents, as they may deem necessary or desirable to facilitate the issuance, sale and
19 delivery of the Water Revenue Bonds or other forms of indebtedness, including Refunding
20 Bonds, and to obtain bond insurance or other credit or liquidity enhancements with respect to
21 any such obligations, and otherwise to carry out the provisions of this Ordinance. The
22 Commission is hereby directed to provide the final form to the Clerk of the Board of any
23 disclosure document prepared in connection with the execution of any Water Revenue
24 Bonds, other forms of indebtedness, or Refunding Bonds, and the final executed Installment
25 Sale Agreement or other document reflecting the incurrence of an SRF Loan or other federal

1 loan, within 30 days of the closing of such transactions provided that the failure to deliver
2 such document shall not affect the validity of the obligations authorized hereunder. The
3 Commission is further directed as a part of the two-year budget review to provide to this
4 Board of Supervisors a written report about Water Revenue Bonds authorized hereunder,
5 detailing the total amount authorized, the total amount sold, the remaining authorized but
6 unissued amount, and the bond authorization no longer necessary due to changes in projects
7 and project financing.

8 Section 6. Ratification of Prior Actions. All actions authorized and directed by this
9 Ordinance in connection with the issuance of the Water Revenue Bonds, other forms of
10 indebtedness (including, without limitation and for illustrative purposes only, SRF Loans,
11 federal loan, commercial paper, revolving credit notes, or bond anticipation notes) or
12 Refunding Bonds and heretofore taken are hereby ratified, approved and confirmed by this
13 Board.

14 Section 7. File Documents. All documents referred to as on file with the Clerk of the
15 Board are in File No. 220502.

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

18

19 APPROVED AS TO FORM:
20 DAVID CHIU, City Attorney

21

22

23 By: /s/ Mark D. Blake
24 Mark D. Blake
25 Deputy City Attorney
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REVISED LEGISLATIVE DIGEST
(Amended in Committee, 5/25/2022)

[SFPUC Water Revenue Bond and Other Forms of Indebtedness Issuance - Various Capital Water Projects Benefitting the Water Enterprise - Not to Exceed \$141,418,472]

Ordinance authorizing the issuance and sale of tax-exempt or taxable Water Revenue Bonds and other forms of indebtedness (as described below) by the San Francisco Public Utilities Commission (SFPUC) (“Commission”) in an aggregate principal amount not to exceed \$141,418,472 to finance the costs of various capital water projects benefitting the Water Enterprise pursuant to amendments to the Charter of the City and County of San Francisco enacted by the voters on November 5, 2002, as Proposition E; authorizing the issuance of Water Revenue Refunding Bonds and the retirement of outstanding Water Enterprise Commercial Paper; declaring the Official Intent of the Commission to reimburse itself with one or more issues of tax-exempt bonds or other forms of indebtedness; and ratifying previous actions taken in connection therewith.

Existing Law

This is new legislation.

Background Information

On November 5, 2002, the voters of the City and County of San Francisco approved Proposition E (“Proposition E”) which authorized the Commission to issue revenue bonds, including notes, commercial paper or other forms of indebtedness, when authorized by ordinance approved by a two-thirds vote of the Board of Supervisors, for the purpose of reconstructing, replacing, expanding, repairing or improving water facilities or clean water facilities or combinations of water and clean water facilities under the jurisdiction of the Commission.

The proposed Ordinance authorizes the Commission to issue and sell its Water Enterprise Revenue Bonds in an amount not greater than \$141,418,472 at a maximum rate of interest of not in excess of twelve percent (12%) payable from and secured by Water Enterprise Revenues under Proposition E. The Water Revenue Bonds will be issued under an Amended and Restated Indenture dated as of January 1, 2002, as further amended and supplemented from time to time, between the Commission and U. S. Bank National Association. Water Revenue Bonds can be issued for any purposes of the Water Enterprise, including, without limitation, the financing or refinancing of capital additions, improvements, repairs and replacements to the Water Enterprise.

The Commission is authorized to determine the timing, amount and manner of sale (i.e., competitive or negotiated) of each series of Water Revenue Bonds or the delivery of other forms of indebtedness (including (including without limitation State Revolving Fund (SRF)

FILE NO. 220502

Loans) pursuant to the proposed Ordinance; but the Commission's authority to issue Water Revenue Bonds or incur other forms of indebtedness is subject to further approval by the Commission of the form of substantially final offering document related to such bonds (if any) and the approval of any related financing documents.

Finally the Ordinance provides for the issuance of Refunding Bonds under Charter Section 9.109 without returning to the Board for approval provided that the Commission achieves at least 3% present value debt service savings. The Commission is required to provide a savings report to the Board within 30 days of the date of execution of any refunding.

The authority to issue Refunding Bonds is subject to a 5-year term and ends June 30, 2027.

Upon issuance of any Water Revenue Bonds, to the extent permitted by law, one-twentieth of one percent (0.05%) of the gross proceeds of the Water Revenue Bonds will be deposited in a fund established by the City Controller's Office and appropriated by the Board at the direction of the Public Utilities Revenue Bond Oversight Committee established by Proposition P.

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| Items Files 22-0502 & 22-0503 | Department: Public Utilities Commission |
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EXECUTIVE SUMMARY

Legislative Objectives

- **File 22-0502** is an ordinance authorizing the San Francisco Public Utilities Commission (SFPUC) to issue \$141,418,472 in Water Revenue Bonds to fund Water Enterprise capital projects.
- **File 22-0503** is an ordinance appropriating \$122,471,597 of Water Revenue Bond proceeds or State Loan or Grant Funds, water revenues, and water capacity fees for the Water Enterprise’s Capital Improvement Program for FY 2022-23; de-appropriating and re-appropriating Water capital project appropriations of \$38,331,661 in FY 2022-23; and placing \$96,899,821 of Water Revenue Bond and State Loan or Grant Fund proceeds on Controller’s Reserve.

