

File No. 100169

Committee Item No. 8

Board Item No. 03

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee BUDGET AND FINANCE

Date 3/17/10

Board of Supervisors Meeting

Date 03/30/10

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Motion |
| <input type="checkbox"/> | <input type="checkbox"/> | Resolution |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Ordinance |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form (for hearings) |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Subcontract Budget |
| <input type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
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OTHER

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| <input type="checkbox"/> | <input type="checkbox"/> | <u>Preliminary Official Statement &</u> |
| <input type="checkbox"/> | <input type="checkbox"/> | <u>Supporting Documents *</u> |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
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Completed by: Gail Johnson

Date 3/12/10

Completed by: [Signature]

Date 3/18/10

* An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

4/

of ac/e

1 [Wastewater Revenue Bond Issuance]

2
3 **Ordinance approving the issuance and sale of wastewater revenue bonds by the**
4 **San Francisco Public Utilities Commission (the “Commission”) to finance various**
5 **projects benefitting the Wastewater Enterprise pursuant to amendments to the Charter**
6 **(the “Charter”) of the City and County of San Francisco (the “City”) enacted by the**
7 **voters on November 5, 2002 as Proposition E (“Proposition E”); and ratifying previous**
8 **actions taken in connection therewith.**

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

10 Section 1. Findings. The Board of Supervisors (the “Board”) of the City hereby finds
11 and declares as follows:

12 A. On November 5, 2002, the voters of the City and County of San Francisco (the
13 “City”) approved Proposition E, codified as Article VIII B of the Charter of the City (the
14 “Charter”), which among other things, authorized the Commission to issue revenue bonds,
15 including notes, commercial paper or other forms of indebtedness, when authorized by
16 ordinance approved by a two-thirds vote of the Board of Supervisors, for the purpose of
17 reconstructing, replacing, expanding, repairing or improving water facilities or clean water
18 facilities, or combinations of water and clean water facilities under the jurisdiction of the
19 Commission; and,

20 B. The Commission adopted the Indenture dated as of January 1, 2003, between
21 the Commission and U. S. Bank National Association (the “Indenture”) and in connection
22 therewith, issued the first series of bonds under the Indenture to finance projects benefitting
23 the Wastewater Enterprise, designated the “Public Utilities Commission of the City and
24 County of San Francisco Clean Water Revenue Bonds, 2003 Refunding Series A” (the “2003
25 Refunding Series A Bonds”), in the original principal amount of \$396,270,000 to finance

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BOARD OF SUPERVISORS

1 projects of the Wastewater Enterprise, previously referred to from time to time as the "Clean
2 Water Enterprise", and,

3 C. By Resolution No. 10-0022 adopted on February 10, 2010 (the "Commission
4 Resolution"), the Commission has determined to issue one or more additional series of
5 revenue bonds pursuant to the Indenture (the "Wastewater Revenue Bonds") to finance all or
6 a portion of certain capital projects described therein benefitting the Wastewater Enterprise
7 (the "Capital Projects"), as well as for the payment of costs of issuance and other incidental
8 costs related thereto, has approved the form of a first amendment to the Indenture, has
9 approved the form or forms of a supplemental indenture and other documents relating to the
10 issuance of the Wastewater Revenue Bonds, and has formally requested this Board of
11 Supervisors to authorize the issuance and sale of the Wastewater Revenue Bonds for such
12 purposes, pursuant to Section 8B.124 of the Charter, such Commission Resolution and all
13 such documents relating to the issuance of the Wastewater Revenue Bonds referenced
14 therein being on file with the Clerk of the Board in File No. 100168, which is hereby
15 declared to be a part of this Ordinance as if set forth fully herein; and,

16 D. Section 8B.124 of the Charter allows for the issuance of revenue bonds or other
17 forms of indebtedness by ordinance approved by two-thirds of the Board, subject to the
18 provision of certain certifications of an independent engineer retained by the Commission and
19 certain certifications by the San Francisco Planning Department, which certifications shall
20 make the findings and determinations set forth in Section 8B.124, and

21 E. Certificates intended to meet the requirements set forth in Section 8B.124 of the
22 Charter have been presented and reviewed by this Board (the "Certificates"); such Certificates
23 are on file with the Clerk of the Board in File No. 100168, and are hereby declared to be
24 a part of this Ordinance as if set forth fully herein, and,
25

1 F. The Board now desires to authorize the issuance and sale of the Wastewater
2 Revenue Bonds by the Commission pursuant to said Section 8B.124.

3 Section 2. Approval of the Wastewater Revenue Bonds. The Board hereby declares
4 that the Certificates satisfy the requirements of Section 8B. 124 of the Charter, and in
5 accordance therewith, the Commission is hereby authorized to issue the Wastewater
6 Revenue Bonds pursuant to Section 8B. 124 of the Charter to finance a portion of the design,
7 acquisition and construction of the Capital Projects, as well as paying costs of issuance and
8 other incidental costs relating thereto; and the Board hereby approves the issuance and sale
9 of the Wastewater Revenue Bonds in one or more series from time to time by the Commission
10 pursuant to Section 8B. 124 of the Charter and in accordance with the Commission Resolution,
11 in an aggregate principal amount not to exceed \$282,400,000, and at a maximum rate or
12 rates of interest of not to exceed twelve percent (12%) per annum. The Commission is
13 hereby authorized to determine the timing, amount and manner of sale of each series of
14 Wastewater Revenue Bonds issued pursuant to this authorization.

15 Section 3. Affirmation of Existing Bond Covenants. The Board hereby confirms
16 Section 5.01(c) of the Indenture, as amended and supplemented by the First Amendment and
17 the Supplemental Indenture (the term "Indenture" as used in this section refers to the Indenture
18 as so amended and supplemented), which sets forth the disposition of Revenues (as defined in
19 the Indenture) applicable to the Bonds (as defined in the Indenture) and covenants with the
20 holders of the Bonds that the Revenues shall be appropriated and expended as set forth in
21 Section 5.01(c) of the Indenture. The Board also hereby declares that the City will comply
22 with all of the terms, provisions and covenants contained in the Indenture, including the
23 covenants to establish, fix, prescribe and collect rates, fees and charges sufficient to enable
24 the Commission to comply with the terms, conditions and covenants of the Indenture.

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BOARD OF SUPERVISORS

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1 Section 4. Proposition P. Pursuant to Proposition P approved by the voters of the City
2 in November 2002, this Ordinance and the Wastewater Revenue Bonds are subject to, and
3 incorporate by reference, the provisions of Section 5A.30 et. seq. ("Public Utilities Revenue
4 Bond Oversight Committee") of Chapter V of the San Francisco Administrative Code. In
5 accordance with the provisions of Proposition P, to the extent permitted by law, one-twentieth
6 of one percent of the gross proceeds of the Wastewater Revenue Bonds shall be deposited in
7 a fund established by the Controller's Office and appropriated by the Board at the direction of
8 the Public Utilities Revenue Bond Oversight Committee (RBOC) established by Proposition P
9 to cover the costs of said committee; provided that any amounts so paid from the proceeds of
10 Bonds that have not been spent by RBOC in connection with such Bonds (as contemplated by
11 Article 5A.31(c) of the Administrative Code) within 36 months of the date of issuance of such
12 Bonds shall be returned to the Commission for deposit into the Capital Project Fund (as
13 defined in the Indenture) and shall be expended by the Commission to acquire and construct
14 the Capital Projects.

