

File No. 220500

Committee Item No. 11

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Appropriations Committee Date May 25, 2022

Board of Supervisors Meeting Date _____

Cmte Board

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<input type="checkbox"/>	<input type="checkbox"/>	Resolution
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Ordinance
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Legislative Digest
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Budget and Legislative Analyst Report
<input type="checkbox"/>	<input type="checkbox"/>	Youth Commission Report
<input type="checkbox"/>	<input type="checkbox"/>	Introduction Form
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<input type="checkbox"/>	<input type="checkbox"/>	MOU
<input type="checkbox"/>	<input type="checkbox"/>	Grant Information Form
<input type="checkbox"/>	<input type="checkbox"/>	Grant Budget
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OTHER (Use back side if additional space is needed)

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

[SFPUC Wastewater Revenue Bond Issuance - Various Capital Wastewater Projects Benefitting the Wastewater Enterprise - Not to Exceed \$704,198,901]

Ordinance authorizing the issuance and sale of tax-exempt or taxable Wastewater 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 \$704,198,901 to finance the costs of various capital wastewater projects benefitting the Wastewater 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 Wastewater Revenue Refunding Bonds and the retirement of outstanding Wastewater 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.

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

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

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

A. On November 5, 2002, the voters of the City and County of San Francisco (“City”) approved Proposition E (“Proposition E”), which among other things, authorized the San Francisco Public Utilities Commission (“Commission”) to issue revenue bonds, including

1 notes, commercial paper or other forms of indebtedness (which forms of indebtedness may
2 include without limitation for purposes of Proposition E, loans and other forms of indebtedness
3 provided by governmental agencies and/or commercial or investment banks), when
4 authorized by ordinance approved by a two-thirds vote of the Board of Supervisors, for the
5 purpose of reconstructing, replacing, expanding, repairing or improving water facilities or
6 clean water facilities or combinations of water and clean water facilities under the jurisdiction
7 of the Commission; and

8 B. The Commission adopted the Indenture dated as of January 1, 2003, as further
9 amended and supplemented from time to time ("Indenture"), between the Commission and U.
10 S. Bank National Association and in connection therewith, has from time to time issued
11 revenue bonds to finance projects benefitting the Wastewater Enterprise; and

12 C. By Resolution 22-0030 adopted by the Commission on February 8, 2022
13 ("Commission Resolution") the Commission has determined to issue Wastewater Revenue
14 Bonds ("Wastewater Revenue Bonds") and other forms of indebtedness (including without
15 limitation SRF Loans or WIFIA Loans , as described below), as well as interim funding
16 vehicles such as commercial paper, revolving credit notes, bond anticipation notes or other
17 forms of notes, which interim funding vehicles will be issued in advance of being paid off by
18 either Wastewater Revenue Bonds or other forms of indebtedness (including, without
19 limitation and for illustrative purposes only, SRF Loans or WIFIA Loans), to finance the costs
20 of various capital wastewater projects benefitting the Wastewater Enterprise ("Capital
21 Improvement Projects", such projects being more fully described in the Commission
22 Resolution), pursuant to Proposition E, and has formally requested this Board to authorize the
23 issuance and sale of Wastewater Revenue Bonds for such purposes, such Commission
24 Resolution being on file with the Clerk of the Board in File No. 220500; and

25 ///

1 D. Pursuant to Section 43.5 of the San Francisco Administrative Code ("Article V"),
2 enacted by Ordinance No. 203-98 adopted by the Board on June 8, 1998, and signed by the
3 Mayor of the City on June 19, 1998, as amended by Ordinance No. 270-06, adopted on
4 October 24, 2006 by the Board and signed by the Mayor on October 31, 2006, the Board
5 established a procedure pursuant to which the Commission may issue short-term
6 indebtedness, including the issuance of commercial paper in anticipation of the issuance of
7 revenue bonds; and