Key Points

- Proposition E, approved by voters in 2002, provides for the Board of Supervisors to authorize SFPUC to issue revenue bonds. To date, the Board of Supervisors has authorized \$4.6 billion and SFPUC has issued \$3.8 billion in Water Revenue Bonds authorized by Proposition E. Of the authorized and unissued bonds of approximately \$800 million, \$130 million were approved in 2010 and 2014 for Water System Improvement Program projects.
- The appropriation of \$122.4 million funds projects approved in the SFPUC 10-Year Capital Plan and other projects not in the Capital Plan, such as customer service system, emergency communications, and automated meter reading improvements.

Fiscal Impact

- Annual Water Enterprise debt service for outstanding debt is \$335 million in FY 2022-23, increasing to \$409 million in FY 2031-32. Retail water rates are not increased in FY 2022-23 and would be increased by 5 percent in FY 2023-24.

Policy Consideration

- The 10-Year Capital Plan provides for predevelopment funding for the Millbrae Yard and City Distribution Division administrative building, which include relocation of staff from existing space.

Recommendations

- Amend the proposed ordinance (File 20-0502) to state that the required report detailing issuance of Wastewater Revenue bonds approved by File 20-0830 and File 22-0502 will be included in the legislative files for the respective ordinances.
- Request the SFPUC General Manager to report on the proposed disposition of the Rollins Road facility during the review of the SFPUC two-year operating and capital budget in May 2024.
- Amend File 20-0503 to place \$2,536,607 in the FY 2022-23 appropriation for predevelopment costs for the City Distribution Division administrative building on Budget and Finance Committee Reserve, pending a report to the Board of Supervisors on facility design, space needs, total project costs, and disposition of 1990 Newcomb Avenue.
- Approve Files 20-0503 and 20-0502 as amended.

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 or combinations of water and 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.

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

Charter Section F1.113 states that 0.2 percent of the City's budget, excluding bond debt, must be set-aside for the Controller's audit fund.

Charter Section 5A.31(d) states that one-twentieth of one percent (0.05%) from the proceeds of each issuance or sale of public utility revenue bonds must be set aside for use by the Public Utilities Commission Revenue Bond Oversight Committee to cover the costs of Committee activities.

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

BACKGROUND

The San Francisco Public Utilities Commission (SFPUC) Water Enterprise provides both regional water conveyance and local (in-city) water distribution. The regional water conveyance system includes the Hetch Hetchy Reservoir, the Irvington Tunnel conveying water from the Hetch Hetchy Reservoir, the San Antonio and Calaveras Reservoirs in Alameda County, and the San Andreas and Crystal Springs Reservoirs on the Peninsula. 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.

In 2003, SFPUC implemented the \$4.8 billion Water System Improvement Program (WSIP) to upgrade the regional and local water system. According to SFPUC, all local WSIP projects have been completed, and 47 of 52 regional WSIP projects are in the construction close-out or completion phase. The SFPUC forecasts that WSIP projects will be completed by May 2023.

The SFPUC approved the 10-year financial plan for FY 2022-23 through FY 2031-32 in February 2022 in accordance with Charter Section 8B.123. According to the 10-year financial plan, the Water Enterprise 10-year capital plan through June 2031 is \$1.9 billion, of which one-third is funded through Water Enterprise revenues and one-third is funded through debt. The Board of

Supervisors is being asked to approve the Water Enterprise capital improvement budget for FY 2022-23 and the issuance of Water Revenues Bonds, as detailed below.

DETAILS OF PROPOSED LEGISLATION

File 22-0502 is an ordinance (a) authorizing the issuance and sale of tax-exempt or taxable Water Revenue Bonds by the San Francisco Public Utilities Commission (SFPUC) in an aggregate principal amount not to exceed \$141,418,472 to finance the costs of Water Enterprise capital projects; (b) authorizing the issuance of Water Revenue Refunding Bonds and the retirement of outstanding Water Enterprise Commercial Paper; (c) declaring the intent of SFPUC to reimburse itself with one or more issues of tax-exempt bonds or other forms of indebtedness; and (d) ratifying previous actions taken in connection with the issuance of the bonds.

File 22-0503 is an ordinance (a) appropriating \$122,471,597 of proceeds from Revenue Bonds, State of California Water Resources Control Board's revolving loan funds (State Loan Funds) or grant funds (State Grant Funds), water revenues, and water capacity fees for the San Francisco Public Utilities Commission (SFPUC) Water Enterprise's Capital Improvement Program for FY 2022-23; and (b) de-appropriating and re-appropriating Water Capital Project appropriations of \$38,331,661 in FY 2022-23. \$96,899,821 of Revenue Bond and State Loan Funds or State Grant Funds proceeds are placed on Controller's Reserve pending Controller certification of the availability of funds. Sources and uses of the appropriated funds are shown in Table 1 below and de-appropriation and re-appropriation of Water Capital Project funds are shown in Tables 2 and 3 below. Projects funded by the appropriated funds are subject to final approval by the SFPUC and the Board of Supervisors of the California Environmental Quality Act (CEQA) findings.

Water Revenue Bond Issuance

At the February 8, 2022 Commission meeting, the SFPUC approved the issuance of new Water Revenue Bonds to finance Water capital projects in FY 2022-23. The proposed ordinance allows the issuance of commercial paper or other interim debt to finance the projects prior to the issuance of the revenue bonds and provides for SFPUC to access California Water Resources Control Board revolving loan funds or grant funds.