15 Section 5. General Authority. The Controller, Treasurer, the City Attorney and other
16 officers of the City and their duly authorized deputies and agents are hereby authorized and
17 directed, jointly and severally, to take such actions and to execute and deliver such
18 certificates, agreements, requests or other documents, as they may deem necessary or
19 desirable to facilitate the issuance, sale and delivery of the Wastewater Revenue Bonds, to
20 obtain bond insurance or other credit enhancements with respect to the Wastewater Revenue
21 Bonds, to obtain a surety bond, to obtain title and other insurance with respect to the facilities
22 to be financed, and otherwise to carry out the provisions of this Ordinance.

23 Section 6. Ratification of Prior Actions. All actions authorized and directed by this
24 Ordinance and heretofore taken are hereby ratified, approved and confirmed by this Board.
25

1 Section 7. File Documents. All documents referred to as on file with the Clerk of the
2 Board are in File No. 100168.

3 Section 8. Effective Date. Pursuant to Section 14.102 of the Charter, this Ordinance
4 shall take effect thirty (30) days after its adoption.

5
6 APPROVED AS TO FORM:
DENNIS A. HERRERA, City Attorney

7
8
9 By: 
10 Mark D. Blake
Deputy City Attorney

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BOARD OF SUPERVISORS

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**Items 8 and 9-
Files 10-0168
and 10-0169**

**Department:
Public Utilities Commission (PUC)**

EXECUTIVE SUMMARY

Legislative Objective

- The proposed ordinance (File 10-0168) and resolution (File 10-0169) would approve the issuance and sale of not-to-exceed \$285,600,000 in aggregate principal wastewater revenue bonds by the Public Utilities Commission (PUC) to finance various projects benefitting the PUC's Wastewater Enterprise.

Legal Mandates

- Proposition E, approved by San Francisco voters in 2002, authorized the PUC to issue revenue bonds for reconstructing, replacing, expanding, repairing or improving water facilities or wastewater facilities under the jurisdiction of the PUC. Proposition E provides for unlimited PUC bonding authority. However, all bond issuances, such as the subject legislation, must be authorized by an ordinance approved by a two-thirds vote of the Board of Supervisors.

Fiscal Impact

- Assuming a 6 percent fixed interest rate, a bond sale date of May 12, 2010 and a 30-year term, the estimated total debt service on the proposed \$285,600,000 wastewater revenue bonds would be approximately \$633,192,832, or approximately \$21,016,600 per year from 2012 through 2040. The PUC would capitalize the interest for the first two years, resulting in no net debt service for 2010 and 2011.
- \$137,500,000, or 48.1 percent, of the proposed bond issuance of \$285,600,000 would be used to refund outstanding commercial paper, and \$85,500,000, or 29.9 percent, would be used for project construction costs for the wastewater system. The total estimated bond issuance costs are \$700,000, or 0.2 percent, \$32,314,000, or 11.3 percent, would fund two years of interest-only debt service on the bonds. The remaining \$29,586,000, or 10.5 percent, includes funds for the original issue discount and underwriter's discount (\$8,568,000) and the funding of a Debt Service Reserve Fund (\$21,017,000).

Policy Considerations

- An increase in customer wastewater rates is projected to be the major source of revenues to pay for the debt service costs. From the present through FY 2014-2015, the projected annual wastewater rate increase would range between five percent and nine percent annually, and from FY 2014-2015 to FY 2019-2020 the projected annual wastewater rate increases would be approximately 11.5%.

Recommendations

- Because the PUC's estimated project construction costs are \$3,200,000 less than the amount budgeted in the proposed bond issuance, amend both the proposed resolution (File 10-0169) and the proposed ordinance (File 10-0168) to reduce the not-to-exceed amount of aggregate principal wastewater revenue bonds by \$3,200,000, or from the requested \$285,600,000 to the needed \$282,400,000.
- Approve the proposed ordinance (File 10-0168) and proposed resolution (File 10-0169), as amended.

BACKGROUND/MANDATE STATEMENT

On November 5, 2002, the voters of San Francisco approved Proposition E, codified as Article VIII B of the City's Charter, which among other things, authorized the San Francisco Public Utilities Commission to issue revenue bonds for the purpose of reconstructing, replacing, expanding, repairing or improving water facilities or wastewater facilities, under the jurisdiction of the PUC. Proposition E provides the PUC with unlimited bonding authority. However, all bond issuances must be authorized by ordinance and approved by a two-thirds vote of the Board of Supervisors.

The PUC's Wastewater Enterprise is responsible for collecting, treating, and disposing of sanitary waste and storing water runoff and charges monthly rates to 171,902 customers in the Bay Area for providing these services. The Wastewater Enterprise operates, cleans and maintains 900 miles of City sewers, 17 pump stations and three wastewater treatment plants.

There are numerous existing wastewater and stormwater challenges and issues that need to be addressed by the Wastewater Enterprise. These issues include: (a) aging infrastructure, (b) system reliability and redundancy, (c) odor control, (d) stormwater control, (e) biosolids handling, and (f) regulatory compliance. In response, the Wastewater Enterprise of the PUC is implementing projects under (a) the PUC's Capital Improvement Program (CIP), which commenced in 2005, and (b) the longer-term PUC Sewer System Improvement Plan (SSIP), which is estimated to be implemented over approximately 20 years.

Mr. Carlos Jacobo, Budget Manager for the PUC, states that the PUC is currently in the process of defining the SSIP for purposes of further environmental review and planning and feasibility studies, and the process should be completed by June of 2010. The PUC developed its CIP in 2005 to address the short-term capital improvement needs of the PUC's wastewater system prior to implementation of the SSIP. According to Ms. Noreen Ambrose of the City Attorney Office, both the PUC and Board of Supervisors will approve the CIP and SSIP through their respective actions on related appropriations and bond issuances, such as the subject resolution and ordinance.

DETAILS OF PROPOSED LEGISLATION

On February 10, 2010 the PUC adopted Resolution 10-0022, which authorized the issuance of up to \$285,600,000 in Wastewater Revenue Bonds under Proposition E to fund the Wastewater Enterprise CIP and a portion of the planning and design costs of the SSIP.¹

¹ The PUC states that it is moving forward with the planning and design for two projects in the SSIP (the Biosolid Digester and Channel Tunnel Projects) because these two projects will provide much needed improvements to vital portions of the wastewater system. The existing biosolids facility is aging, has undergone major repairs and failure and now requires complete replacement. The Channel Tunnel Project will provide full redundancy to the existing 66-inch diameter Channel Force Main, which is a key artery in the City's sewer system. The Channel Force Main was taken out of service for emergency repair several times in the past, including during the Loma Prieta

The proposed ordinance (File 10-0168) would approve the issuance and sale of the not-to-exceed \$285,600,000 wastewater revenue bonds by the PUC to finance projects benefitting the Wastewater Enterprise, pursuant to Proposition E, approved by San Francisco voters on November 5, 2002. The proposed resolution (File 10-0169) would approve the issuance and sale of the not-to-exceed \$285,600,000 in aggregate principal wastewater revenue bonds by the PUC and affirm specific covenants contained in the indenture pursuant to which the wastewater bonds are issued.²

In accordance with Section 8B.124 of the City's Charter, issuance of revenue bonds or other forms of indebtedness by ordinance must be approved by at least two-thirds of the Board of Supervisors, such that approval of the proposed ordinance (File 10-0168) will require a minimum two-thirds approval vote by the Board of Supervisors.

