File No. 220501 **Committee Item No.** 12
Board Item No. 6

COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget and Appropriations Committee **Date** May 25, 2022
Board of Supervisors Meeting **Date** June 14, 2022

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Completed by: Brent Jalipa **Date** May 20, 2022
Completed by: Brent Jalipa **Date** May 31, 2022

[Appropriation - Proceeds from Revenue Bonds, State Loans or Grant Funds, Wastewater Revenues, and Wastewater Capacity Fees - Wastewater Capital Improvements - $793,003,901 - FY2022-2023]

Ordinance appropriating a total of $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 revenue and capacity fees for the San Francisco Public Utilities Commission (SFPUC) Wastewater Enterprise's Capital Improvement Program for Fiscal Year (FY) 2022-2023, and placing $704,198,901 in Revenue Bonds or State Loan or Grant Funds by project on Controller's Reserve subject to the Controller's certification of funds availability, including proceeds of indebtedness, and for construction related expenditures (excluding program management, planning and design) for these projects, as applicable, is also subject to the prior occurrence of the SFPUC's and the Board of Supervisors' discretionary adoption of California Environmental Quality Act Findings for projects, following review and consideration of completed project related environmental analysis, where required.

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. The sources of funding outlined below are herein appropriated to reflect the funding available for Fiscal Year 2022-2023.

SOURCES Appropriation

Fund / Department ID	Project & Activity / Authority	Account	Description	Amount
20720 WWE SSIP 2023 Bond Fund/ 229267 WWE0101 Administration	10026508-0001 Bond-Commercial Paper Expense, Budget Control / 17732 WW Bond-commercial Paper Exp	480111 Proceeds from Sale of Bonds- Face Amount	Proceeds from Sale of Bonds	$686,028,786
20707 Wastewater 2021 Capital Bond Fund / 229267 WWE0101 Administration	10026508-0001 Bond-Commercial Paper Expense, Budget Control / 17732 WW Bond-commercial Paper Exp	480111 Proceeds from Sale of Bonds- Face Amount	Proceeds from Sale of Bonds	$18,170,115

Fund / Department ID	Project & Activity / Authority	Account	Description	Amount
20550 WWE CPF Repair & Replace / 229267 WWE0101 Administration	10031235-0001 WW Wwe Rnr Collection System/ 15722 WW Wwe Rnr Collection System	495022 ITI Fr 5C-Cleanwater ProgramFd	Wastewater Enterprise Revenue	$82,628,000
20530 WWE CPF Capacity Fee Prog / 229267 WWE0101 Administration	10031235-0001 WW Wwe Rnr Collection System/ 15722 WW Wwe Rnr Collection System	479993 Capacity Fees	Wastewater Capacity Fee	$6,177,000
Total SOURCES Appropriation				**$793,003,901**

Section 2. The uses of funding outlined below are herein appropriated in Accounts 567000 (Buildings, Structures, and Improvements), 584030 (Capital Renewal Projects), 581130 (CON-Internal Audits), 573110 (Bond Issuance Cost-Unamortized), and 567000 (Revenue Bond Oversight Committee), reflecting the projected uses of funding to support the Wastewater Capital Improvement Program at the San Francisco Public Utilities Commission for Fiscal Year 2022-2023.

USES Appropriation

Fund / Department ID	Project & Activity / Authority	Account	Description	Amount
20720 WWE SSIP 2023 Bond Fund/ 229267 WWE0101 Administration	10029731-0002 Planning Budget/15733 WW SSIP Program-Wide Management	567000 Blds; Structures & Improvements	SSIP Program-Wide Management	14,000,000
20720 WWE SSIP 2023 Bond Fund/ 229267 WWE0101 Administration	10015795-0001 Biosolids Digester Project/15728 WW SSIP Biosolids Digester Project	567000 Blds; Structures & Improvements	Biosolids Digester Project	375,532,448
20720 WWE SSIP 2023 Bond Fund/ 229267 WWE0101 Administration	10026823-0001 Treatment Plant Improvements-S / 15735 WW Treatment Plant Improvement	567000 Blds; Structures & Improvements	Treatment Plants - Southeast	$31,555,408
20720 WWE SSIP 2023 Bond Fund/ 229267 WWE0101 Administration	10015813-0001 Treatment Plant Improvement /	567000 Blds; Structures & Improvements	Treatment Plants – North Point	$11,314,730