8 E. The Commission has authorized pursuant to Resolution No. 17-0086, approved
9 by the Commission on April 25, 2017, and the Board has approved pursuant to Resolution No.
10 193-17, adopted by the Board on May 23, 2017, and signed by the Mayor on May 26, 2017, a
11 resolution to increase the Wastewater CP Program to an aggregate principal amount not to
12 exceed \$750 million of commercial paper notes outstanding at any one time, and the
13 Commission has caused from time to time wastewater commercial paper to be issued; and

14 F. In order to finance the costs of the Capital Improvement Projects, the Board now
15 desires to authorize pursuant to Proposition E the issuance and sale of Wastewater Revenue
16 Bonds and other forms of indebtedness for such purposes, including without limitation State
17 Revolving Fund Loans and/or grants from the State Water Resources Control Board ("SRF
18 Loans") or U.S. Environmental Protection Agency Water Infrastructure Finance and Innovation
19 Act loans ("WIFIA Loans") and such other indebtedness as may be advantageous to the
20 Commission; and

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

25 ///

1 H. This Board is concurrently considering with this Ordinance, related supplemental
2 appropriation ordinances for the fiscal year ending 2023, including the proceeds of such
3 Wastewater Revenue Bonds and other forms of indebtedness (including, without limitation
4 and for illustrative purposes only) SRF Loans, WIFIA Loans, commercial paper, revolving
5 credit notes and bond anticipation notes); and

6 I. In order to finance and refinance the costs of any Wastewater Enterprise
7 facilities or improvements financed with bonds issued pursuant Proposition E, the Board now
8 desires to authorize the issuance and sale of Wastewater Revenue Refunding Bonds.

9 Section 2. Authorization to Issue Wastewater Revenue Bonds and other forms of
10 indebtedness. The Board hereby authorizes the issuance and sale of Wastewater Revenue
11 Bonds in one or more series from time to time by the Commission pursuant to Proposition E
12 and in accordance with the Commission Resolution and the execution and delivery of SRF
13 Loan or WIFIA Loan agreements or the issuance of commercial paper, revolving credit notes,
14 or bond anticipation notes, in an aggregate principal amount not to exceed \$704,198,901
15 (inclusive of financing costs), but exclusive of refunding indebtedness), bearing a maximum
16 rate or rates of interest of not to exceed twelve percent (12%) per annum to finance a portion
17 of the costs of the design, acquisition and construction of the Capital Improvement Projects.
18 Without limiting the foregoing, the Commission shall be authorized to incur SRF Loans from
19 the State Water Resources Control Board or WIFIA Loans from the U.S. Environmental
20 Protection Agency at such time, in such amounts, and upon such other terms and conditions
21 as the Commission may deem advantageous. The Commission is hereby further authorized
22 to determine the timing, amount and manner of sale (i.e., competitive or negotiated) of each
23 series of Wastewater Revenue Bonds, commercial paper, revolving credit notes, or bond
24 anticipation notes pursuant to this authorization; provided however, the Commission's
25 authorization to issue Wastewater Revenue Bonds or incur other forms of indebtedness

1 (including SRF Loans, WIFIA Loans, bond anticipation notes, commercial paper or revolving
2 credit notes) is subject to approval by the Commission of the form of substantially final offering
3 document related to such obligations (if any) and the approval of any related agreements,
4 financing documents and the filing with its Board and the Clerk of the Board any certifications
5 required by Proposition E prior to the issuance of any bonds or the incurrence of any
6 indebtedness herein authorized. The Commission shall also file, within 30 days of any bond
7 sale authorized hereby, with the Clerk of the Board of Supervisors a report showing the
8 results of the sale of Wastewater Revenue Bonds, SRF Loans or other form of indebtedness
9 including (i) principal amount sold and method of sale, (ii) true interest cost, (iii) final maturity,
10 (iv) the facilities constructed and/or improved, and (v) a statement about the remaining
11 bonding authorization under this Ordinance ("Bond Report"); provided however that failure to
12 file the Bond Report shall not affect the validity of any bonds authorized hereunder.