FISCAL ANALYSIS

Attachment I, provided by Mr. Jacobo, shows the sources and uses of funds of the proposed \$285,600,000 in aggregate principal wastewater revenue bonds. Attachment II, provided by the PUC, is the estimated debt service schedule based on a 6 percent average coupon rate. As shown in Attachment II, assuming a 6 percent interest rate and bond sale date of May 12, 2010 and a 30-year term, the total estimated debt service on the requested wastewater bond issuance of \$285,600,000 would be approximately \$633,173,900, including interest of \$347,573,900, or approximately \$21,016,600 per year from 2012 through 2040.

Mr. Hughes states that debt service for 2010 and 2011 is less, at \$6,616,400 and \$17,136,600, respectively, representing a partial year's debt service in 2010 and a full year in 2011, both with no principal amortization. The PUC intends to capitalize the interest for the first two years, resulting in no net debt service on the proposed bonds in these two years.

Table 1 below, based on information provided by the PUC, summarizes the PUC's proposed use of the \$285,600,000 aggregate principal wastewater revenue bond proceeds.

earthquake. PUC is proposing that the planning and conceptual design for these two projects be expedited concurrent with their respective environmental reviews.

² According to Deputy City Attorney Mark Blake, a continuance of the proposed resolution will be requested at the March 17, 2010 Budget and Finance Committee in order to amend the resolution to provide for the approval of the preliminary official statement and other financing agreements.

Table 1: Estimated Use of Proceeds from Wastewater Revenue Bonds, 2010 Series

Use	Explanation	Amount	Percent
Commercial Paper Refunding	Refunds existing outstanding commercial paper used to fund Wastewater capital projects	\$137,500,000	48.1%
Project Construction Fund	Estimate of remaining CIP & SSIP project costs and contract encumbrances	85,500,000*	29.9%
Capitalized Interest Fund	Equal to two years of interest-only debt service on the bonds	32,314,000	11.3%
Debt Service Reserve Fund	Equal to maximum annual debt service (MADS), as required by current indenture	21,017,700**	7.4%
Underwriter's Discount	Differential between issue and offering price	2,856,100**	1.0%
Original Issue Discount	Cost to account for possibility bonds will be sold at a discount	5,712,200**	2.0%
Costs of Issuance	Costs of underwriting, legal and financial advice, trustee, RBOC ³ , printing, etc.	700,000	0.2%
Total Uses of Funds		\$285,600,000	100%

*As seen in Attachment V, this amount is actually \$82,300,000, and therefore the Budget and Legislative Analyst is recommending reducing the not-to-exceed amount of aggregate principal wastewater revenue bonds by \$3,200,000.

** Totals \$29,586,000 or 10.5%

As shown in Table 1 above, \$137,500,000, or 48.1 percent, of the proposed bond issuance of \$285,600,000 would be used to refund PUC's outstanding commercial paper. \$85,500,000, or 29.9 percent, would be used for project construction costs for the wastewater system.

Also as shown in Table 1 above, the PUC intends to use \$32,314,000, or 11.3 percent of the \$285,600,000 aggregate principal wastewater revenue bonds, to fund the first two years with interest-only debt service on the bonds. According to Mr. Marc Hughes, Debt Manager for the PUC, this approach is being taken "to help smooth rate increases and avoid rate spikes."

According to Mr. Hughes, and as shown in Table 1 above, the \$21,017,700 for Debt Service Reserve Fund is required per the terms of the Indenture, while the \$2,856,100 for Underwriter's Discount and \$5,712,200 for Original Issue Discount are conservative estimates of costs used for financial planning purposes. The total estimated bond issuance costs for the subject \$285,600,000, including fees for outside bond counsel, financial advisors, rating agency

³ Proposition P established the Revenue Bond Oversight Committee (RBOC) with responsibility for evaluating all revenue bond proceeds expenditures by the PUC and mandates that such revenue bonds include 1/20th of 1 percent to fund certain activities of the RBOC.

advisors, financial printing, consulting engineer, trustee/verification, and City Attorney's Office, are \$700,000, or 0.2 percent.

Mr. Hughes advises that the issuance of the proposed revenue bonds will increase the Wastewater Enterprise's current outstanding debt to approximately \$602,300,000 as of June 30, 2010, with additional debt issuances needed to fund the SSIP, all of which would be subject to future Board of Supervisors approval.

Attachment III, prepared by the PUC, shows the cash flow summary of the PUC spending plan for the CIP and SSIP from FY 2009-2010 through FY 2019-2020. Attachment IV, prepared by Carollo Engineers as part of the Engineering Certificate for the subject wastewater revenue bond issuance, is an independent ten-year (FY 2010-2011 through FY 2019-2020) financial projection for the Wastewater Enterprise. As shown in Attachments III and IV, an increase in wastewater rates is projected to be the major source of revenues to cover debt service.

Prior CIP and SSIP Project Appropriations Approved by the Board of Supervisors

On August 18, 2009, the Board of Supervisors approved Ordinance 0201-09 (File 09-0546) which appropriated \$119,800,000 for the PUC's CIP (\$100,800,000) and two projects, the Bio-Solid Digester Project and the Channel Tunnel Project, included in the SSIP (\$19,000,000), as shown in Table 2 below.

Table 2: Sources and Uses of Funds, Ordinance 0201-09

SOURCES

Wastewater Commercial Paper ⁴	\$36,700,000
Wastewater Revenue Bonds	78,800,000
Interest Earnings on Commercial Paper	<u>4,300,000</u>
Total Sources	\$119,800,000

USES

Interim Capital Improvement Program (Interim CIP)

Odor Control	\$6,200,000
Treatment Facility Improvements	17,200,000
Pump Station Improvements	8,950,000
Sewer/Collection System Improvements	<u>68,450,000</u>
Subtotal	\$100,800,000

Final Sewer System Improvement Program (SSIP)

Bio-solid Digester	9,000,000
Channel Tunnel	<u>10,000,000</u>
Subtotal	\$19,000,000

Total Uses	\$119,800,000
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⁴ According to Mr. Jacobo, the Board of Supervisors previously authorized the PUC to issue up to \$150,000,000 of Wastewater Commercial Paper, of which the PUC had previously issued \$113,300,000 leaving \$36,700,000 in unused Commercial Paper issuance authority.

At the time the Board of Supervisors approved Ordinance 0201-09, as summarized in Table 2 above, the PUC anticipated using \$78,800,000 in proceeds from a future issuance of wastewater revenue bonds, \$36,700,000 from Commercial Paper and \$4,300,000 from interest earnings as a source of funds for the \$119,800,000 supplemental appropriation. Mr. Jacobo states that the actual proceeds from the Commercial Paper issuance, including interest earnings, was \$37,500,000, such that the balance of \$82,300,000 (\$119,800,000 less \$37,500,000) would be financed through the subject wastewater bond issuance.⁵

As shown in Attachment V, the PUC proposes to use \$82,300,000 of the proposed bond issuance for project construction costs for nine projects, including funding for seven CIP projects and for two SSIP projects (Biosolid Digester and Channel Tunnel projects). Attachment V also lists the commencement and completion dates and the environmental review status of the nine projects.

However, as shown in Attachment V, the total required project funding for the CIP and SSIP projects in the Wastewater Enterprise Fund is \$82,300,000, or \$3,200,000 less than the current request of \$85,500,000 as shown in Table 1 above. Therefore, the Budget and Legislative Analyst recommends reducing the not-to-exceed \$285,600,000 in the subject ordinance by \$3,200,000, to \$282,400,000.

POLICY CONSIDERATIONS

Impact of Debt Service Costs on Customer Wastewater Rates

On June 5, 2009, the PUC approved wastewater rate increases through FY 2013-2014⁶, which as shown in Attachment IV range between five percent and nine percent annually. The forecasts in Attachment IV also show the projected annual wastewater rate increases for a ten-year period, or through FY 2019-2020, such that from FY 2014-2015 to FY 2019-2020, the projected wastewater rate increases for PUC customers would be approximately 11.5 percent annually.