Fund / Department ID	Project & Activity / Authority	Account	Description	Amount
	15736 WW Treatment Plant Improvement			
20720 WWE SSIP 2023 Bond Fund/ 229267 WWE0101 Administration	10015813-0001 Treatment Plant Improvement /15736 WW Treatment Plant Improvement	567000 Blds; Structures & Improvements	Treatment Plants – Oceanside	$29,201,164
20720 WWE SSIP 2023 Bond Fund/ 229267 WWE0101 Administration	10015791-0001 Collection System Improvements / 15726 WW Collection System Improvement	567000 Blds; Structures & Improvements	Collection System Improvements	$57,948,296
20720 WWE SSIP 2023 Bond Fund/ 229267 WWE0101 Administration	10026827-0001 Collection System/Pump Station/	567000 Blds; Structures & Improvements	Pump Station/ Force Mains	$307,000

Fund / Department ID	Project & Activity / Authority	Account	Description	Amount
	15726 WW Collection System Improvement			
20720 WWE SSIP 2023 Bond Fund/ 229267 WWE0101 Administration	10002780-0001 Drainage Basin-Early Implement / 15729 WW Stormwater Management	567000 Blds; Structures & Improvements	Green Infrastructure Projects	$15,209,899
20720 WWE SSIP 2023 Bond Fund/ 229267 WWE0101 Administration	10015801 -0001 Flood Resilience/Hydraulic Improvement/ 15730 WW Flood Resilience-hydraulic	567000 Blds; Structures & Improvements	Flood Resilience-Hydraulic	$48,055,523
20550 WWE CPF Repair & Replace /	10031235-0001 WW Wwe Rnr Collection System /	584030 Capital Renewal Projects	R & R Collection System	$55,784,284

Fund / Department ID	Project & Activity / Authority	Account	Description	Amount
229267 WWE0101 Administration	15722 WW Wwe Rnr Collection System			
20530 WWE CPF Capacity Fee Prog / 229267 WWE0101 Administration	10031235-0001 WW Wwe Rnr Collection System / 15722 WW Wwe Rnr Collection System	584030 Capital Renewal Projects	R & R Collection System	$6,164,646
20707 Wastewater 2021 Capital Bond Fund / 229267 WWE0101 Administration	10031235-0001 WW Wwe Rnr Collection System / 15722 WW Wwe Rnr Collection System	567000 Blds; Structures & Improvements	R & R Collection System	$15,229,350
20550 WWE CPF Repair & Replace / 229267 WWE0101 Administration	10031247-0001 WW Wwe Rnr Treatment Facilities / 15724 WW Wwe Rnr Treatment Facilities	584030 Capital Renewal Projects	R & R Treatment Facilities	$25,680,135

Fund / Department ID	Project & Activity / Authority	Account	Description	Amount
20550 WWE CPF Repair & Replace / 229267 WWE0101 Administration	10038793-0001 WWE Customer Service System 22140 Customer Service System	584030 Capital Renewal Projects	Customer Service System	$998,325
20707 Wastewater 2021 Capital Bond Fund / 229267 WWE0101 Administration	10015546-0001 Treasure Island Capital Improvement/15707 WW Treasure Island Capital Imp	567000 Blds; Structures & Improvements	WW Treasure Island Capital Improvements	$215,248
20720 WWE SSIP 2023 Bond Fund/ 229267 WWE0101 Administration	10026508-0001 Bond-Commercial Paper Expense, Budget Control / 17732 WW Bond-commercial Paper Exp	573110 Bond Issuance Cost- Unamortized	Financing Costs	$101,395,055
20720 WWE SSIP 2023 Bond Fund/	10026508-0001	581130 GF-CON-Internal Audits	CSA 0.2% Controller's Audit Fund	$1,166,249

Fund / Department ID	Project & Activity / Authority	Account	Description	Amount
229267 WWE0101 Administration	Bond-Commercial Paper Expense, Budget Control / 17732 WW Bond-commercial Paper Exp			
20720 WWE SSIP 2023 Bond Fund/ 229267 WWE0101 Administration	10026508-0001 Bond-Commercial Paper Expense, Budget Control / 17732 WW Bond-commercial Paper Exp	567000 Blds; Structures & Improvements	Revenue Bond Oversight Committee 0.05%	$343,014
20707 Wastewater 2021 Capital Bond Fund / 229267 WWE0101 Administration	10026508-0001 Bond-Commercial Paper Expense, Budget Control / 17732 WW Bond-commercial Paper Exp	573110 Bond Issuance Cost- Unamortized	Financing Costs	$2,685,543

