

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1150, San Francisco, CA 94102 (415) 552-9292
 FAX (415) 252-0461

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TO: Budget and Finance Committee
FROM: Budget and Legislative Analyst 
SUBJECT: January 16, 2013 Budget and Finance Committee Meeting

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Department:
 San Francisco Public Utilities Commission

EXECUTIVE SUMMARY

Legislative Objective

File 12-1203: The proposed resolution is for (1) the approval and execution of the Wholesale Water Revenue Prepayment and Collection Agreement between the Bay Area Water Supply and Conservation Agency (BAWSCA) and the San Francisco Public Utilities Commission (PUC) and (2) execution of the PUC Tax Certificate pursuant to BAWSCA's proposed issuance of revenue bonds to fund the wholesale customers' prepayment of their outstanding obligation for the regional water system's existing regional assets. The proposed Wholesale Water Revenue Prepayment and Collection Agreement is expected to commence on January 22, 2013 and will terminate on the earlier of July 1, 2036 or the date on which the BAWSCA revenue bonds are paid off.

File 12-1194: The proposed ordinance would amend the City's Administrative Code Section 10.100-18 to establish a Category 8 Water Enterprise Capital Cost Recovery Payment Surcharge Fund (Fund) to be used for the deposit and remittance of the Capital Cost Recovery Payment Surcharge by the PUC to the Bond Trustee for debt service of BAWSCA's revenue bonds.¹ The Fund is proposed to be maintained from July 1, 2013 through July 1, 2036.

Key Points

- On July 1, 2009, the San Francisco Public Utilities Commission (PUC) and 26 of its suburban wholesale customers ("wholesale customers"), acting through the Bay Area Water Supply and Conservation Agency (BAWSCA), executed the 25-year Water Supply Agreement which allocates PUC's annual capital and operating costs for water provision from the regional water system to suburban wholesale customers and City retail customers.
- Upon execution of the 2009 Water Supply Agreement, the wholesale customers owed the retail customers \$397,022,959 for the regional water systems' existing regional assets. PUC and BAWSCA agreed upon a payoff schedule by the wholesale customers that amortized the total over the Water Supply Agreement's 25-year term at an annual interest rate of 5.13%.
- In order to capitalize on lower interest rates, the wholesale customers are proposing to have BAWSCA issue revenue bonds on their behalf, as authorized by AB 2167, and use the revenue bond proceeds to prepay the remaining unpaid principal balance for the existing regional assets, as permitted under Section 5.03.F of the Water Supply Agreement. To date, the wholesale customers have paid approximately \$34,754,993 of the \$397,022,959 owed to retail customers, and owe the balance of approximately \$362,267,966.
- The proposed Wholesale Water Revenue Prepayment and Collection Agreement would require PUC to (a) accept prepayment of the approximately \$362,267,966 owed by the wholesale customers; and (b) collect a surcharge from participating wholesale customers' water bills to pay debt service on BAWSCA's revenue bonds; and (c) establish a restricted reserve fund for the use and administration of the surcharge proceeds; and (d) other provisions. In addition, the Wholesale Water Revenue Prepayment and Collection Agreement requires BAWSCA to (a) reimburse the PUC for administrative costs to collect the surcharge and administer the fund; and (b) indemnify the PUC for costs which might result due to BAWSCA's erroneous determination of the surcharge, violation of the agreement alleged by the wholesale customers, and determination by the U.S.

¹ Associated costs include fees for financial advisors, legal counsel, filing and printing, advertising, underwriters, rating agency fees, capitalized interest, and a Bond Reserve Fund all of which will be included in the surcharge amount.

Treasury Department that the tax-exempt bonds are taxable, unless deemed taxable due to the PUC's violation of the Tax Certificate.