As noted above, and as shown in Attachment III, an increase in wastewater rates is projected to be the major source⁷ of revenues to cover the debt service costs. In response to a Budget and Legislative Analyst question regarding what the portion of the wastewater rate increases are for

⁵ Because at the time of the approval of Ordinance 0201-09, the PUC anticipated using \$78,800,000 in proceeds from a future issuance of Wastewater Revenue Bonds as a source of funds for the \$119,800,000 supplemental appropriation, \$78,800,000 was placed on Controller's reserve, pending the approval and sale of this subject wastewater revenue bond.

⁶ According to Ms. Ambrose, pursuant to Charter Section 8B.125, after the PUC approves new wastewater service rates, the Board of Supervisors may elect to hold a public hearing within 30 days and reject the rate package based on a majority vote of the Board of Supervisors. The Board of Supervisors did not hold a hearing following the PUC's approval of wastewater rate increases for FY 2009-2010 through FY 2013-2014, and therefore that these wastewater rates went into effect on July 1, 2009.

⁷ As shown in line 12 "Revenues from Rate Increase" of Attachment III, the annual revenues resulting from the rate increase will range from approximately \$14M in FY 2010-2011 to \$54M in FY 2019-2020. As previously stated, the total estimated debt service would be approximately \$21,016,600 per year from 2012 through 2040.

servicing the debt from the proposed bond issuance, Mr. Jacobo stated: "As noted previously with two years of capitalized interest on the proposed revenue bonds, the debt service costs related to these bonds will first impact rates in FY 2012-2013. Net debt service costs in that year are projected to reach approximately \$66,000,000, with \$21,016,600 related to the proposed revenue bonds. An estimated \$4.83 of the \$50.87 average monthly wastewater bill for retail customers in FY 2012-2013 is due to the proposed revenue bonds."


Future CIP and SSIP Appropriations and Bond Issuances

The Budget and Legislative Analyst notes that additional appropriation approvals and bond issuances will be requested from the Board of Supervisors incrementally as the PUC's CIP and SSIP projects progress. Mr. Jacobo states that the next supplemental appropriation request for the Wastewater Enterprise for the CIP and SSIP in the amount of \$348,064,054 will be introduced on Tuesday March 16, 2010. According to Mr. Jacobo, the next anticipated wastewater bond issuance will be in the summer of 2011.

In response to a Budget and Legislative Analyst question as to why the PUC has previously, and in the future plans to, appropriate funds for wastewater projects prior to issuing the bonds to cover these projects, Mr. Jacobo states that PUC does this because it has the authority to issue commercial paper, and it is preferable to use commercial paper as the need arises for projects and then refund the commercial paper with bond revenues, rather than issue the wastewater revenue bonds outright and begin accumulating debt service costs on the entire amount prior to the funds being needed for the projects.

RECOMMENDATIONS

1. Amend both the proposed resolution (File 10-0169) and the proposed ordinance (File 10-0168) to reduce the not-to-exceed amount of aggregate principal wastewater revenue bonds by \$3,200,000, or from the requested amount of \$285,600,000 to the needed amount of \$282,400,000.
2. Approve the proposed ordinance (File 10-0168) and resolution (File 10-0169), as amended.



Harvey M. Rose

- cc: Supervisor Avalos
- Supervisor Mirkarimi
- Supervisor Elsbernd
- President Chiu
- Supervisor Alioto-Pier
- Supervisor Campos
- Supervisor Chu
- Supervisor Daly
- Supervisor Dufty
- Supervisor Mar
- Supervisor Maxwell
- Clerk of the Board
- Cheryl Adams
- Controller
- Greg Wagner

SAN FRANCISCO PUBLIC UTILITIES COMMISSION
Wastewater Revenue Bonds, 2010 Series A
Source and Uses of Funds

Sources of Funds

Par Amount of Bonds	285,600,000	
+Premium /-Discount		
Bond Proceeds		<u>285,600,000</u>

Use of Funds

Cost of Issuance		700,000
Underwriter Discount	(3.0000%)	8,568,300
Capitalized Interest		32,314,000
Debt Service Reserve		21,017,700
Net Construction Fund Amount		<u>223,000,000</u>
		285,600,000

PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO
Wastewater Revenue Bonds, 2010 Series A (base case: all tax-exempt)

TABLE 5 - Net Debt Service Requirements

10/1 of	Principal	Coupon	Interest	Total D/S	DSRF & Cap. Int.	Net D/S
2010			6,616,400.00	6,616,400.00	6,616,400.00	0.00
2011			17,136,000.00	17,136,000.00	17,136,000.00	0.00
2012	3,880,000	6.00%	17,136,000.00	21,016,000.00	8,568,000.00	12,448,000.00
2013	4,110,000	6.00%	16,903,200.00	21,013,200.00		21,013,200.00
2014	4,360,000	6.00%	16,656,600.00	21,016,600.00		21,016,600.00
2015	4,620,000	6.00%	16,395,000.00	21,015,000.00		21,015,000.00
2016	4,895,000	6.00%	16,117,800.00	21,012,800.00		21,012,800.00
2017	5,190,000	6.00%	15,824,100.00	21,014,100.00		21,014,100.00
2018	5,500,000	6.00%	15,512,700.00	21,012,700.00		21,012,700.00
2019	5,830,000	6.00%	15,182,700.00	21,012,700.00		21,012,700.00
2020	6,180,000	6.00%	14,832,900.00	21,012,900.00		21,012,900.00
2021	6,550,000	6.00%	14,462,100.00	21,012,100.00		21,012,100.00
2022	6,945,000	6.00%	14,069,100.00	21,014,100.00		21,014,100.00
2023	7,360,000	6.00%	13,652,400.00	21,012,400.00		21,012,400.00
2024	7,805,000	6.00%	13,210,800.00	21,015,800.00		21,015,800.00
2025	8,270,000	6.00%	12,742,500.00	21,012,500.00		21,012,500.00
2026	8,770,000	6.00%	12,246,300.00	21,016,300.00		21,016,300.00
2027	9,295,000	6.00%	11,720,100.00	21,015,100.00		21,015,100.00
2028	9,850,000	6.00%	11,162,400.00	21,012,400.00		21,012,400.00
2029	10,445,000	6.00%	10,571,400.00	21,016,400.00		21,016,400.00
2030	11,070,000	6.00%	9,944,700.00	21,014,700.00		21,014,700.00
2031	11,735,000	6.00%	9,280,500.00	21,015,500.00		21,015,500.00
2032	12,440,000	6.00%	8,576,400.00	21,016,400.00		21,016,400.00
2033	13,185,000	6.00%	7,830,000.00	21,015,000.00		21,015,000.00
2034	13,975,000	6.00%	7,038,900.00	21,013,900.00		21,013,900.00
2035	14,815,000	6.00%	6,200,400.00	21,015,400.00		21,015,400.00
2036	15,705,000	6.00%	5,311,500.00	21,016,500.00		21,016,500.00
2037	16,645,000	6.00%	4,369,200.00	21,014,200.00		21,014,200.00
2038	17,645,000	6.00%	3,370,500.00	21,015,500.00		21,015,500.00
2039	18,705,000	6.00%	2,311,800.00	21,016,800.00		21,016,800.00
2040	19,825,000	6.00%	1,189,500.00	21,014,500.00	21,016,800.00	(2,300.00)
	\$285,600,000		\$347,573,900.00	\$633,173,900.00	\$53,337,200.00	\$579,836,700.00