Fund / Department ID	Project & Activity / Authority	Account	Description	Amount
20707 Wastewater 2021 Capital Bond Fund / 229267 WWE0101 Administration	10026508-0001 Bond-Commercial Paper Expense, Budget Control / 17732 WW Bond-commercial Paper Exp	581130 GF-CON-Internal Audits	CSA 0.2% Controller's Audit Fund	$30,889
20707 Wastewater 2021 Capital Bond Fund / 229267 WWE0101 Administration	10026508-0001 Bond-Commercial Paper Expense, Budget Control / 17732 WW Bond-commercial Paper Exp	567000 Blds; Structures & Improvements	Revenue Bond Oversight Committee 0.05%	$9,085
20550 WWE CPF Repair & Replace / 229267 WWE0101 Administration	10026508-0001 Bond-Commercial Paper Expense, Budget Control / 17732 WW Bond-commercial Paper Exp	581130 GF-CON-Internal Audits	CSA 0.2% Controller's Audit Fund	$165,256

Fund / Department ID	Project & Activity / Authority	Account	Description	Amount
20530 WWE CPF Capacity Fee Prog / 229267 WWE0101 Administration	10026508-0001 Bond-Commercial Paper Expense, Budget Control / 17732 WW Bond-commercial Paper Exp	581130 GF-CON-Internal Audits	CSA 0.2% Controller's Audit Fund	$12,354
Total USES Appropriation				**$793,003,901**

Section 3. Of the above appropriated amount, $1,374,748, representing 0.2% of the expenditure budget net of bond financing and audit costs, shall be allocated to support the Controller's Audit Fund, pursuant to Charter Appendix F1.113; and $352,099, representing 0.05% of gross bond proceeds, shall be allocated to support the Public Utilities Commission Revenue Bond Oversight Committee, pursuant to Administrative Code Section 5A.31. These appropriations may be decreased by the Controller based on changes to expenditure appropriations or actual gross bond proceeds to conform to the applicable Charter and Administrative Code formulas.

Section 4. $704,198,901 of the total appropriation is hereby placed on Controller's Appropriation Reserve, as set forth below. Release of appropriation reserves by the Controller is subject to the Controller's certification of funds availability, including proceeds of indebtedness, and for construction related expenditures (excluding program management, planning and design) for these projects, as applicable, is also subject to the prior occurrence of the SFPUC's and the Board of Supervisors' discretionary adoption of California Environmental

Quality Act (CEQA) Findings for projects, following review and consideration of completed project related environmental analysis, where required.

Appropriation on Reserve

Fund / Department ID	Project & Activity / Authority	Account	Description	Amount
20720 WWE SSIP 2023 Bond Fund/ 229267 WWE0101 Administration	10029731-0001 Planning/Budget /15733 WW SSIP Program-Wide Management	567000 Blds; Structures & Improvements	SSIP Program-Wide Management	$14,000,000
20720 WWE SSIP 2023 Bond Fund/ 229267 WWE0101 Administration	10015795-0001 Biosolids Digester Project/15728 WW SSIP Biosolids Digestor Project	567000 Blds; Structures & Improvements	Biosolids Digester Project	$375,532,448

Fund / Department ID	Project & Activity / Authority	Account	Description	Amount
20720 WWE SSIP 2023 Bond Fund/ 229267 WWE0101 Administration	10026823-0001 Treatment Plant Improvements-S / 15735 WW Treatment Plant Improvement	567000 Blds; Structures & Improvements	Treatment Plants - Southeast	$31,555,408
20720 WWE SSIP 2023 Bond Fund/ 229267 WWE0101 Administration	10015813-0001 Treatment Plant Improvement / 15736 WW Treatment Plant Improvement	567000 Blds; Structures & Improvements	Treatment Plants – North Point	$11,314,730
20720 WWE SSIP 2023 Bond Fund/ 229267 WWE0101 Administration	10015813-0001 Treatment Plant Improvement / 15736 WW Treatment Plant Improvement	567000 Blds; Structures & Improvements	Treatment Plants – Oceanside	$29,201,164