Fiscal Impact

- PUC would incur minimal administrative costs for the imposition of the proposed surcharge on the wholesale customers and administration of the Fund. According to Mr. Charles Perl, PUC's Deputy Chief Financial Officer, because PUC's billing and collection system has already been established to collect payment for regular water bills, billing and collecting the surcharge would not require additional equipment, systems or labor. Mr. Perl noted that additional staff time would be expended for reporting and remitting the surcharge payments to the Bond Trustee which he estimates to require three hours of staff time per month or 1.7% of a FTE which totals approximately \$798 a year, which would be absorbed by the PUC's existing budget. Under the proposed Wholesale Water Revenue Prepayment and Collection Agreement, PUC would be reimbursed in full by BAWSCA for all costs incurred by the PUC due to U.S. Treasury regulations related to the use of the tax-exempt bond proceeds.
- Under the proposed Wholesale Water Revenue Prepayment and Collection Agreement, BAWSCA would prepay to the PUC the balance of \$362,267,966 from the bond proceeds. Although the proposed prepayment would cause PUC to forego future interest earnings of an estimated \$248,784,593 from 2013 through 2034, BAWSCA has the right to prepay the balance owed on capital assets under the existing Water Supply Agreement.
- According to a December 21, 2012, BAWSCA Bond Summary report produced by Goldman Sachs (BAWSCA's lead bond underwriter), the debt service that would be collected and deposited into the proposed Water Enterprise Capital Cost Recovery Payment Surcharge Fund by the PUC would be approximately \$2,074,021 a month, which exceeds the \$50,000 amount required by Section 10.100-1 (b) of the Administration Code enabling any earned interest to be credited to the Fund.

Policy Consideration

- According to the Wholesale Water Revenue Prepayment and Collection Agreement, the termination date of the agreement is the earlier of: (a) July 1, 2036 or (b) the date on which the BAWSCA revenue bonds are paid in full. Since the purpose of the proposed Water Enterprise Capital Cost Recovery Payment Surcharge Fund is to collect and remit surcharges for bond repayment the Fund should not be active after the termination date of the Wholesale Water Revenue Prepayment and Collection Agreement as no surcharges will be collected or remitted after this date.
- Therefore, the Budget and Legislative Analyst recommends amending the proposed ordinance by deleting line 10 and 11 on page 2 and replacing it with the following language: "(c) **Administration of Fund.** *The fund shall be maintained from July 1, 2013 through the termination date of the Wholesale Water Revenue Prepayment and Collection Agreement.*"

Recommendations

- Approve the proposed resolution for the approval and execution of the Wholesale Water Revenue Prepayment and Collection Agreement (File 12-1203).
- Amend the proposed ordinance (File 12-1194) by deleting line 10 and 11 on page 2 and replacing it with the following language: "(c) **Administration of Fund.** *The fund shall be maintained from July 1, 2013 through the termination date of the Wholesale Water Revenue Prepayment and Collection Agreement.*"
- Approve the proposed ordinance as amended (File 12-1194).

MANDATE STATEMENT & BACKGROUND

Mandate Statement

In accordance with City Charter Section 9.118(a), any contract entered into by a department, board or commission having anticipated revenue to the City and County of one million dollars or more shall be subject to the approval of the Board of Supervisors.

In accordance with City Charter Section 9.107, the Board of Supervisors is authorized to provide for the issuance of revenue bonds which can only be issued by a voter-approved proposition.

Pursuant to Section 8B.127 of the City Charter, the Public Utilities Commission has the authority to enter into agreement for the purchase of water, the sale of water to wholesale customers; and agreement necessary to implement Joint Powers Agreements with any wholesale customer.

The 2009 Water Supply Agreement

On July 1, 2009, the Water Supply Agreement was executed between the San Francisco Public Utilities Commission (PUC) and 26 of its suburban wholesale customers (“wholesale customers”) in Alameda, San Mateo and Santa Clara Counties, acting through the Bay Area Water Supply and Conservation Agency (BAWSCA), for a 25-year term. The Water Supply Agreement allocates PUC’s annual capital and operating costs for the regional water system to suburban wholesale customers and City retail customers.²

The allocation of PUC’s operating and capital costs is based on annual proportional water use. According to Mr. Charles Perl, PUC’s Deputy Chief Financial Officer, the City’s retail customers pay approximately one-third of the annual capital and operating expenses, and the suburban wholesale customers pay approximately two-thirds.

Under the 1984 Master Water Sales Contract that preceded the 2009 Water Supply Agreement, the PUC paid for the construction of the water system’s regional capital assets by issuing 30-year revenue bonds. The retail customers paid the debt service for these bonds over the 30-year term while the wholesale customers paid for their share of the water system’s assets over the assets’ lifetime (ranging from 50 to 100 years), which resulted in the wholesale customers paying a smaller amount per year over a longer period of time (approximately 6% of the assets’ value each year). When the former contract expired, the wholesale customers still owed the retail customers for assets that had not been fully depreciated.