13 Section 3. Authorization to Issue Wastewater Revenue Refunding Bonds;
14 Commercial Paper Retirement. The Board further authorizes and approves the issuance by
15 the Commission of Wastewater Revenue Refunding Bonds ("Refunding Bonds") without
16 limitation as to principal amount, in one or more series on one or more dates, at a maximum
17 interest rate or rates of interest not to exceed twelve percent (12%) per annum, provided that
18 each such Refunding Bond issue is permitted under the applicable policies and procedures of
19 the City and authorized by Section 9.109 of the Charter (including related ordinances and
20 resolutions of the Board). The Refunding Bonds may be issued as taxable or tax-exempt
21 obligations, or any combination thereof. Refunding Bonds s authorized hereunder shall be
22 subject to the further following conditions, that: (i) three percent (3%) net present value debt
23 service savings or greater is achieved to ensure ratepayer savings (exclusive of any issuance
24 to refund commercial paper, revolving credit notes, or bond anticipation notes); (ii) that the
25 maturity of the refunded bonds is not extended; (iii) this authorization is subject to a 5-year

1 term through June 30, 2027, at which time this Board may consider an extension; principal
2 payments and term may be adjusted, where permitted under federal and state tax law, only if
3 and when the underlying capital asset funded through said refunded bonds has a useful life
4 not in excess of any limit permitted under federal and state tax law than the refunded term;
5 and (iv) the Commission shall within 30 days of any executed refunding transaction provide a
6 refunding savings report ("Bond Refunding Savings Report") prepared by its financial advisors
7 (that reflects at least a three percent (3%) net present value debt service savings) to the
8 Board, together with a copy of the final Official Statement (if any) with respect to such series
9 of Refunding Bonds, provided that the failure to deliver such Bond Refunding Savings Report
10 shall in no way affect the validity of any Refunding Bonds. Notwithstanding the foregoing, the
11 Commission is authorized to issue Refunding Bonds for non-economic factors, including by
12 way of illustration, eliminating onerous covenants and obsolete provisions contained in the
13 Commission's indenture or other security documents. The Commission shall request a waiver
14 of the savings requirement for any Refunding Bonds issued for non-economic reasons. In
15 furtherance of the purpose of managing the Commission outstanding indebtedness, the
16 General Manager is hereby authorized and directed, in consultation the City Attorney, from
17 Available Wastewater Enterprise Revenues to retire outstanding Wastewater Enterprise
18 Commercial Paper at such times and in such amounts advantageous to the Commission.

19 Section 4. Declaration of Official Intent. The Board, on behalf of the Commission,
20 hereby declares the official intent of the Commission to reimburse the Commission with
21 proceeds of the Wastewater Revenue Bonds or other forms of indebtedness (including SRF
22 Loans or other federal loans, commercial paper, revolving credit notes, or bond anticipation
23 notes) for the Expenditures with respect to the Capital Improvement Projects made on and
24 after a date that is no more than 60 days prior to the adoption of this Ordinance. The
25 Commission reasonably expects on the date hereof that it will reimburse the Expenditures

1 with proceeds of the Wastewater Revenue Bonds or other forms of indebtedness (including,
2 without limitation and for illustrative purposes only, SRF Loans, commercial paper, revolving
3 credit notes or bond anticipation notes). Each said Expenditure was and will be either (A) of a
4 type properly chargeable to a capital account under general federal income tax principles
5 (determined in each case as of the date of the Expenditure), (B) a cost of issuance with
6 respect to such obligations, (C) a nonrecurring item that is not customarily payable from
7 current revenues, or (D) a grant to pay a party that is not related to or an agent of the issuer
8 so long as such grant does not impose any obligation or condition (directly or indirectly) to
9 repay any amount to or for the benefit of the Commission. The Commission will make a
10 reimbursement allocation, which is a written allocation by the Issuer that evidences the
11 Commission's use of proceeds of the Wastewater Revenue Bonds or other forms of
12 indebtedness to reimburse an Expenditure, no later than 18 months after the later of the date
13 on which the Expenditure is paid or the component of the Capital Improvement Projects is
14 placed in service or abandoned, but in no event more than three years after the date on which
15 the Expenditure is paid. The Commission recognizes that exceptions are available for certain
16 "preliminary expenditures," costs of issuance, certain de minimis amounts, expenditures by
17 "small issuers" (based on the year of issuance and not the year of expenditure) and
18 expenditures for construction projects of at least 5 years.