Fund / Department ID	Project & Activity / Authority	Account	Description	Amount
20720 WWE SSIP 2023 Bond Fund/ 229267 WWE0101 Administration	10015791-0001 Collection System Improvements / 15726 WW Collection System Improvement	567000 Blds; Structures & Improvements	Collection System Improvements	$57,948,296
20720 WWE SSIP 2023 Bond Fund/ 229267 WWE0101 Administration	10026827-0001 Collection System/Pump Station /15726 WW Collection System Improvement	567000 Blds; Structures & Improvements	Pump Station/ Force Mains	$307,000
20720 WWE SSIP 2023 Bond Fund/ 229267 WWE0101 Administration	10002780-0001 Drainage Basin/Early Implement /15729 WW Stormwater Management	567000 Blds; Structures & Improvements	Green Infrastructure Projects	$15,209,899

Fund / Department ID	Project & Activity / Authority	Account	Description	Amount
20720 WWE SSIP 2023 Bond Fund/ 229267 WWE0101 Administration	10015801 -0001 Flood Resilience/Hydraulic Imp/15730 WW Flood Resilience-hydraulic	567000 Blds; Structures & Improvements	Flood Resilience-Hydraulic	$48,055,523
20707 Wastewater 2021 Capital Bond Fund / 229267 WWE0101 Administration	10031235-0001 R&R Collection System / 15722 WWE R & R Collection System	567000 Blds; Structures & Improvements	R & R Collection System	$15,229,350
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Fund / Department ID	Project & Activity / Authority	Account	Description	Amount
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20720 WWE SSIP 2023 Bond Fund/ 229267 WWE0101 Administration	10026508-0001 Bond-Commercial Paper Expense , Budget Control / 17732 WW Bond-commercial Paper Exp	567000 Blds; Structures & Improvements	Revenue Bond Oversight Committee 0.05%	$343,014

Fund / Department ID	Project & Activity / Authority	Account	Description	Amount
20707 Wastewater 2021 Capital Bond Fund / 229267 WWE0101 Administration	10026508-0001 Bond-Commercial Paper Expense , Budget Control / 17732 WW Bond-commercial Paper Exp	573110 Bond Issuance Cost- Unamortized	Financing Costs	$2,685,543
20707 Wastewater 2021 Capital Bond Fund / 229267 WWE0101 Administration	10026508-0001 Bond-Commercial Paper Expense , Budget Control / 17732 WW Bond-commercial Paper Exp	581130 GF-CON-Internal Audits	CSA 0.2% Controller's Audit Fund	$30,889
20707 Wastewater 2021 Capital Bond Fund / 229267 WWE0101 Administration	10026508-0001 Bond-Commercial Paper Expense , Budget Control / 17732 WW Bond-commercial Paper Exp	567000 Blds; Structures & Improvements	Revenue Bond Oversight Committee 0.05%	$9,085

Fund / Department ID	Project & Activity / Authority	Account	Description	Amount
Total Appropriation on Reserve				**$704,198,901**

Section 5. Associated bond financing costs up to $104,080,598 are also hereby appropriated, including but not limited to, issuance costs, debt service reserve, capitalized interest, rating agency, and disclosure costs, all on Controller's reserve pending receipt of bond proceeds. To the extent that net available bond proceeds after financing costs are more than budgeted, the SFPUC may use such surplus bond proceeds as a substitute for other sources budgeted in this ordinance.

Section 6. The Controller is authorized to record transfers between funds and adjust the accounting treatment of sources and uses appropriated in this ordinance as necessary to conform to Generally Accepted Accounting Principles and other laws.