The SFPUC may issue taxable or tax-exempt bonds in one or more series through either a negotiated or competitive sale. The SFPUC is to report to the Board of Supervisors within 30 days of the bond issuance: (i) the principal amount sold and method of sale, (ii) true interest cost, (iii) final maturity, (iv) the facilities constructed and/or improved, and (v) a statement about the remaining bonding authorization.

In addition, the SFPUC may issue refunding bonds to repay outstanding Water Revenue Bond debt if the issuance of the refunding bonds results in net present value debt service savings of 3 percent and does not extend the maturity date. If the SFPUC issues refunding bonds, then the SFPUC needs to submit to the Board of Supervisors the final official statement for the refunding bonds and a statement from the financial advisor on the 3 percent net present value debt service savings. SFPUC may request authorization to issue refunding bonds for other reasons that debt

service savings if other benefits accrue, such as removal of bond covenants deemed to be onerous to the SFPUC. The authorization to issue refunding bonds extends through June 2027.

FY 2022-23 Capital Budget

The proposed ordinance appropriates \$122.5 million in new funds to Water Enterprise projects in the 10-Year Capital Plan for FY 2022-23 through FY 2031-22 and \$38.3 million in reappropriated funds to various Water Enterprise projects, shown in Tables 1 – 3 below.

Table 1: Sources and Uses of Funds

| | Regional Programs | | Local Programs | | | Total |
|--------------------------------|--------------------------------|--|-----------------------------|---------------------------|---------------------|----------------------|
| | Water Revenue Bonds (Regional) | Water Enterprise Revenues (Wholesale Customer) | Water Revenue Bonds (Local) | Water Enterprise Revenues | Water Capacity Fees | |
| Sources | \$26,562,907 | \$16,250,000 | \$47,785,764 | \$29,715,926 | \$2,157,000 | \$122,471,597 |
| Uses | | | | | | |
| Water Treatment | \$9,771,729 | \$4,806,200 | | \$2,587,955 | | \$17,165,884 |
| Water Transmission | | 9,218,329 | | 4,963,715 | | \$14,182,044 |
| Buildings & Grounds | 12,806,742 | 2,192,971 | 2,536,607 | 1,180,830 | | \$18,717,150 |
| Local Conveyance/ Distribution | | | 38,081,293 | 19,925,669 | 2,152,686 | \$60,159,648 |
| Customer Service | | | | 998,326 | | \$998,326 |
| Financing ^a | 3,925,998 | | 7,062,736 | | | \$10,988,734 |
| Controller's Audit | 45,157 | 32,500 | 81,235 | 41,931 | 4,314 | \$205,137 |
| RBOC ^b | 13,281 | | 23,893 | 17,500 | | \$54,674 |
| Total Uses | \$26,562,907 | \$16,250,000 | \$47,785,764 | \$29,715,926 | \$2,157,000 | \$122,471,597 |

Source: File 22-0503

^a Financing costs include the costs of interim, short-term funding for projects by the Commercial Paper Program, such as accrued interest and credit bank and dealer fees associated with outstanding commercial notes as well as capitalized interest and other issuance costs.

^b Revenue Bond Oversight Committee

Proposition E Bond Funds

San Francisco voters approved Proposition E in 2002, providing for the Board of Supervisors to authorize issuance of Water Revenue Bonds with three-fourths approval of the Board members. To date, the Board of Supervisors has authorized \$4,617,099,036 and SFPUC has issued \$3,769,973,951 in bonds authorized by Proposition E.

Water System Improvement Program

The Board authorized \$3,070,808,317 in Water Revenue Bonds for Water System Improvement Program (WSIP) projects, of which \$2,940,525,000 have been issued and \$130,283,217 is authorized but not issued. According to the WSIP Quarterly Report, local WSIP projects are complete and regional projects are forecasted for completion in 2027.¹ According to SFPUC staff,

¹ The major regional WSIP projects to be completed are groundwater storage and recovery.

the WSIP has approximately \$77 million in outstanding Water Enterprise commercial paper, and current and future commercial paper issuances will be used to finance WSIP project construction. SFPUD will issue Water Revenue Bonds at a future date to retire the outstanding commercial paper.

Other Water Enterprise Capital Projects

The Board authorized \$1,546,290,719 in Water Revenue Bonds for other Water Enterprise capital projects, of which \$829,448,951 have been issued and \$716,841,768 is authorized but not issued.^{2,3} According to SFPUC, the Commission has used commercial paper as interim financing for the Water Enterprise capital projects.

If the Board authorizes \$141,418,472 in new Water Revenue Bonds for Water Enterprise capital projects, total authorization increases to \$1,687,709,191 and the amount of authorized and unissued bonds increases to \$858,260,240. The SFPUC 10-Year Financial Plan provides for issuing \$406 million in Water Revenue Bonds in FY 2022-23; total Water Revenue Bond issuances over 10 years through FY 2031-32 are \$1.6 billion.

Of the requested Water Revenue Bond authorization of \$141,418,472:

- \$74,384,671 are allocated to Water Enterprise projects shown in Table 1 above: \$26,562,907 to regional projects and \$47,785,764 to local projects
- \$67,069,801 are allocated to Hetch Hetchy Water and Power Enterprise projects (File 22-0498).

10-Year Capital Plan

The projects shown in Table 1 above are included in the SFPUC's 10-Year Capital Plan for FY 2022-23 through FY 2031-32. According to SFPUC staff, the Commission is requesting one year of appropriation approval, pending further evaluation of project spending and delays for ongoing Water Enterprise projects.