19 Section 5. General Authority. The Controller, Treasurer, the City Attorney and other
20 officers of the City, including the Director of the Office of Public Finance, and their duly
21 authorized deputies and agents are hereby authorized and directed, jointly and severally, to
22 take such actions and to execute and deliver such certificates, agreements, requests or other
23 documents, as they may deem necessary or desirable to facilitate the issuance, sale and
24 delivery of the Wastewater Revenue Bonds, SRF Loans, WIFIA Loans, bond anticipation
25 notes, commercial paper or Refunding Bonds, to obtain bond insurance or other credit or

1 liquidity enhancements with respect to any such obligations, and otherwise to carry out the
2 provisions of this Ordinance. The Commission is hereby directed to provide the final form to
3 the Clerk of the Board of any disclosure document (if any) prepared in connection with the
4 execution of any Wastewater Revenue Bonds, SRF Loans, WIFIA Loans, bond anticipation
5 notes, commercial paper or Refunding Bonds, and the final executed Installment Sale
6 Agreement or other document reflecting the incurrence of an SRF Loan or a WIFIA Loan,
7 within 30 days of the closing of such transactions; provided however that failure to provide
8 such document shall not affect the validity of the obligations authorized hereunder. The
9 Commission is further directed as a part of the two-year budget review to provide to this Board
10 of Supervisors a written report about Wastewater Revenue Bonds authorized hereunder,
11 detailing the total amount authorized, the total amount sold, the remaining authorized but
12 unissued amount, and the bond authorization no longer necessary due to changes in projects
13 and project financing.

14 Section 6. Ratification of Prior Actions. All actions authorized and directed by this
15 Ordinance in connection with the issuance of the Wastewater Revenue Bonds or other forms
16 of indebtedness (including, without limitation and for illustrative purposes only, SRF Loans,
17 WIFIA Loans, bond anticipation notes or commercial paper), Refunding Bonds, and heretofore
18 taken are hereby ratified, approved and confirmed by this Board.

19 Section 7. File Documents. All documents referred to as on file with the Clerk of the
20 Board are in File No. 220500.

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

3
4 APPROVED AS TO FORM:
5 DAVID CHIU, City Attorney
6

7 By: /s/ Mark D. Blake
8 Mark D. Blake
9 Deputy City Attorney
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LEGISLATIVE DIGEST

[SFPUC Wastewater Revenue Bond Issuance - Various Capital Wastewater Projects Benefitting the Wastewater Enterprise - Not to Exceed \$704,198,901]

Ordinance authorizing the issuance and sale of tax-exempt or taxable Wastewater 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 \$704,198,901 to finance the costs of various capital wastewater projects benefitting the Wastewater 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 Wastewater Revenue Refunding Bonds and the retirement of outstanding Wastewater 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 Wastewater Revenue Bonds in an amount not greater than \$704,198,901 at a maximum rate of interest of not in excess of twelve percent (12%) payable from and secured by Water Enterprise Revenues under the terms of Proposition E. Wastewater Revenue Bonds will be issued under an Indenture dated as of January 1, 2003, as further amended and supplemented from time to time, between the Commission and U. S. Bank National Association. Wastewater Revenue Bonds can be issued for any purposes of the Wastewater Enterprise, including, without limitation, the financing or refinancing of capital additions, improvements, repairs and replacements to the Wastewater Enterprise.