Section 7. This Board, by Ordinance No. 89-15, authorized the SFPUC to enter into one or more State of California State Water Resources Control Board Installment Sale Agreements under the Clean Water State Revolving Fund (State Loan Funds); by Ordinance No. 144-18, authorized the SFPUC to enter into one or more federal Water Infrastructure Financing Innovation Act loans (Federal Loan Funds); and amended and supplemented Ordinance No. 107-14 to authorize, in addition to the issuance of Wastewater revenue bonds, the execution and delivery of State Loan Funds to finance projects, provided that any such indebtedness shall not exceed in an aggregate principal amount $819,035,941. The Board is concurrently considering with this Ordinance a SFPUC Wastewater Revenue Bond issuance, including authorization to obtain one or more State Revolving Fund (SRF) and Water Infrastructure Finance and Innovation Act (WIFIA) loans, not to exceed $987,414,494. The Sources of Funds

herein appropriated in Section 1 of this Ordinance, or previously appropriated by Ordinance 105-14, may include State Loan Funds, State Grant Funds, Federal Grant Funds, or Federal Loan Funds when available, subject to compliance with the terms of the authorizing legislation for such Funds. The Controller is authorized to record substitution of the source of funds appropriated with State Loan Funds, State Grant Funds, Federal Grant Funds, or Federal Loan Funds as necessary to conform to Generally Accepted Accounting Principles and other laws.

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

By: /s/_____
JON GIVNER
Deputy City Attorney

FUNDS AVAILABLE
BEN ROSENFIELD, Controller

By: /s/_____
BEN ROSENFIELD
Controller

Items 11 & 12 Files 22-0500 & 22-0501	Department: Public Utilities Commission

EXECUTIVE SUMMARY

Legislative Objectives

- **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.

Key Points

- Proposition E, approved by voters in 2002, provides for the Board of Supervisors to authorize SFPUC to issue revenue bonds. To date, the Board of Supervisors has authorized $4.4 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.

Fiscal Impact

- 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.

Policy Consideration

- 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.

Recommendations

- 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 million[1] and issuance costs are $14.1 million[2] 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 in 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 place capacity and reliability; and (3) improvements to the Treasure Island resource recovery facility to provide tertiary treatment and wetlands.

REQUEST FOR SUPPLEMENTAL APPROPRIATION

DEPARTMENT: SFPUC – Wastewater Enterprise **DATE:** 4/4/2022

To the Mayor:

Request is hereby made for supplemental appropriation from the following appropriation(s) or fund(s) in the amount(s) indicated;

APPROPRIATION NUMBER	DESCRIPTION OF APPROPRIATION OR FUND	AMOUNT
Fund Department ID Authority Project Activity Account	**See Attachment A**	

to the credit of the following appropriation(s) or fund(s) in the amount(s) indicated:

APPROPRIATION NUMBER	DESCRIPTION OF APPROPRIATION OR FUND	AMOUNT
Fund Department ID Authority Project Activity Account	**See Attachment A**	

There are no surpluses in any of this department's appropriations available for transfer for the requested purpose(s). Complete detail as to the necessity for THIS appropriation is stated in attached letter.

APPLICABLE BOXES MUST BE CHECKED

☒ This request included capital projects (s.o. 06700 OR 06700); a separate copy has been sent to the Chair, Capital Improvement Advisory Committee.

☒ These funds have not been previously requested.

☐ These funds were previously requested by:
( ) *Supplemental Appropriation* or ( ) *Budget Estimate* and were
( ) *reduced* or ( ) *denied* by The Mayor, or The Board of Supervisors.

CERTIFIED AS TO FACTS AND AMOUNTS AS ABOVE STATED, AND

RECOMMENDED: _____ **(Department Head)**
Ronald P Flynn, AGM Business Services, SFPUC

APPROVED: _____ **(Board or Commission)**
Dennis Herrera, General Manager, SFPUC

Recorded Controller's Budget Division

By: _____ Date: _____ Request No. _____

FOR MAYOR'S USE

To the Controller:

The above request meets with my approval; as indicated above. You are hereby requested to prepare the necessary appropriation ordinance.

APPROVED:
Mayor London N. Breed BY: _____ DATE: _____

Attachment A - Wastewater Enterprise

Funding Source

Authority Roll Up	Authority ID	Project	Activity	Dept	Fund	Account	Description of Appropriation or Fund	FY 2022-23
19471	17732	10026508	0001	229267	20720	480111	**Proceeds Sale of Bonds (SSIP)**	**686,028,786**
19471	17732	10026508	0001	229267	20707	480111	**Proceeds Sale of Bonds (Non-SSIP)**	**18,170,115**
19141	15722	10031235	0001	229267	20550	495022	**ITI from Wastewater Revenue Funds**	**82,628,000**
19141	15722	10031235	0001	229267	20530	479993	**Wastewater Capacity Fee**	**6,177,000**
							TOTAL - Funding Source	**793,003,901**