Re-appropriation of Funds

The proposed ordinance re-appropriates funds to regional and local water projects, shown in Tables 2 and 3 below.

² The legislation authorizing the bonds provides for the use of State loans and other funds. Of the \$1.5 billion in bond authorization for Water Enterprise capital projects, the SFPUC used \$265.5 million in State loans in lieu of issuing bonds.

³ Authorized and unissued Water Revenue Bonds were approved by the Board in 2018 (\$478.4 million authorized and \$143.8 million issued, with authorized and unissued bonds of \$334.6 million), 2019 (\$34.1 million authorized and not issued), and 2020 (\$341.1 million authorized and not issued).

Table 2: De-appropriation and Re-appropriation of Regional Water Project Funds

| | Water Capital Improvement Program | Water Enterprise Revenues | Water Enterprise Revenues (Wholesale Customer) | Total |
|----------------------------------|---|------------------------------|---|-----------------------|
| De-appropriation | | | | |
| Water Supply & Storage | (\$8,919,150) | | | (\$8,919,150) |
| Watershed & Land Management | | (1,496,639) | (2,779,472) | (4,276,111) |
| Long-term Monitoring & Permit | | (810,509) | (1,505,231) | (2,315,740) |
| Total De-appropriation | (\$8,919,150) | (\$2,307,148) | (\$4,284,703) | (\$15,511,001) |
| Re-appropriation | | | | |
| Regional Water Treatment Program | \$8,919,150 | \$760,170 | \$1,411,745 | \$11,091,065 |
| Communications & Monitoring | | 1,039,376 | 1,930,269 | 2,969,645 |
| Buildings & Grounds | | 507,602 | 942,689 | 1,450,291 |
| Total Re-appropriation | \$8,919,150 | \$2,307,148 | \$4,284,703 | \$15,511,001 |

Source: File 22-0503

Table 3: De-appropriation and Re-appropriation of Local Water Project Funds

| | 2002 Proposition E | Water Continuing Projects | 2017 and 2021 Water Revenue Bonds | Water Enterprise Capital Funds | Total |
|-------------------------------|-----------------------|---------------------------------|--|--------------------------------------|-----------------------|
| De-appropriation | | | | | |
| Treasure Island Improvements | (\$6,159,918) | (\$291,901) | | | (\$6,451,819) |
| Local Water Supply | | (835,847) | (11,250,000) | (3,182,000) | (15,267,847) |
| Pacifica Recycled Water | | (1,100,994) | | | (1,100,994) |
| Total De-appropriation | (\$6,159,918) | (\$2,228,742) | (\$11,250,000) | (\$3,182,000) | (\$22,820,660) |
| Re-appropriation | | | | | |
| Local Conveyance/Distribution | \$6,159,918 | \$1,012,779 | \$11,250,000 | \$3,182,000 | \$21,604,697 |
| Pump Station Improvements | | 468,742 | | | 468,742 |
| Automated Meter Reading | | 747,221 | | | 747,221 |
| Total Re-appropriation | \$6,159,918 | \$2,228,742 | \$11,250,000 | \$3,182,000 | \$22,820,660 |

Source: File 22-0503

According to SFPUC staff, as a preliminary step to FY 2022-23 Capital Budget development, a baseline review of all existing project appropriations was completed for potential closeout or repurposing to new capital budget needs. This review focused on capital project delivery and reduced the 2-year capital budget request to more efficiently use existing project appropriations.

Descriptions of the projects shown in Tables 1, 2, and 3 are provided in the attachment.

FISCAL IMPACT*Debt Issuance*

SFPUC anticipates issuing \$141.4 million in Water Revenue Bonds at 5 percent interest and for a 30-year term. Capitalized interest costs over 30 months are \$17.7 million⁴ and issuance costs are \$2.8 million⁵ for net bond proceeds of approximately \$120 million.⁶ Average annual debt service over 30 years is approximately \$9.5 million.

The 10-Year Financial Plan provides for issuing \$406 million in Water Revenue Bonds in 2023 and future Water Revenue Bond issuances totaling \$1.6 billion over 10 years. Annual Water Enterprise debt service for outstanding debt is \$335 million in FY 2022-23, increasing to \$409 million in FY 2031-32.

The year-end Water Enterprise fund balance is estimated to increase from \$178 million in FY 2022-23 to \$210.8 million in FY 2031-32. The SFPUC fund balance reserve policy is for fund balance to equal at least 25 percent of annual operating and maintenance expenses. According to the 10-Year Financial Plan, the Water Enterprise fund balance is estimated to equal at least 50 percent of annual operating and maintenance expenses through FY 2031-32.

The annual debt service coverage ratio is estimated to be 1.5 in FY 2022-23, increasing to 1.6 in FY 2031-32. According to covenants with bond holders, the annual debt service coverage ratio – the ratio of annual debt service to unrestricted fund balance and net revenues – should equal 1.25, and according to SFPUC financial policies, the annual debt service coverage ratio should equal 1.5. The SFPUC 10-Year Financial Plan assumes that the Water Enterprise will have sufficient net revenues and unrestricted fund balance to achieve a debt service coverage ratio of at least 1.5.

Water Customer Rates

The 10-Year Financial Plan assumes no rate increase for retail customers in FY 2022-23 and a 5 percent rate increase for retail customers in FY 2023-24. The 10-Year Financial Plan assumes a 15.9 percent rate increase for wholesale customers in FY 2022-23 and an 11.2 percent rate increase for wholesale customers in FY 2023-24. According to the 10-Year Financial Plan, wholesale water rates are set on an annual basis and are adopted by the Commission. The annual rate setting process for wholesale water customers is established by contract under the long-term Water Supply Agreement with wholesale customers.