Upon execution of the 2009 Water Supply Agreement, the amount that the wholesale customers still owed to the retail customers for the regional water systems’ existing capital assets totaled \$397,022,959. PUC and BAWSCA agreed upon a payoff schedule that amortized the total amount over the 25-year term of the Water Supply Agreement from 2010 through 2034 at an annual interest rate of 5.13%. However, in order to capitalize on lower interest rates, the wholesale customers are proposing to have BAWSCA issue revenue bonds that have an interest

² Retail customers include residents, businesses and industries located within the boundaries of the City.

rate of approximately a 3.35% and use the bond proceeds to prepay the remaining unpaid principal balance for the existing regional assets, as permitted under Section 5.03.F of the Water Supply Agreement.

To date, the wholesale customers have paid approximately \$34,754,993, of the \$397,022,959, and owe the balance of approximately \$362,267,966.

Assembly Bill 2167

AB 2167 took effect on January 1, 2013, adding a section to the California Water Code Section 81438(b) that authorized BAWSCA to (a) borrow money, incur indebtedness, and issue notes and bonds, including taxable and tax-exempt revenue bonds, to prepay the unpaid principal balance relating to the existing regional assets as defined in the 2009 Water Supply Agreement; and (b) impose rates, fees, and charges on wholesale customers to pay debt service on any bonds issued to pay for the unpaid principal balance provided in the Water Supply Agreement.

AB 2167 authorizes the City and County of San Francisco to (a) accept BAWSCA's prepayment for existing regional assets and to (b) collect any fees or charges on BAWSCA's behalf.

DETAILS OF PROPOSED LEGISLATION

File 12-1203

This proposed resolution is for the approval and execution of the Wholesale Water Revenue Prepayment and Collection Agreement between the Bay Area Water Supply and Conservation Agency (BAWSCA) and the PUC which requires PUC to:

- (1) Acknowledge the receipt of a prepayment from BAWSCA, on behalf of the wholesale customers, as payment for the water system's existing regional assets as set forth in the Water Supply Agreement;
- (2) Execute the PUC Tax Certificate pursuant to BAWSCA's proposed issuance of revenue bonds to fund the prepayment;
- (3) Impose and collect a surcharge on participating wholesale customers' water bills to pay debt service on the revenue bonds;³
- (4) Provide a monthly collection report and annual report to BAWSCA, accounting for all payments collected, remittances to the Trustee, and prepayment expenditures; and
- (5) Establish a restricted reserve fund for the use and administration of surcharge proceeds.

In addition, the agreement requires BAWSCA to:

- (1) Reimburse the PUC for administrative costs related to the imposition, collection and reimbursement of surcharges on behalf of BAWSCA which is detailed in Table 1 below; and

³ Participating wholesale customers are those customers who authorized BAWSCA to make the prepayment on their behalf.

(2) Indemnify the PUC for all costs which may result from (a) BAWSCA's erroneous determination of the surcharge amount, (b) violation of the agreement alleged by the wholesale customers, bond holders or third parties, or a (c) determination by the Department of the Treasury that the tax-exempt bonds are actually taxable, unless deemed taxable due to the PUC's violation of the Tax Certificate.

The prepayment is the balance of \$362,267,966 that the wholesale customers owe the retail customers for funding the existing capital assets of the regional water system. The prepayment will be made by BAWSCA, on behalf of 26 wholesale customers, to the PUC who will use the prepayment proceeds to reimburse the retail customers through lower water rates. Upon receipt of the prepayment, the 25-year prepayment schedule set forth in the Water Supply Agreement would be replaced with an updated schedule.

The revenue bonds that BAWSCA is proposing to issue would include a combination of approximately \$275,000,000 tax-exempt revenue bonds and \$87,000,000 in taxable revenue bonds.⁴ The Federal Treasury regulates how tax-exempt bonds can be expended whereas taxable bonds can be used for any lawful purpose.

Pursuant to the Tax Certificate that would be executed upon approval of the proposed resolution, the PUC agrees to comply with the Federal Treasury regulations. The PUC can use the tax-exempt bond proceeds of the prepayment to (1) finance capital improvements to the *regional* water system, (2) finance capital improvements to the *local* water system, and (3) defease/refund certain PUC Water Bonds (see Table 3 below).