5/12/10 Dated and delivery date
6.00% Average coupon
20.28 Average life (years)
6.29% TIC (true interest cost)

Spending Plan for CIP and SSSIP

Line Item	Description	SAN FRANCISCO WASTEWATER ENTERPRISE													
		A	B	E	F	G	H	I	J	K	L	M	N	O	P
		(Actual)	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)	(Projected)
		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020		
1	SEWER FINANCIAL ANALYSIS														
2	CASH FLOW SUMMARY														
3															
4															
5															
6															
7															
8	Beginning Fund Balance	\$ 35,100,000	\$ 31,515,212	\$ 18,577,486	\$ 26,630,271	\$ 52,930,054	\$ 64,411,900	\$ 74,011,945	\$ 93,560,150	\$ 79,797,645	\$ 56,676,516	\$ 43,344,592	\$ 41,278,251		
9	Revenues	\$ 205,009,743	\$ 209,968,314	\$ 211,018,156	\$ 226,938,374	\$ 239,455,614	\$ 252,688,536	\$ 266,646,412	\$ 298,797,303	\$ 334,824,788	\$ 375,196,287	\$ 420,435,579	\$ 471,123,599		
10	Revenues from Rate Increase	\$ 810,000	\$ 1,506,482	\$ 427,000	\$ 427,000	\$ 422,000	\$ 427,000	\$ 427,000	\$ 427,000	\$ 427,000	\$ 427,000	\$ 427,000	\$ 427,000		
11	Revenues from Misc. Revenue	\$ 726,685	\$ 685,736	\$ 2,163,233	\$ 2,689,656	\$ 2,850,616	\$ 3,207,973	\$ 3,760,837	\$ 3,825,568	\$ 3,776,949	\$ 3,911,061	\$ 4,281,213	\$ 5,071,376		
12	Interest Income														
13	Wastewater Capacity Charges*														
14	TOTAL REVENUES	\$ 205,506,628	\$ 212,160,594	\$ 228,379,679	\$ 241,360,948	\$ 254,806,020	\$ 266,954,796	\$ 301,498,537	\$ 337,411,562	\$ 377,534,988	\$ 422,651,921	\$ 472,653,885	\$ 538,887,879		
15	Expenses														
16	Operating Expenses	\$ 94,874,638	\$ 104,388,434	\$ 98,077,344	\$ 101,916,664	\$ 105,025,064	\$ 108,155,216	\$ 111,399,973	\$ 114,741,889	\$ 118,164,125	\$ 121,729,649	\$ 125,381,538	\$ 129,142,984		
17	Capital Expenses	\$ 9,550,029	\$ 12,506,051	\$ 9,883,901	\$ 10,183,566	\$ 10,991,135	\$ 11,130,845	\$ 11,130,845	\$ 11,469,947	\$ 11,807,865	\$ 12,162,101	\$ 12,596,584	\$ 12,902,773		
18	Other Expenses	\$ 16,838,617	\$ 20,109,045	\$ 20,568,726	\$ 21,818,179	\$ 22,472,724	\$ 23,146,506	\$ 23,841,313	\$ 24,556,582	\$ 25,293,249	\$ 26,052,946	\$ 26,832,648	\$ 27,635,698		
19	Net Revenues	\$ 123,258,284	\$ 132,850,430	\$ 131,431,401	\$ 138,433,726	\$ 138,086,389	\$ 142,280,178	\$ 146,601,225	\$ 151,054,619	\$ 155,943,179	\$ 161,852,987	\$ 168,393,310	\$ 177,493,737		
20	Capital Reserve	\$ 85,278,224	\$ 79,310,104	\$ 76,746,078	\$ 105,927,222	\$ 116,719,632	\$ 126,674,608	\$ 154,896,882	\$ 186,356,912	\$ 221,891,808	\$ 260,858,974	\$ 302,100,674	\$ 353,316,143		
21	Total Debt Service	\$ 65,780,859	\$ 66,534,098	\$ 54,666,148	\$ 43,951,797	\$ 56,827,073	\$ 75,947,951	\$ 91,895,168	\$ 154,247,017	\$ 196,633,002	\$ 222,949,831	\$ 253,430,345	\$ 274,462,130		
22	Net Revenues After Debt Service	\$ 16,497,665	\$ 12,476,006	\$ 42,079,930	\$ 61,975,425	\$ 49,892,454	\$ 30,726,647	\$ 63,001,295	\$ 32,109,826	\$ 25,838,806	\$ 37,989,143	\$ 51,670,129	\$ 79,651,762		
23	Capital/Other Expenses														
24	Revenue Funded Rdr	\$ 25,500,000	\$ 25,443,532	\$ 32,165,950	\$ 33,774,248	\$ 35,462,960	\$ 37,236,108	\$ 39,097,913	\$ 41,052,809	\$ 43,105,449	\$ 45,260,722	\$ 47,523,258	\$ 49,899,246		
25	Additional Rdr Funding														
26	Customer Information Systems	\$ 2,193,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
27	Programmatic Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
28	525 Golden Gate Lease	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
29	Capacity Charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
30	REVENUE FUNDED CAPITAL/OTHER	\$ 27,693,500	\$ 25,443,532	\$ 34,047,945	\$ 35,655,643	\$ 38,410,708	\$ 41,127,201	\$ 43,452,990	\$ 45,672,431	\$ 48,389,935	\$ 51,241,116	\$ 53,736,621	\$ 56,113,425		
31	Ending Fund Balance	\$ 23,904,305	\$ 18,577,666	\$ 26,610,271	\$ 32,930,054	\$ 64,411,900	\$ 74,011,945	\$ 93,560,150	\$ 79,797,645	\$ 56,676,516	\$ 43,344,542	\$ 41,278,251	\$ 63,816,788		
32	Okam Reserve-Percent	28%	24%	14%	20%	38%	45%	50%	62%	51%	35%	26%	23%		
33	Okam Reserve	\$ -	\$ 7,490,381	\$ 2,621,942	\$ 3,228,436	\$ 20,288,660	\$ 29,140,020	\$ 37,264,383	\$ 57,949,248	\$ 40,911,938	\$ 19,849,032	\$ 11,156,919	\$ 9,599,742		
34	BOND FUNDED CAPITAL PROJECTS														
35	Capital Program	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
36	Total CIP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
37	Total CIP (reduced)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
38	Proceeds from DSRF Cash Out	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
39	Bonds Proceeds for Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
40	Existing Debt Service	\$ 16,505,000	\$ 16,921,298	\$ 16,621,398	\$ 10,932,947	\$ 9,421,697	\$ 9,040,161	\$ 6,897,512	\$ 5,267,656	\$ 3,619,138	\$ 1,951,426	\$ 1,751,426	\$ 1,751,426		
41	Senior State Loans Repayment Obligation	\$ 50,275,249	\$ 50,312,700	\$ 38,146,750	\$ 32,968,950	\$ 33,036,273	\$ 33,149,025	\$ 33,257,103	\$ 33,397,894	\$ 17,022,313	\$ 17,095,919	\$ 17,154,306	\$ 17,239,138		
42	2003 Refunding Revenue Bonds														