The wholesale water rate increase of 15.9 percent for FY 2022-23 was adopted by the Commission on May 10, 2022. According to SFPUC staff, the rate increase was needed to cover

⁴ Capitalized interest is the amount of interest that accrues on the bonds during the construction period prior to placement of the asset into service.

⁵ Issuance costs include underwriting fees, legal fees, financial advisory fees, credit enhancement fees, and other miscellaneous fees typically associated with a bond financing.

⁶ As noted above, a portion of the Water Revenue Bond proceeds are allocated to Hetch Hetchy Water and Power Enterprise projects.

growing wholesale customers’ share of expenditures in the Water enterprise. The need for a rate increase resulted from decreased water sales given in response to the systemwide call for water conservation and an increase in annual debt service payments for Water Enterprise bonds issued in prior years. According to SFPUC staff, the 15.9 percent rate increase in FY 2022-23 is the first rate increase for wholesale customers in five years where rates were held flat.

POLICY CONSIDERATION

Reporting on Proposition E Bonds

File 20-0830 stated SFPUC should submit a report to the Clerk of the Board of Supervisors following sale of the Water Revenue bonds showing the results of the transaction, including (i) principal amount sold and method of sale, (ii) true interest cost, (iii) final maturity, (iv) the facilities constructed and/or improved, and (v) a statement about the remaining bonding authorization. As noted above, SFPUC has not yet sold bonds authorized in File 20-0830, issuing commercial paper as interim debt instead. SFPUC provided information to the Budget and Legislative Analyst on total Water Revenue Bond authorization under Proposition E, amount sold, and remaining authorized but not yet sold bonds, noted above.

File 22-0502 has the same reporting requirement for \$141 million in Water Revenue Bonds authorized under the ordinance. The SFPUC is planning to issue bonds approved in Files 20-0830 and 22-0502 in FY 2022-23 and therefore, will need to submit the report to the Clerk of the Board of Supervisors after sale of the bonds. The proposed ordinance should be amended to state that the required report detailing issuance of Wastewater Revenue bonds approved by File 20-0830 and File 22-0502 will be included in the legislative files for the respective ordinances.

Fund Balance and Rate Increases

According to the 10-Year Financial Plan for FY 2022-23 through FY 2031-32, the SFPUC does not plan to increase retail water rates for San Francisco rate payers in FY 2022-23 and plans to increase retail water rates by 5 percent in FY 2023-24. SFPUC plans to increase wholesale water rates by 15.9 percent in FY 2022-23 and 11.2 percent in FY 2023-24. Planned wholesale water rate increase in FY 2024-25 through FY 2031-32 range from 0 percent to 2.9 percent.

Project Costs

Millbrae Yard

The FY 2022-23 capital budget includes \$2,178,702 for predevelopment costs Millbrae Yard laboratory and shop improvements, which includes expanding the existing Millbrae Administration Building to merge and house Water Enterprise staff and equipment currently located at Rollins Road. The project includes new laboratory and shop space and construction of two floors on top of the laboratory. Construction of the project is planned to begin in 2025 and complete in approximately 2028. According to SFPUC staff, the Commission does not have a plan for the disposition of the Rollins Road facility at this time. The Board of Supervisors should request the SFPUC General Manager report on the proposed disposition of the Rollins Road facility during the review of the SFPUC two-year operating and capital budget in May 2024.

City Distribution Division Administrative Building

The FY 2022-23 capital budget includes \$2,536,607 for predevelopment costs to construct a new administrative building for the City Distribution Division to replace the existing facility at 1990 Newcomb Avenue. According to the SFPUC's 10-Year Capital Plan, the Board has previously appropriated \$45.5 million for the new administrative building, of which \$4.3 million has been spent to date. The Budget and Legislative Analyst recommends placing \$2,536,607 on Budget and Finance Committee reserve, pending a report to the Board of Supervisors on facility design, space needs, total project costs, and disposition of 1990 Newcomb Avenue.

RECOMMENDATIONS

1. Amend the proposed ordinance (File 20-0502) to state that the required report detailing issuance of Water Revenue bonds approved by File 20-0830 and File 22-0502 will be included in the legislative files for the respective ordinances.
2. Request the SFPUC General Manager to report on the proposed disposition of the Rollins Road facility during the review of the SFPUC two-year operating and capital budget in May 2024.
3. Amend File 20-0503 to place \$2,536,607 in the FY 2022-23 appropriation for predevelopment costs for the City Distribution Division administrative building on Budget and Finance Committee Reserve, pending a report to the Board of Supervisors on facility design, space needs, total project costs, and disposition of 1990 Newcomb Avenue.
4. Approve Files 20-0503 and 20-0502 as amended.

Attachment: Capital Project Summary

File 22-0502 appropriates \$160,803,258 in new and reappropriated funds for regional and local water projects, including associated financing, auditing, and oversight costs, shown in Table 4 below.