Use of Funds

Authority Roll Up	Authority ID	Project	Activity	Dept	Fund	Account	Description of Appropriation or Fund	FY 2022-23
19142	15733	10029731	0002	229267	20720	567000	Program Management	14,000,000
19142	15728	10015795	0001	229267	20720	567000	Biosolids/Digester Project	375,532,448
19142	15735	10026823	0001	229267	20720	567000	Treatment Plant Improvements - Southeast	31,555,408
19142	15736	10015813	0001	229267	20720	567000	Treatment Plant Improvements - North Point	11,314,730
19142	15736	10015813	0001	229267	20720	567000	Treatment Plant Improvements - Oceanside	29,201,164
							SSIP - Treatment Facilities Program	**447,603,750**
19142	15726	10015791	0001	229267	20720	567000	Collection System Improvements	57,948,296
19142	15726	10026827	0001	229267	20720	567000	Pump Stations/Force Mains	307,000
							SSIP - Sewer/Collection System Program	**58,255,296**
19142	15729	10002780	0001	229267	20720	567000	Stormwater Management/Green Infrastructure	15,209,899
19142	15730	10015801	0001	229267	20720	567000	Flood Resilience/Hydraulic Improvements	48,055,523
							SSIP - Storm Water/Flood Control Program	**63,265,422**
							TOTAL - SSIP	**583,124,468**
19141	15722	10031235	0001	229267	20550	584030	Renewal & Replacement-Collection System	55,949,540
19141	15722	10031235	0001	229267	20530	584030	Renewal & Replacement-Collection System	6,177,000
19141	15722	10031235	0001	229267	20707	567000	Renewal & Replacement-Collection System	15,229,350
19141	15724	10031247	0001	229267	20550	584030	Renewal & Replacement-Treatment Facilities	25,680,135
19139	22140	10038793	0001	229267	20550	584030	Customer Service System	998,325
19134	15707	10015546	0001	229267	20707	567000	Treasure Island	215,248
							TOTAL - Non SSIP	**104,249,598**
							TOTAL - Project Costs	**687,374,066**
19471	17732	10026508	0001	229267	20720	573110	Financing Cost	102,561,304
19471	17732	10026508	0001	229267	20720	581130	City Services Auditor	0
19471	17732	10026508	0001	229267	20720	567000	Revenue Bond Oversight Committee	343,014
							TOTAL - SSIP Financing/Other Costs	**102,904,318**
19471	17732	10026508	0001	229267	20707	573110	Financing Cost	2,538,822
19471	17732	10026508	0001	229267	20707	581130	City Services Auditor	177,610
19471	17732	10026508	0001	229267	20707	567000	Revenue Bond Oversight Committee	9,085
							TOTAL - Non-SSIP Financing/Other Costs	**2,725,517**
							TOTAL - Use of Funds	**793,003,901**

OFFICE OF THE MAYOR
SAN FRANCISCO

LONDON N. BREED
MAYOR

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,

Ashley Groffenberger
Mayor's Budget Director

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

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200
SAN FRANCISCO, CALIFORNIA 94102-4681
TELEPHONE: (415) 554-6141

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

OFFICE OF THE MAYOR
SAN FRANCISCO

LONDON N. BREED
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Tom Paulino
RE: Appropriation - $793,003,901 in Proceeds from Revenue Bonds, State Loans or Grant Funds, Wastewater Revenues, and Wastewater Capacity Fees for Wastewater Capital Improvements –FY2022-2023
DATE: May 1, 2022

Ordinance appropriating a total of $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 revenue and capacity fees for the San Francisco Public Utilities Commission (SFPUC) Wastewater Enterprise's Capital Improvement Program for Fiscal Year 2022-2023, and placing $704,198,901 in Revenue Bonds or State Loan or Grant Funds by project on Controller's Reserve subject to the Controller's certification of funds availability, including proceeds of indebtedness, and for construction related expenditures (excluding program management, planning and design) for these projects, as applicable, is also subject to the prior occurrence of the SFPUC's and the Board of Supervisors' discretionary adoption of California Environmental Quality Act (CEQA) Findings for projects, following review and consideration of completed project related environmental analysis, where required.

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

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