Because the prepayment is essentially a reimbursement by the wholesale customers to the retail customers for paying for the regional water system's existing capital assets with a 30-year bond, the prepayment would only be used to offset the retail customer's share of regional and local capital improvements and debt service as mentioned above, which would benefit the retail customers by reducing their water rates. Accordingly, PUC is proposing to use the taxable bond proceeds to increase the Retail Customer's Fund Balance (see Table 3 below).

Under the proposed Wholesale Water Revenue Prepayment and Collection Agreement, BAWSCA would determine the surcharge rate that PUC would bill and collect from participating wholesale customers on BAWSCA's behalf.⁵ PUC would include this surcharge in each participating members' water bill.

Once collected, the surcharges would be separated from water bill revenues and would be deposited into the proposed Public Utilities Water Enterprise Capital Cost Recovery Payment Surcharge Fund (File 12-1194)

⁴ BAWSCA must issue taxable bonds because one of the wholesale customers, the California Water Service Company (Cal Water), is an investor-owned water utility and not a municipal entity.

⁵ This agreement would not affect the methodology by which PUC can charge retail customers for water as set forth in the WSA.

File 12-1194

The proposed ordinance would amend the City's Administrative Code Section 10.100-18 to establish a Category 8 Water Enterprise Capital Cost Recovery Payment Surcharge Fund (Fund) to be used exclusively for the deposit and remittance of the Capital Cost Recovery Payment Surcharge by the PUC to the Bond Trustee for the amount of the debt service and other costs associated with the issuance of BAWSCA's revenue bonds.⁶ The Fund is proposed to be maintained from July 1, 2013 through July 1, 2036.

Pursuant to the Wholesale Water Revenue Prepayment and Collection Agreement, no later than the 15th day of each month, PUC would transfer all surcharge proceeds received through the end of the proceeding calendar month, including all earned interest and late fees, to the Bond Trustee who will then pay the bond holders.

As defined by Section 10.100-1 of the City's Administrative Code, Category 8 Funds allow individual City departments to (a) automatically appropriate funds deposited into the Category 8 Fund for expenditures consistent with the specified purposes and uses, (b) credit any interest earned on the principle in the Category 8 Fund to said Fund, provided that the balance exceeds \$50,000, and (c) carry forward any unexpended and unencumbered balance remaining at the end of the fiscal year into the upcoming fiscal year.

According to Mr. Perl, PUC has proposed a Category 8 Fund, which is self-appropriating, because PUC is collecting the Capital Cost Recovery Payment Surcharge, which are BAWSCA funds, on behalf of BAWSCA, and remitting these funds to the Bond Trustee each month, as required by the Prepayment and Collection Agreement.

FISCAL IMPACTSFile 12-1203

The PUC would incur costs related to the use of the tax-exempt bond proceeds under the Federal Treasury Regulations as shown in Table 1 below. According to Mr. Perl there are also costs for yield reduction or arbitrage rebate payments as well as the cost of responding to an IRS audit related to the tax-exempt bonds; however, as Mr. Perl noted, these costs could not be quantified at this time because it would be dependent on the scope of the audit. Pursuant to the Wholesale Water Revenue Prepayment and Collection Agreement between the PUC and the Bay Area Water Supply and Conservation Agency (BAWSCA), all of these expenses would be reimbursed in full by BAWSCA to the PUC.

⁶ Associated costs include fees for financial advisors, legal counsel, filing and printing, advertising, underwriters, rating agency fees, capitalized interest, and a Bond Reserve Fund all of which will be included in the surcharge amount.

Table 1
PUC Costs for Spending Tax-Exempt Bond Proceeds

Costs	Amount
Escrow Agent Fees ⁷	\$2,000- \$3,000 per year
Legal and Financial Advisor's Fees	\$50,000 one-time fee
Arbitrage Rebate Liability Reports	\$5,000 - \$10,000 per report every 5 years

According to Mr. Perl, because PUC's billing and collection system has already been established to collect payment for regular water bills, billing and collecting the surcharge would not require additional equipment, systems or labor. Mr. Perl noted that additional staff time would be needed for reporting and remitting the surcharge payments to the Bond Trustee which he estimates to require three hours of staff time per month or 1.7% of a FTE (3 hours divided by 173 hours a month), which totals approximately \$798 a year.⁸ Mr. Perl further noted that the \$798 for labor does not require additional budgeted costs; it requires labor costs that are currently being incurred but redirected to this effort.