Table 4: Summary of Water Project Appropriation

| | Appropriation New Funds | Re- appropriation | Total Appropriation |
|--------------------------------------|----------------------------|----------------------|------------------------|
| Regional Projects | | | |
| Regional Water Treatment | \$17,165,884 | \$11,091,065 | \$28,256,949 |
| Water Transmission | 14,182,044 | | 14,182,044 |
| Communications & Monitoring | 0 | 2,969,645 | 2,969,645 |
| Buildings & Grounds | 16,180,543 | 1,450,291 | 16,630,834 |
| Local Projects | | | |
| Local Conveyance/ Distribution | 60,159,648 | 21,604,697 | 81,764,345 |
| Customer Service & System Monitoring | 998,326 | | 998,326 |
| Pump Station Improvements | | 468,742 | 468,742 |
| Automated Meter Reading | | 747,221 | 747,221 |
| Buildings & Grounds | 2,536,607 | | 2,536,607 |
| Financing & Oversight | | | |
| Financing | 10,988,734 | | 10,988,734 |
| Controller's Audit | 205,137 | | 205,137 |
| Revenue Bond Oversight Committee | 54,674 | | 54,674 |
| Total | \$122,471,597 | \$38,331,661 | \$160,803,258 |

Regional Water Treatment Projects: \$28.3 million*Sunol Valley Water Treatment: \$13.1 million*

This is a multi-year project to (i) construct an ozone treatment facility to mitigate taste and odor problems stemming from algae blooms and improve water quality, and (ii) improve reliability of regional water delivery. Total estimated project costs are \$248 million through 2028.

Water Quality Monitoring and Ground Water Treatment: \$15.2 million

These projects include improvements to (i) prevent untreated water entering the drinking water supply and (ii) regional groundwater wells on the Peninsula. Improvements to regional water treatment facilities for water quality monitoring, and electrical, valve, and other upgrades total \$19.9 million through 2029; and improvements to ground water treatment total \$4 million through 2028.

Water Transmission: \$14.2 million

Water transmission projects include (i) pipeline and tunnel inspection and repair, as part of a 20-year inspection plan; and (ii) repairs to the Bay Division Pipelines in Alameda and San Mateo counties. Regional water transmission projects total \$202.1 million through 2032.

Communications & Monitoring: \$2.9 million

This project will provide redundant emergency communications capability and increased bandwidth for security data transfer. Specifically, it will build a microwave backbone to link the entire SFPUC regional water system from the Hetch Hetchy Dam site in Yosemite to the rest of the SFPUC sites (San Francisco, San Mateo, Santa Clara, and Alameda counties).

Regional Building & Grounds Projects: \$16.2 million*Millbrae Yard Upgrades: \$12.8 million*

Millbrae Yard upgrades include (i) reconstruction of the slab between the warehouse loading dock and offices to offset soil settlement and upgrades to the heating, ventilation, and air conditioning (HVAC) system in the administration building, and (ii) renovation and expansion of the Millbrae administrative building.

Of the \$12.8 million, \$2.2 million is allocated to initial costs of the administrative building renovation and expansion, which is estimated to cost \$169.6 million through 2029. Administrative building improvements consist of three phases, including (1) construction of two additional floors in the Millbrae laboratory building and consolidation staff from the Rollins Road facility; (2) demolition and reconstruction of a new administration building adjacent to the laboratory; and (3) construction of new materials and equipment space. According to the SFPUC 10-year capital plan, only the reconstruction of the Millbrae laboratory building (phase one) is included in the 10-year plan.

Sunol Yard Upgrades: \$3.4 million

The Sunol Yard long term improvements, which began in 2009 and are scheduled to be completed in 2023, include redevelopment of the existing Sunol Yard and construction of a Watershed Center near the Sunol Water Temple. The total project costs are \$104.9 million, of which \$3.4 million remains. These funds will be used for addition Water Temple work that was not part of the original project, including a backup generator, 100 space parking lot, a history exhibit on the terrace and revisions to the interior exhibits, picnic area restoration and fixtures, and conversion of temporary construction areas to permanent areas for Water Supply and Treatment Division and Natural Resource Division use. According to SFPUC staff, the backup power generator system was requested to address increases in PG&E rolling and extended power outages, allow daily operation of the facility, and provide backup power to aquarium and quarantine systems. The changes to the exhibits were approved by the SFPUC Commission, and added to the contract as a change order. The temporary construction areas are to be restored to pre-existing conditions after construction. The areas would be used to store Water Enterprise operations equipment and for an overflow parking lot at the Watershed Center

Other Projects

According to SFPUC staff, for the FY 2022-23 Capital Budget development, a baseline review of all existing project appropriations was completed for potential closeout or repurposing to new capital budget needs SFPUC proposes. Re-appropriation of \$1.4 million to regional building and

grounds projects provides funding for improvements to the Sunol and Millbrae Yards facilities maintenance shops and equipment storage.

Local Building & Grounds Projects: \$4.0 million

City Distribution Division Headquarters: \$2.5 million

The SFPUC proposes to construct a new headquarters building for the City Distribution Division to replace the existing building, which was constructed in 1962 and does not meet current seismic, Americans with Disabilities Act (ADA), or building system requirements. The total project cost is estimated to be \$393.8 million through 2028. The \$2.5 million appropriation is for initial pre-construction costs.

Local Conveyance and Distribution: \$81.8 million

New Services: \$8 million

These funds provide for new service installation requested by water customers and funded from Water Enterprise revenues. The SFPUC 10 Year Capital Plan provides for annual costs of new service installation of \$8 million.

Renew Services: \$12.6 million

These funds provide for repair and replacement of meters, valves, service connections and other components of the water distribution system between the water main and the customer's service connection. This project also supports development of the information technology infrastructure necessary to the asset management of the linear system, development of a master plan for water loss reduction and compliance with State regulations, and planning to improve water quality. The 10 Year Capital Plan provides for total costs over 10 years of \$89.8 million, including annual costs of \$4 million for repair and replacement of components of the water distribution system between the water main and customer's service connection.