The Commission is authorized to determine the timing, amount and manner of sale (i.e., competitive or negotiated) of each series of Wastewater Revenue Bonds or the delivery of other forms of indebtedness (including New Clean Renewable Energy Bonds and Qualified Energy Conservation Bonds) pursuant to the proposed Ordinance; but the Commission’s authority to issue Wastewater Revenue Bonds or incur other forms of indebtedness is subject

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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, and satisfies other conditions contained in the Ordinance.

The authority to issue Refunding Bonds is for a 5-year term ending June 30, 2027.

Upon issuance of the Wastewater Revenue Bonds, to the extent permitted by law, one-twentieth of one percent (0.05%) of the gross proceeds of the Wastewater 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 11 & 12 Files 22-0500 & 22-0501	Department: Public Utilities Commission
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • File 22-0500 is an ordinance authorizing the San Francisco Public Utilities Commission (SFPUC) to issue \$704,198,901 in Wastewater Revenue Bonds to fund Wastewater Enterprise capital projects. • File 22-0501 is an ordinance appropriating \$793,003,901 of Wastewater Revenue Bond proceeds or State Loan or Grant Funds, wastewater revenues, and wastewater capacity fees for the Wastewater Enterprise's Capital Improvement Program for FY 2022-23 and placing \$704,198,901 on Controller's Reserve. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • 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 \$4.4 billion and SFPUC has issued \$3.4 billion in Wastewater Revenue Bonds authorized by Proposition E. • The appropriation of \$793 million funds projects approved in the SFPUC 10-Year Capital Plan. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Annual Wastewater Enterprise debt service for outstanding debt is \$113.5 million in FY 2022-23, increasing to \$311.2 million in FY 2031-32. • The 10-Year Financial Plan assumes no sewer rate increase in FY 2022-23 and a 6 percent sewer rate increase in FY 2023-24. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • According to the SFPPUC 10-Year Financial Plan, Wastewater Enterprise net revenues (sewer rate revenues less operating, capital, and debt service expenses) are sufficient to maintain Wastewater Enterprise fund balance in an amount that exceeds the SFPUC policy for minimum fund balance and debt service coverage ratios that exceed bond covenants. Because the 10-Year Financial Plan anticipates annual sewer rate increases of 6 percent between FY 2023-24 and FY 2029-30, decreasing to 5 percent in FY 2030-31 and FY 2031-32, the Board of Supervisors should request an annual report on Wastewater Enterprise expenditures, fund balance, and debt service coverage ratio, and the impact on sewer rates. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed ordinance (File 22-0500) to state that the required report detailing issuance of Wastewater Revenue Bonds approved by Files 20-0837, and 22-0500 will be included in the legislative files for the respective ordinances. • Request an annual report from the SFPUC General Manager on Wastewater Enterprise expenditures, fund balance, and debt service coverage ratio, and the impact on sewer rates. • Approve File 22-0500 as amended and File 22-0501. 	

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 Wastewater Enterprise has three capital and repair and replacement programs.

1. The Sewer System Improvement Program (SSIP) is a phased program to improve the City's existing sewer collection and wastewater treatment facilities. Phase 1 is \$3.4 billion and is scheduled to be completed in 2025.
2. The Wastewater Facilities and Infrastructure Program encompasses capital improvements not part of the SSIP, including stormwater management, seismic upgrades, energy efficiency, and other improvements to modernize existing facilities.
3. The Renewal and Replacement Program is an ongoing program for periodic repair and replacement of the collection and treatment systems.