Spending Plan for CIP and SSIP

	A	B	E	F	G	H	I	J	K	L	N	N	O	P
57 TOTAL EXISTING DEBT SERVICE			\$ 66,780,459	\$ 66,834,898	\$ 54,680,148	\$ 43,951,797	\$ 42,457,771	\$ 42,189,486	\$ 39,544,675	\$ 38,655,530	\$ 20,641,451	\$ 18,945,345	\$ 18,945,792	\$ 18,990,564
58														
59 FUTURE DEBT SERVICE		Alternative A												
60 Alternative B														
71 New Revenue Bond Par Amount			\$ -	\$ 250,000,000	\$ 79,007,231	\$ 144,076,550	\$ 297,664,072	\$ 1,204,684,963	\$ 230,402,038	\$ 437,790,251	\$ 284,987,379	\$ 217,458,936	\$ 183,965,018	\$ 202,437,547
72 Variable Cost			\$ -	\$ 3,063,627	\$ 968,195	\$ 1,765,597	\$ 3,647,717	\$ 14,762,821	\$ 2,832,463	\$ 5,364,904	\$ 3,492,380	\$ 2,664,852	\$ 2,246,325	\$ 2,480,769
73 Reserve Fund Deposit			\$ -	\$ 21,694,869	\$ 6,856,213	\$ 12,500,869	\$ 25,831,556	\$ 104,540,038	\$ 19,994,137	\$ 37,991,244	\$ 24,791,079	\$ 18,870,990	\$ 15,907,215	\$ 17,567,627
74 Capitalized Interest Fund Deposit			\$ -	\$ 31,694,167	\$ 9,867,831	\$ 18,212,577	\$ 37,269,760	\$ 152,292,288	\$ 29,126,658	\$ 55,993,985	\$ 36,097,155	\$ 27,490,434	\$ 23,172,936	\$ 25,591,442
75 Surety Bond Cost			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
76 Total borrowed funds Alt B			\$ -	\$ 306,362,663	\$ 96,819,469	\$ 176,558,714	\$ 364,772,654	\$ 1,476,282,071	\$ 282,346,347	\$ 535,490,384	\$ 349,237,993	\$ 266,485,212	\$ 224,632,494	\$ 248,076,872
77														
78 TOTAL FUTURE DEBT SERVICE			\$ -	\$ -	\$ 19,512,483	\$ 22,090,383	\$ 47,527,538	\$ 109,318,169	\$ 152,948,866	\$ 190,036,644	\$ 228,299,820	\$ 251,706,914	\$ 272,216,282	\$ 290,084,936
79														
80 TOTAL NEW DEBT SERVICE			\$ -	\$ -	\$ 19,512,483	\$ 22,090,383	\$ 47,527,538	\$ 109,318,169	\$ 152,948,866	\$ 190,036,644	\$ 228,299,820	\$ 251,706,914	\$ 272,216,282	\$ 290,084,936
81 Offsetting DS			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
82 Capitalized Interest			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
83 Cash Flow From Reserve Funds			\$ -	\$ -	\$ (16,758,793)	\$ (25,966,396)	\$ (21,539,115)	\$ (62,985,069)	\$ (95,167,645)	\$ (68,142,467)	\$ (45,064,924)	\$ (39,695,093)	\$ (28,262,471)	\$ (25,481,452)
84 Total			\$ -	\$ -	\$ (16,758,793)	\$ (25,966,396)	\$ (21,539,115)	\$ (62,985,069)	\$ (95,167,645)	\$ (68,142,467)	\$ (45,064,924)	\$ (39,695,093)	\$ (28,262,471)	\$ (25,481,452)
85 TOTAL DEBT SERVICE			\$ 66,780,459	\$ 66,834,898	\$ 54,680,148	\$ 43,951,797	\$ 42,457,771	\$ 42,189,486	\$ 39,544,675	\$ 38,655,530	\$ 20,641,451	\$ 18,945,345	\$ 18,945,792	\$ 18,990,564
86 Bond Coverage Requirement			\$ 83,475,574	\$ 83,542,823	\$ 66,935,185	\$ 54,939,746	\$ 43,533,848	\$ 41,924,104	\$ 39,735,933	\$ 38,427,817	\$ 24,778,752	\$ 22,867,289	\$ 21,468,181	\$ 21,468,181
87														
88 OTHER FUNDING SOURCES			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
89 Grants			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
90 Developer Contribution			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
91 Other			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
92 TOTAL FUNDING SOURCES			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
93														
94 FINANCIAL MEASUREMENTS														
95 Debt Coverage Ratio for Revenue Bonds			2.03	1.87	2.59	3.69	2.79	2.72	2.60	1.84	1.54	1.49	1.38	1.44
96 Available Net Revenues			\$ 101,879,124	\$ 94,333,918	\$ 98,804,366	\$ 121,554,546	\$ 160,228,188	\$ 162,046,046	\$ 222,620,795	\$ 274,649,856	\$ 298,070,315	\$ 315,784,063	\$ 346,693,730	\$ 392,840,947
97 Total Revenue Bond Debt Service			\$ 90,275,259	\$ 50,312,700	\$ 38,146,750	\$ 32,968,850	\$ 57,465,381	\$ 66,907,500	\$ 85,607,655	\$ 148,979,381	\$ 193,003,864	\$ 221,198,405	\$ 251,679,118	\$ 272,910,954
98 Bond Coverage Test			\$ 241,603,603	\$ 243,705,746	\$ 246,957,365	\$ 269,971,219	\$ 307,236,074	\$ 393,366,686	\$ 375,590,933	\$ 430,971,712	\$ 457,332,632	\$ 479,368,437	\$ 516,838,427	\$ 576,086,190
99 Revenues for Bond Coverage Test			\$ 234,432,358	\$ 241,836,885	\$ 234,914,131	\$ 226,029,115	\$ 260,060,944	\$ 270,342,351	\$ 304,925,574	\$ 389,735,821	\$ 449,811,867	\$ 491,761,352	\$ 538,977,812	\$ 576,934,337
100 Bond Coverage Surplus (Deficiency)			\$ 7,209,250	\$ 7,868,861	\$ 12,943,234	\$ 41,942,104	\$ 47,005,130	\$ 55,024,335	\$ 70,586,358	\$ 41,235,891	\$ 7,520,765	\$ (12,392,915)	\$ (22,079,385)	\$ (6,848,807)
101 Cash Flow Test			\$ 205,809,743	\$ 211,474,796	\$ 226,216,426	\$ 238,691,292	\$ 251,855,394	\$ 265,746,813	\$ 297,757,750	\$ 333,585,993	\$ 373,756,639	\$ 418,700,860	\$ 469,212,671	\$ 525,736,693
102 Expenses for Cash Flow Test			\$ 123,258,284	\$ 123,258,284	\$ 131,631,601	\$ 135,433,726	\$ 142,280,178	\$ 146,601,625	\$ 151,054,619	\$ 155,643,179	\$ 161,832,947	\$ 168,392,210	\$ 174,453,797	\$ 177,453,797
103 Operating Surplus (Deficiency)			\$ 82,551,459	\$ 88,216,512	\$ 94,584,825	\$ 103,257,566	\$ 113,769,096	\$ 123,465,635	\$ 131,156,125	\$ 137,531,374	\$ 146,923,690	\$ 156,867,908	\$ 167,765,461	\$ 178,282,896
104 Min of Rev. Surplus (Deficiency)			\$ 7,209,250	\$ 7,868,861	\$ 12,943,234	\$ 41,942,104	\$ 47,005,130	\$ 55,024,335	\$ 70,586,358	\$ 41,235,891	\$ 7,520,765	\$ (12,392,915)	\$ (22,079,385)	\$ (6,848,807)
105 User Rates			\$ 205,009,743	\$ 205,009,743	\$ 211,013,156	\$ 226,919,374	\$ 239,455,414	\$ 252,685,536	\$ 266,646,412	\$ 298,797,303	\$ 334,824,788	\$ 375,196,287	\$ 420,435,579	\$ 471,129,599
106 Calculated Rate Increase			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.30%	5.23%	1.03%
107														
108 USER RATES			\$ 40.05	\$ 42.85	\$ 45.85	\$ 48.14	\$ 50.55	\$ 53.08	\$ 59.18	\$ 65.99	\$ 73.58	\$ 82.04	\$ 91.47	\$ 101.59
109 AVE Monthly Sewer Bill			9.00%	7.00%	7.00%	5.00%	5.00%	5.00%	11.50%	11.50%	11.50%	11.50%	11.50%	11.50%
110 Projected Annual Increase			28.24%	37.22%	46.83%	54.17%	61.89%	69.97%	89.52%	111.31%	135.61%	162.71%	192.92%	226.60%
111 Cumulative Rate Increase														