Pipeline Replacement: \$61.2 million

Pipeline replacement consists of long-term management of linear assets in the potable water distribution system between transmission or storage and final customer service connection, including replacement of 1,230 miles in the City's pipeline and water distribution system. The pipeline replacement program is projected to cost \$470.4 million over the term of the 10 Year Capital Plan.

Other Local Projects

Other projects include improvements to the systems supporting customer service, and pump station and automated meter reading improvements.

- \$998,326 is budgeted in FY 2022-23 for improvements to the customer service system, including a cloud-based contact center, new digital self-service customer platform, and a new customer care and billing service. Total project costs are estimated to be \$8.1 million.
- \$468,742 for pump station improvements. The SFPUC's 12 major water pump stations and seven hydropneumatic tanks that boost pressure within the San Francisco distribution system need ongoing renewal and rehabilitation. This program provides long term

funding for renewal and rehabilitation of the water pump stations and hydro-pneumatic tanks that boost water pressure within the distribution system including the automation of the five pump suction valves at Lake Merced Pump Station.

- \$747,221 for automated meter reading improvements This program will provide funding to complete the Automated Water Meter Program (AWMP) during FY23 and for replacement planning of the AWMP System by the end of useful life. This project provides funding for AWMP Renewals needed through the 20-year system life (ending in 2031) and metering equipment (including automation) for all renewals and new services through 2031.

PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO. 22-0030

WHEREAS, On January 7, 2022, this Commission heard and considered budget priorities for the department. Additionally, on January 7, January 14, and January 20, 2022, the San Francisco Public Utilities Commission (SFPUC) General Manager and staff additionally presented the preliminary proposed FY 2022-23 Capital Budget for the Water Enterprise, Wastewater Enterprise, and Hetch Hetchy Water & Power, including the Power Enterprise and CleanPowerSF (“Capital Budget”) including the list of projects, cost estimates, and schedules to the Commission; and

WHEREAS, An overview of the proposed FY 2022-23 Capital Budget for each SFPUC Enterprise is set forth as Attachment A and is on file with the Commission Secretary; and

WHEREAS, the Capital Budget Steering Committee recommended proceeding with only a single year capital budget supplemental for FY 2022-23; and

WHEREAS, As a preliminary step to development of the FY 2022-23 Capital Budget, a baseline review of all existing project appropriations was completed for potential closeout or repurposing to new capital budget needs; and

WHEREAS, The FY 2022-23 Capital Budget submittals went through a quality review to assure the budget addresses the immediate capital improvement needs of each Enterprise and reflects a sound project prioritization process which included a validation of costs and schedule of all proposed projects and an assessment of the ability to deliver the projects within FY 2022-23; and

WHEREAS, The proposed FY 2022-23 Capital Budget must be submitted to, and approved by the Mayor and the Board of Supervisors; and

WHEREAS, The SFPUC General Manager recommends that the Commission request a supplemental appropriation ordinance for the capital expenditures for each of the three Enterprises presented in the proposed FY 2022- 23 Capital Budget to timely implement public improvement projects; and

WHEREAS, Approval of funding mechanisms do not constitute a project under the California Environmental Quality Act (CEQA) Guidelines Section 15378(b)(4) related to the creation of government funding mechanisms which do not involve any commitment to any specific project which may result in a potentially significant impact on the environment; and

WHEREAS, The subsequent approvals of projects to be funded through this Capital Plan would be considered only after the necessary environmental review process in conformance with CEQA, Administrative Code Chapter 31, and Proposition E (approved by the voters in 2002 for Water and Wastewater projects) by this Commission; and

WHEREAS, The Water Enterprise is de-appropriating and re-appropriating \$38,331,660 in Water Capital Projects to fund project spending in FY 2022-23; and

WHEREAS, The Wastewater Enterprise is de-appropriating and re-appropriating \$41,158,347 in Wastewater Capital Projects to fund project spending in FY 2022-23; and

WHEREAS, This Commission has considered the proposed FY 2022-23 Capital Budget for the Water Enterprise, Wastewater Enterprise, and Hetch Hetchy Water and Power, including the Power Enterprise and CleanPowerSF, which totals \$1,117,521,515, as set forth in Attachment A to the February 8, 2022 staff report; now, therefore, be it

RESOLVED, That this Commission hereby adopts the FY 2022-23 SFPUC Capital Budget in the amount of \$1,117,521,515 for the Water Enterprise, the Wastewater Enterprise, and Hetch Hetchy Water and Power, including the Power Enterprise and CleanPowerSF as presented at the public hearings on January 7, January 14, and January 20, 2022 and as set forth in the attached Attachment A, as follows:

| FY 2022-23 Capital Budget | Amount | Financing Costs | Total |
|----------------------------------|-----------------------|------------------------|-------------------------|
| Wastewater Enterprise | \$ 687,374,066 | \$ 105,629,835 | \$ 793,003,901 |
| Water Enterprise | 101,319,297 | 9,387,595 | 110,706,892 |
| Hetchy Water | 114,943,889 | 20,228,083 | 135,171,972 |
| Hetchy Power | 66,185,543 | 10,867,161 | 77,052,704 |
| CleanPowerSF | <u>1,586,046</u> | <u>0</u> | <u>1,586,046</u> |
| Total | \$ 971,408,841 | \$ 146,112,674 | \$ 1,117,521,515 |

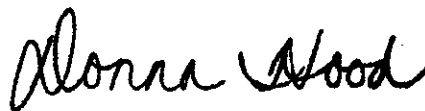
and be it;

FURTHER RESOLVED, That this Commission authorizes the General Manager to seek Board of Supervisors approval for the de-appropriation and re-appropriation of \$38,331,660 in Water Capital Projects and de-appropriation and re-appropriation of \$41,158,347 in Wastewater Capital Project funding; and, be it