DETAILS OF PROPOSED LEGISLATION

File 22-0500 is an ordinance (a) authorizing the issuance and sale of tax-exempt or taxable Wastewater Revenue Bonds and other forms of indebtedness (as described below) by the San Francisco Public Utilities Commission (SFPUC) in an aggregate principal amount not to exceed \$704,198,901 to finance the costs of Water Enterprise capital projects; (b) authorizing the

issuance of Wastewater Revenue Refunding Bonds and the retirement of outstanding Wastewater 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 22-0501 is an ordinance (a) appropriating \$793,003,901 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), wastewater revenues, and wastewater capacity fees for the San Francisco Public Utilities Commission (SFPUC) Wastewater Enterprise's Capital Improvement Program for FY 2022-23 in FY 2022-23. \$704,198,901 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. Projects funded by the appropriated funds are subject to final approval of the California Environmental Quality Act (CEQA) findings by the SFPUC and the Board of Supervisors.

Wastewater Revenue Bond Issuance

At the February 8, 2022 Commission meeting, the SFPUC approved the issuance of new Wastewater Revenue Bonds to finance wastewater 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 Wastewater 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 \$793.0 million of bond proceeds, wastewater revenues, and capacity fees to various SSIP and wastewater projects in FY 2022-23, as shown in Table 1 below.

Table 1: Sources and Uses of Funds

	2023 Bond Proceeds (SSIP) ^a	2021 Bond Proceeds	Wastewater Revenues	Capacity Fees	Total
Sources	\$686,028,786	\$18,170,115	\$82,628,000	\$6,177,000	\$793,003,901
Uses					
SSIP Program Management	\$14,000,000				\$14,000,000
Biosolids Digester Project	375,532,448				375,532,448
Southeast Treatment Plant	31,555,408				31,555,408
Northpoint Treatment Plant	11,314,730				11,314,730
Oceanside Treatment Plant	29,201,164				29,201,164
Treatment Plants (repair & replacement)			25,680,135		25,680,135
Collection System	57,948,296	15,229,350	55,784,284	6,164,646	135,126,576
Pump Station/ Force Mains	307,000				307,000
Green Infrastructure	15,209,899				15,209,899
Flood Resilience	48,055,523				48,055,523
Customer Service System			998,325		998,325
Treasure Island Improvements		215,248			215,248
Financing Costs ^b	101,395,055	2,685,543			104,080,598
City Services Auditor	1,166,249	30,889	165,256	12,354	1,374,748
Revenue Bond Oversight Committee	343,014	9,085			352,099
Total Uses	\$686,028,786	\$18,170,115	\$82,628,000	\$6,177,000	\$793,003,901

Source: Appropriation Ordinance

^a Sewer System Improvement Program^b 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

Project descriptions are included in the Attachment.

Proposition E Bond Funds

San Francisco voters approved Proposition E in 2002, providing for the Board of Supervisors to authorize issuance of Wastewater Revenue Bonds with three-fourths approval of the Board members. To date, the Board has authorized \$4,371,937,202, of which \$3,385,190,107 has been issued and \$986,747,095 is authorized but not issued.

Approval of the \$704,198,901 in new Wastewater Revenue Bond authority would increase the amount of bonds authorized in accordance with Proposition E to \$5,076,136,103. The authorized and unissued bonds would be \$1,690,945,996. According to the SFPUC's 10-Year Financial Plan, the Commission will issue Wastewater Revenue Bonds each year in FY 2022-23 through FY 2025-26, totaling \$2.145 billion, which includes bonds previously authorized, bonds authorized in accordance with File 22-0500, and future authorizations.

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 Wastewater Enterprise projects.

FISCAL IMPACT

Debt Issuance

SFPUC anticipates issuing \$704.2 million in Wastewater Revenue Bonds at 5 percent interest and for a 30-year term. Capitalized interest costs over 30 months are \$88.0 million¹ and issuance costs are \$14.1 million² for net bond proceeds of approximately \$602.1 million. Average annual debt service over 30 years is approximately \$47 million.

The 10-Year Financial Plan provides for issuing \$546 million in Wastewater Revenue Bonds in 2023 and future Wastewater Revenue Bond issuances totaling \$3.5 billion over 10 years. Total annual Wastewater Enterprise debt service for outstanding debt is \$113.5 million in FY 2022-23, increasing to \$311.2 million in FY 2031-32.