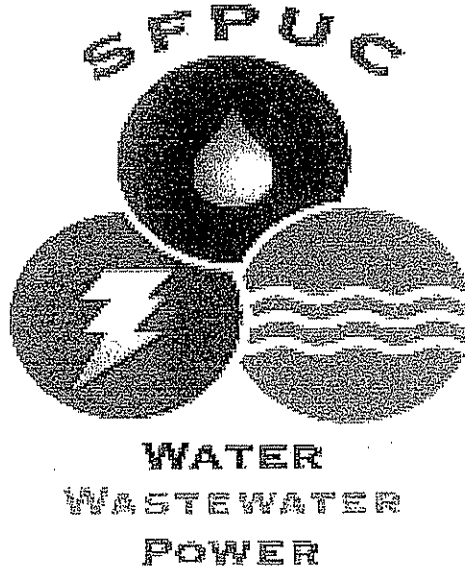
Table 4.1 Cash Flow Forecast Certification of CIP and SSIP in Support of Series 2010 Wastewater Revenue Bonds City and County of San Francisco	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	(Actual)	(Requested)										
BEGINNING FUND BALANCE (1)	\$35,100,000	\$23,904,365	\$10,936,839	\$20,850,819	\$48,051,997	\$63,481,591	\$76,972,129	\$100,876,011	\$91,933,128	\$74,096,485	\$66,744,905	\$70,891,277
REVENUES												
Sewer Service Charges	\$205,009,743	\$209,968,314	\$225,769,426	\$238,264,292	\$251,428,394	\$265,319,813	\$297,310,750	\$333,156,993	\$373,329,639	\$418,343,860	\$468,785,671	\$525,309,503
Rent and Misc. Revenue	800,000	1,506,482	427,000	427,000	427,000	427,000	427,000	427,000	427,000	427,000	427,000	427,000
Interest Income	726,865	685,738	2,163,253	2,669,656	2,950,626	3,207,973	3,760,837	3,825,568	3,778,349	3,921,061	4,281,213	5,071,376
TOTAL REVENUES	\$206,536,608	\$212,160,534	\$228,379,679	\$241,360,948	\$254,806,020	\$268,954,786	\$301,498,587	\$337,411,562	\$377,534,988	\$422,691,921	\$473,493,885	\$530,807,879
EXPENSES												
O&M	\$123,258,284	\$132,850,430	\$131,631,601	\$135,433,726	\$138,086,388	\$142,280,178	\$146,601,625	\$151,054,619	\$155,643,179	\$161,832,947	\$168,393,210	\$177,493,737
Total Debt Service	66,780,459	66,834,098	54,668,148	43,951,797	66,827,078	75,947,951	91,895,168	154,247,017	196,623,002	222,949,831	253,430,545	274,662,380
Revenue-Funded Capital Projects Requirement	25,500,000	25,443,532	32,165,850	33,774,248	35,462,960	37,236,108	39,097,913	41,052,809	43,105,449	45,260,722	47,523,758	49,899,946
TOTAL EXPENSES	\$215,538,743	\$225,128,060	\$218,465,699	\$213,159,770	\$240,376,426	\$255,464,248	\$277,594,706	\$346,354,445	\$395,371,631	\$430,043,500	\$469,347,513	\$502,056,063
NET REVENUES	(\$9,002,135)	(\$12,967,526)	\$9,913,880	\$28,201,177	\$14,429,594	\$13,490,539	\$23,903,882	(\$8,942,883)	(\$17,836,643)	(\$7,351,579)	\$4,146,371	\$28,751,816
ENDING FUND BALANCE	\$23,904,365	\$10,936,839	\$20,850,819	\$49,051,997	\$63,481,591	\$76,972,129	\$100,876,011	\$91,933,128	\$74,096,485	\$66,744,905	\$70,891,277	\$99,643,093
USER RATES												
Annual Rate Increases (2)	9.00%	7.00%	7.00%	5.00%	5.00%	5.00%	11.50%	11.50%	11.50%	11.50%	11.50%	11.50%
Rates After Annual Increases	\$40.05	\$42.65	\$45.85	\$48.14	\$50.55	\$53.08	\$59.18	\$65.99	\$73.58	\$82.04	\$91.47	\$101.99

Notes:
 (1) Expenses offset from capacity charge revenues are not considered in the analysis due to the unpredictable nature of growth.
 (2) Annual rate increases through FY 2014 have been adopted per rate resolutions approved by the Public Utilities Commission on June 5, 2009.
 (3) Source: Developed using data from SFPUC Financial Services.