FURTHER RESOLVED, That the SFPUC General Manager is authorized to reallocate funds within an Authority Code as provided in the staff report and Attachment A appended to this Resolution and to make further technical adjustments to these approved amounts as may be necessary, or upon further direction from the Commission, the Mayor, or the Board of Supervisors; and, be it

FURTHER RESOLVED, The General Manager is hereby authorized and directed to submit to the Board of Supervisors proposed ordinances authorizing the issuance of (1) not to exceed \$129,653,767 aggregate principal amount of Water Revenue Bonds and other forms of indebtedness, including commercial paper and State Revolving Fund (SRF) loans, (2) \$704,198,901 aggregate principal amount of Wastewater Revenue Bonds and other forms of indebtedness, including commercial paper and SRF loans, under the terms of Proposition E (approved by the voters November 2002), and (3) \$140,889,875 aggregate principal amount of Power Revenue Bonds and other forms of indebtedness, including commercial paper and loans, subject to the terms of Charter Sections 9.107(6) and 9.107(8). The General Manager shall return to this Commission for a subsequent discretionary approval of any disclosure and transaction related documents prepared in connection with the issuance of such Bonds and other forms of indebtedness.

I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting of February 8, 2022.



Secretary, Public Utilities Commission



To: Angela Calvillo, Clerk of the Board of Supervisors
From: Ashley Groffenberger, Mayor's Budget Director
Date: May 1, 2022
Re: Mayor's May 1 FY 2022-23 and FY 2023-24 Budget Submission

Madam Clerk,

In accordance with Administrative Code section 3.3, the Mayor's Office hereby submits the Mayor's proposed May 1 budget by May 1st, corresponding legislation, and related materials for Fiscal Year (FY) 2022-23 and FY 2023-24.

In addition to the Mayor's Proposed FY 2022-23 and FY 2023-24 May 1 Budget Book, the following items are included in the Mayor's submission:

- The May 1 Annual Appropriation Ordinance and Annual Salary Ordinance, along with Administrative Provisions, physical copies of which will be delivered by the Controller's Office
- 11 separate pieces of trailing legislation (see list attached)
- A Transfer of Function letter detailing the transfer of positions from one City department to another
- An Interim Exception letter
- A letter from the City Controller regarding the San Francisco Municipal Transportation Agency budget

Sincerely,

A handwritten signature in black ink, appearing to read "A. Groffenberger", with a long horizontal flourish extending to the right.

Ashley Groffenberger
Mayor's Budget Director

cc: Members of the Board of Supervisors
Budget & Legislative Analyst's Office
Controller

| DEPT | Item | Relevance to Budget | Type of Legislation |
|-------------|--|--|----------------------------|
| AIR | Prop J Certification - previously approved | Costs related to Prop J services assumed in budget. | Resolution |
| BOA | Board of Appeals Surcharges on Permit Fees | Legislation that allows the Board of Appeals to adjust existing surcharges on permit fees, license fees, permit review fees, and permit and license renewal fees for permits and licenses issued by the Planning Department, Department of Building Inspection, Department of Public Works, Department of Public Health, Police Department, and the Entertainment Commission | Ordinance |
| LIB | In-Kind Grant of Friends of San Francisco Public Library | Grant assumed in budget. | Resolution |
| MTA | Prop J Certification - previously approved | Costs related to Prop J services assumed in budget. | Resolution |
| PRT | California State Lands Commission Grant | Grant assumed in budget. | Resolution |
| PRT | Prop J Certification - previously approved | Costs related to Prop J services assumed in budget. | Resolution |
| PUC | CleanPowerSF Capital Budget | Appropriates funds to support PUC CleanPowerSF capital budget expenditures. | Ordinance |
| PUC | Hetch Hetchy Capital Budget | Appropriates funds to support PUC Hetch Hetchy capital budget expenditures. | Ordinance |
| PUC | Wastewater Capital Budget | Appropriates funds to support PUC Wastewater Enterprise capital budget expenditures. | Ordinance |
| PUC | Water Capital Budget | Appropriates funds to support PUC Water Enterprise capital budget expenditures. | Ordinance |
| PUC | Power Debt Authorization | Authorizes bond issuance to finance Power capital projects. | Ordinance |
| PUC | Wastewater Debt Authorization | Authorizes bond issuance to finance Wastewater capital projects. | Ordinance |
| PUC | Water Debt Authorization | Authorizes bond issuance to finance Water capital projects. | Ordinance |
| PUC | Prop J Certification - previously approved | Costs related to Prop J services assumed in budget. | Resolution |



TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Tom Paulino
RE: San Francisco Public Utilities Commission Water Revenue Bond and
Other Forms of Indebtedness Issuance----Not to Exceed \$141,418,472
DATE: May 1, 2022

Ordinance authorizing the issuance and sale of tax-exempt or taxable Water Revenue Bonds and other forms of indebtedness (as described below) by the San Francisco Public Utilities Commission (“Commission”) in an aggregate principal amount not to exceed \$141,418,472 to finance the costs of various capital water projects benefitting the Water Enterprise pursuant to amendments to the Charter of the City and County of San Francisco enacted by the voters on November 5, 2002 as Proposition E; authorizing the issuance of Water Revenue Refunding Bonds and the retirement of outstanding Water Enterprise Commercial Paper; declaring the Official Intent of the Commission to reimburse itself with one or more issues of tax-exempt bonds or other forms of indebtedness; and ratifying previous actions taken in connection therewith.

Should you have any questions, please contact Tom Paulino at 415-554-6153.