The year-end Wastewater Enterprise fund balance is estimated to decrease from \$140 million in FY 2022-23 to \$79.4 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 Wastewater Enterprise fund balance is estimated to equal 70 percent of annual operating and maintenance expenses in FY 2022-23, decreasing to 31 percent in FY 2031-32.

The annual debt service coverage ratio is estimated to be 3.35 in FY 2022-23, decreasing to 1.8 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 Wastewater Enterprise will have sufficient net revenues and unrestricted fund balance to achieve a debt service coverage ratio of at least 1.5.

Wastewater Customer Rates

The 10-Year Financial Plan assumes no sewer rate increase in FY 2022-23 and a 6 percent rate increase for sewer rates in FY 2023-24.

¹ Capitalized interest is the amount of interest that accrues on the bonds during the construction period prior to placement of the asset into service.

² Issuance costs include underwriting fees, legal fees, financial advisory fees, credit enhancement fees, and other miscellaneous fees typically associated with a bond financing.

POLICY CONSIDERATION**Reporting on Proposition E Bonds**

File 20-0837 stated SFPUC should submit a report to the Clerk of the Board of Supervisors following sale of the Wastewater 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. SFPUC provided information to the Budget and Legislative Analyst on total Wastewater Revenue Bond authorization under Proposition E, amount sold, and remaining authorized but not yet sold bonds, noted above. According to SFPUC staff, the Commission has issued commercial paper as interim financing for Wastewater Enterprise projects to be financed by the revenue bond proceeds.

File 22-0500 has the same reporting requirement for \$704.2 million in Wastewater Revenue Bonds authorized under the ordinance. The SFPUC is planning to issue bonds approved in Files 18,0452, 20-0837, and 22-0500 in FY 2022-23 through FY 2025-26, 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 Files 20-0837 and 22-0500 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 sewer rates for San Francisco rate payers in FY 2022-23 and plans to increase sewer rates by 6 percent in FY 2023-24. Sewer rates cover SFPUC overhead charges, Wastewater operating and capital expenditures, and debt service. According to the 10-Year Financial Plan, Wastewater Enterprise net revenues (sewer rate revenues less operating, capital, and debt service expenses) are sufficient to maintain Wastewater Enterprise fund balance in an amount that exceeds minimum fund balance requirements and debt service coverage ratios that exceed bond covenants over the 10-year term. Because the 10-Year Financial Plan anticipates annual sewer rate increases of 6 percent between FY 2023-24 and FY 2029-30, decreasing to 5 percent in FY 2030-31 and FY 2031-32, the Board of Supervisors should request an annual report on Wastewater Enterprise expenditures, fund balance, and debt service coverage ratio and the impact on sewer rates.

RECOMMENDATIONS

1. Amend the proposed ordinance (File 22-0500) to state that the required report detailing issuance of Wastewater Revenue bonds approved by Files 20-0837, and 22-0500 will be included in the legislative files for the respective ordinances.
2. Request an annual report on Wastewater Enterprise expenditures, fund balance, and debt service coverage ratio, and the impact on sewer rates.
3. Approve File 22-0500 as amended and File 22-0501.

Attachment: Wastewater Enterprise Capital Projects**Program Management: \$14 million**

The 10-year capital plan provides for annual program management expenditures for the Sewer System Improvement Program, totaling \$195 million, of which \$140 million was previously appropriated and \$55 million is budgeted for FY 2022-23 through FY 2031-32. Program management includes condition assessment/ facility inspections, technical support and evaluations, water quality studies, project definition and prioritization, public outreach and education, and other SSIP program management activities.