Project	Project Title	Budget	SWCFPO3	SWCFPC1	SWCFPOA	Total	Environmental Review Status	Start/Completion Dates	Brief Description
CENMSC01	VIGENTE ST SEWER IMPROVEMENT	3,928,824	0	0	0	3,928,824			
CENMSC02	TERESITA BLVD SEWER IMPROVEMENT	2,051,055	0	0	0	2,051,055			
CENMSC03	SHOTWELL ST SEWER REPAIR	6,081,101	0	0	0	6,081,101			
CENMSC05	OCEANSIDE HVAC ASSESSMENT	19,515,218	0	0	0	19,515,218			
CENMSC06	SEWPCP GAS HANDLING IMPROVEMENTS	11,007,578	0	0	0	11,007,578			
CENMSC07	CHEMICAL FEED SYSTEMS IMPROVEMENTS	547,368	0	0	0	547,368			
CENMSC08	SEWPCP SECONDARY CLARIFIERS	1,776,837	0	0	0	1,776,837			
CENMSC09	SEWPCP MIXED LIQUOR/AS IMPROV	48,009	0	0	0	48,009			
CENMSC10	BROTHERHOOD WAY/ST CHARLES SEWER	2,276,187	0	0	0	2,276,187			
CENMSC11	MISSION/CEBAR CHAVER IMPROVEMENTS	6,184,654	5,752,335	0	10,319,000	22,229,969	Mitigated Negative Declaration adopted in 1/10 and Approved by SRJUC in 2/10.	August 2010 - October 2011	Initial new sewer in Cesar Chavez from Valencia to US101 to mitigate localized storm flooding.
CENMSC12	VIGENTE PHASE 1 CONSTRUCTION	2,851,895	0	0	0	2,851,895			
CENMSC13	MONTREY/BRAGA SEWER REPAIR	778,790	0	0	0	778,790			
CENMSC14	MISSION/FORTE SEWER REPAIR	574,359	0	0	0	574,359			
CENMSC15	MISSION/ATVORN SEWER IMPROVEMENT	10,270,282	0	0	0	10,270,282			
CENMSC16	MIS PS VFD REPLACEMENT	1,789,093	0	0	0	1,789,093			
CENMSC17	OPS 7 WS BAR SCREEN	5,273,815	0	0	0	5,273,815			
CENMSC18	JUSTIN DR SEWER IMPROVEMENT	1,372,549	0	0	0	1,372,549			
CENMSC19	TENNESSEE PUMP STATION IMPROVEMENTS	499,961	0	0	0	499,961			
CENMSC20	CHEMICAL FEED SYSTEM IMPROVEMENTS	3,119,750	0	0	0	3,119,750			
CENMSC21	CHANNEL PUMP STATION IMPROVEMENTS	592,364	0	0	0	592,364			
CENMSC22	EMBARCADERO DISPERSION ELEMENTS	2,842,000	2,720,000	0	44,700,000	49,622,000	Draft Mitigated Negative Declaration published in 2/10.	August 2010 - February 2012	Initial new sewer tunnel from Tahert Street in Violation Valley to Sunnyvale Pump Station near Candlestick Park to mitigate localized storm flooding.
CENMSC23	SUNNYDALE SEWER IMPROVEMENTS	902,607	0	0	0	902,607			
CENMSC24	TOLAND/ROJAS/ONPHELPS IMPROVEMENTS	688,500	0	0	0	688,500			
CENMSC25	SPAIN/742/242/202/102/101/100 REPAIR	29,018	0	0	0	29,018			
CENMSC26	ALWAYS/TACKLES SEWER IMPROVEMENT	3,394,000	0	0	0	3,394,000			
CENMSC27	OPAR FALL SEWER REPAIR	1,130,000	0	0	0	1,130,000			
CENMSC28	SEWPCP GAS HANDLING IMPROVEMENT PHASE 1	2,358,500	0	0	0	2,358,500			
CENMSC29	SEWPCP GAS HANDLING IMPROVEMENT PHASE 2	23,248,000	0	0	0	23,248,000			
CENMSC30	CHANNEL PUMP STATION IMPROVEMENTS PH2	2,845,300	0	0	0	2,845,300			
CENMSC31	SEWPCP OPS 4 AND DIGESTER COMPRESSOR	2,930,000	0	0	0	2,930,000			
CENMSC32	SPOT SEWER REPAIR CONTRACT #23	8,125,665	0	0	0	8,125,665			
CENMSC33	NORTHSHORE TO CHANNEL FORCE MAIN	1,500,000	0	0	0	1,500,000			
CENMSC34	FOLSON ST SEWER REPLACEMENT	1,500,000	0	0	0	1,500,000			
CENMSC35	MINWATON/ARLUSS SEWER REPLACEMENT	1,500,000	0	0	0	1,500,000			
CENMSC36	WWE FACILITY SECURITY/EMERGENCY RESPONSE	703,000	0	0	0	703,000			
CENMSC37	WWE FACILITY RELIABILITY IMPROVEMENTS	830,000	0	0	0	830,000			
CENMSC38	SEP SOLIDS HANDLING IMPROVEMENTS	918,000	0	0	1,282,000	2,200,000	Anticipate categorical exemption under CEQA Guidelines Section 15301, Existing Facilities, Class 1 and Section 15302, Replacement or Reconstruction, Class 2.	January 2010 - January 2012	Aging Infrastructure, Biogas cogeneration and corrosion
CENMSC39	OCEANSIDE SOLIDS HANDLING IMPROVEMENTS	438,000	0	0	0	438,000			
CENMSC40	MARIPOSA/NORTHSHORE RELIABILITY	500,000	0	0	0	500,000			
CENMSC41	SOUTHEAST ELECTRICAL RELIABILITY	288,000	0	0	0	288,000			
CENMSC42	SWOOD STABILIZATION EMERGENCY WORK	1,580,000	0	0	0	1,580,000			
CENMSC43	RICHMOND DRAINAGE PHASE 2	1,000,000	0	0	0	1,000,000			
CENMSC44	CEBAR CHAVER PHASE 2	750,000	0	0	0	750,000			
CENMSC45	OPS FOG TO BIOGAS	1,000,000	0	0	0	1,000,000			
CENMSC46	OPS FOG TO BIOGAS	1,000,000	0	0	0	1,000,000			
New Project	Sunnydale Sewer Phase 2	0	0	0	700,000	700,000	Draft Mitigated Negative Declaration published in 2/10.	July 2011 - February 2012	Initial new sewers in Violation Valley to mitigate localized storm flooding.
New Project	Low Impact Design	0	0	0	1,000,000	1,000,000	Anticipate categorical exemption under CEQA Guidelines	July 2011 - December 2011	Street and sidewalk improvements on Cesar Chavez
New Project	CEIS Improvements and 68" B4 Replacement	625,000	0	0	625,000	1,250,000	Section 15301, Existing Facilities, Class 1 and Section 15302, Replacement or Reconstruction, Class 2	March 2010 - March 2012	Aging Infrastructure and Facility Reliability
New Project	Major Electrical/Mechanical Reliability	0	1,000,000	0	4,600,000	5,600,000	Section 15301, Existing Facilities, Class 1 and Section 15302, Replacement or Reconstruction, Class 2	March 2010 - March 2011	Aging Mechanical and Electrical Infrastructure and Reliability
New Project	Biosolids Facility	0	0	0	9,000,000	9,000,000	Project is in the early planning stages. It is anticipated that an Environment Impact Report would be required.	July 2010 - July 2012 (preliminary dates)	Project includes the planning, environmental review, design and construction of a new facility replacing the existing digester solid handling facility at the Southeast Wastewater Treatment Plant. The new facility will include state-of-the-art treatment processes producing a sludge/solids that can be reused for beneficial purposes. Constructed in the 1980s, the existing digester facility is operating well beyond its useful life and is prone to major maintenance repairs. The aging facility has become a known source of odors in the surrounding neighborhood.
New Project	Channel Tunnel	5,022,236	0	0	10,000,000	15,022,236	Project is in the early planning stages. It is anticipated that an Environment Impact Report would be required.	July 2010 - July 2010 (preliminary dates)	Project includes planning, environmental review, design and construction of a redundant backup system to the existing 66-inch Channel Force Main. The Channel Force Main is aging and vulnerable to seismic damage. Channel Force Main is a key component sewer system infrastructure and conveys 60% of the BaySide wastewater flows.
CENMSC47	FINANCING COSTS	332,920	0	0	0	332,920			
CENMSC48	INFRASTRUCTURE REPAIR	0	0	0	0	0			
CENMSC49	SEWER REPAIR	0	0	0	0	0			
Project Total		118,394,359	37,500,000	0	92,300,000	248,194,359			
Less Amount Funded by Reserve Fund		18,394,359	0	0	0	18,394,359			
Amount Funded by Bond Proceeds		190,000,000	37,500,000	0	92,300,000	219,800,000			

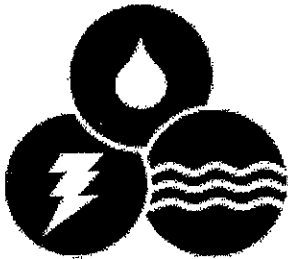
San Francisco Public Utilities Commission

Wastewater 2010 Series A/B Bonds
POS and Related Supporting Documents



Board of Supervisors

San Francisco
Public Utilities
Commission



2010
Wastewater
Bonds

1. SFPUC Agenda Item & Signed Resolution
2. Planning Certificate
3. Engineering Certificate
4. First Amendment to Indenture
5. Supplemental Indenture
6. Notice of Intention to Sell
7. Official Notice of Sale
8. Preliminary Official Statement