Biosolids/Digester Project: \$375.5 million

The Biosolids/Digester project is the largest component of the SSIP, totaling \$2.4 billion over the term of the SSIP, with nearly \$1 billion previously appropriated and \$1.4 billion budgeted for FY 2022-23 through FY 2031-32. The Biosolids/Digester project provides for a new digester and solids handling facility at the Southeast Plant. The project, which requires relocation of utilities, demolition of existing infrastructure, and construction of a new digester and solids handling facility, began construction in 2019 after a one-year delay. Construction is scheduled for completion in 2025 and final project completion is scheduled for 2029.

Southeast Treatment Plant Improvements: \$31.5 million

Improvements to the Southeast Treatment Plant include replacement of the headworks facility and repairs, replacement, and upgrades to the treatment plant facility.

Headworks Facility

The FY 2022-23 budget includes \$18.4 million for the headworks facility; the total budget is \$679 million, of which \$652.2 million was previously appropriated. The SSIP provides for replacement of the headworks facilities, which provide the first step in the wastewater treatment process. The new headworks facility project consolidates two existing headworks facilities, modifies the pump station, and constructs a new odor control structure. Construction began in 2020 and is scheduled for completion in 2023 and final project completion is scheduled for 2024.

Other Southeast Treatment Plant Improvements

The FY 2022-23 budget includes \$13.1 million for security enhancements, new trades and maintenance buildings, and other facilities improvements at the Southeast Treatment Plant. Total Plant improvements, not including the Headworks Facility, are budgeted at \$769.9 million, of which \$314.5 million has previously been appropriated.

North Point Treatment Plant Improvements: \$11.3 million

Improvements to the North Point Treatment Plant include wet weather pump station improvements, outfall system rehabilitation, and other improvements. The total project budget is \$247.2 million, of which \$69.3 million was previously appropriated. The FY 2022-23 budget of \$11.3 million is for improvements to the wet weather pump station and upgrades to the distributed control system.

Oceanside Treatment Plant Improvements: \$29.2 million

Improvements to the Oceanside Treatment Plant include upgrades to various treatment processes, health and safety improvements to the administrative building, and upgrades to the distributed control system. The total project budget is \$742.0 million, of which \$89.1 million was previously appropriated.

Other SSIP Projects: \$121.5 million*Stormwater and Flood Control: \$63.3 million*

The total SSIP budget for stormwater management is \$421.5 million, of which \$81.8 million was previously appropriated, and for flood control is \$805.6 million, of which \$117.4 million was previously appropriated. FY 2022-23 projects include daylighting of Yosemite Creek, green infrastructure projects at Balboa High School, Giannini Middle School, and Buchanan Street Mall, and green infrastructure grants to public and private properties.

Sewer and Collection System: \$58.2 million

The total SSIP budget for sewer and collection system projects is \$862.7 million, of which \$296.2 million was previously appropriated. Projects budgeted in FY 2022-23 include sewer improvements at Kansas and Main Streets, Taraval sewer improvements, large diameter sewer projects and channel force main, systemwide monitoring equipment assessments, and Geary underpass access enhancements.

Other Wastewater Capital Projects: \$104.1 million

Wastewater projects that are not part of the Sewer System Improvement Program include (1) repair and replacement of the collection system to replace small and large diameter pipes and sewer laterals; (2) annual repair and replacement projects to maintain treatment plant capacity and reliability; and (3) improvements to the Treasure Island resource recovery facility to provide tertiary treatment and wetlands.

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

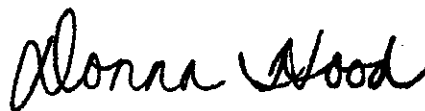
and be it;

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", followed by a long horizontal flourish.

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 Wastewater Revenue Bond
Issuance – Not to Exceed \$704,198,901
DATE: May 1, 2022

Ordinance authorizing the issuance and sale of tax-exempt or taxable Wastewater 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 \$704,198,901 to finance the costs of various capital wastewater projects benefitting the Wastewater 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 Wastewater Revenue Refunding Bonds and the retirement of outstanding Wastewater 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.