Under the existing Water Supply Agreement, the wholesale customers owe PUC \$397,022,959 for capital assets, amortized over the 25-year term of the Water Supply Agreement from 2010 through 2034. To date, the wholesale customers have paid principal payments to the PUC of approximately \$34,754,993 resulting in a balance of approximately \$362,267,966. As shown in Attachment I, the wholesale customers' total principal and interest payments to the PUC over the 25-year term are \$705,338,038.

Under the proposed Wholesale Water Revenue Prepayment and Collection Agreement, the wholesale customers would prepay to PUC the balance of \$362,267,966 from proceeds of revenue bonds that BAWSCA will issue on behalf of the wholesale customers. Although the proposed prepayment would cause PUC to forego future interest earnings of an estimated \$230,215,985 from 2014 through 2034, the wholesale customers have the right to prepay the balance owed on capital assets under the existing Water Supply Agreement.

PUC would use the prepayment of approximately \$362,267,966 to reduce any needed increases to the retail customers' water rates through FY 2021-22, as shown in Table 2 below.

⁷ An escrow account would be established in order to use the prepayment for defeasance/refunding of PUC Water Bonds as shown in Table 3 below.

⁸ According to the FY 2013-14 Annual Appropriations Ordinance, the average cost for a citywide FTE including fringe benefits is \$140,866. \$140,866 multiplied by 1.7% = \$2,395. Retail customers would pay one-third of this cost or approximately \$798 and wholesale customers would pay two-thirds or approximately \$1,597.

Table 2
Comparison of Percent Water Rate Increase and Average Monthly Bill for Retail Customers With and Without the Prepayment

Fiscal Year	Water Rate Increase with Prepayment	Average Monthly Bill for Water Only	Water Rate Increase without Prepayment	Average Monthly Bill for Water Only	Variance in Water Rates with Prepayment	Change in Monthly Bill with Prepayment
2012-13	12.5%	\$35.20	12.5%	\$35.20	0%	\$0.00
2013-14	6.5%	\$37.50	6.5%	\$37.50	0.0%	\$0.00
2014-15	12%	\$42.00	26%¹	\$47.25	-14.0%	(\$5.25)
2015-16	12%	\$47.04	12.5%	\$53.16	-0.5%	(\$6.12)
2016-17	10%	\$51.74	4%	\$55.28	6.0%	(\$3.54)
2017-18	8%	\$55.88	4%	\$57.49	4.0%	(\$1.61)
2018-19	8%	\$60.35	8%	\$62.09	0.0%	(\$1.74)
2019-20	8%	\$65.18	8%	\$67.06	0.0%	(\$1.88)
2020-21	8%	\$70.40	8%	\$72.43	0.0%	(\$2.03)
2021-22	9%	\$76.73	6%	\$76.77	3.0%	(\$0.04)
2022-23	9%	\$83.64	7%	\$82.15	2.0%	\$1.49
2023-24	0%	\$83.64	0%	\$82.15	0.0%	\$1.49
2024-25	0%	\$83.64	0%	\$82.15	0.0%	\$1.49
2025-26	0%	\$83.64	0%	\$82.15	0.0%	\$1.49
2026-27	0%	\$83.64	0%	\$82.15	0.0%	\$1.49
2027-28	0%	\$83.64	0%	\$82.15	0.0%	\$1.49
2028-29	0%	\$83.64	0%	\$82.15	0.0%	\$1.49
2029-30	0%	\$83.64	0%	\$82.15	0.0%	\$1.49
2030-31	0%	\$83.64	0%	\$82.15	0.0%	\$1.49
2013-32	0%	\$83.64	0%	\$82.15	0.0%	\$1.49
2032-33	2%	\$85.31	2%	\$83.79	0.0%	\$1.52

¹ Without the prepayment, retail water rates for FY 2014-15 would increase by 26% primarily as a result of approximately \$60,000,000 of additional debt service coming due in FY 2014-15 from the issuance of Water Bonds funding the Water System Improvement Program (WSIP) and other Water System capital projects. The prepayment would offset the retail customer's share of debt service payments, thereby reducing their water rates.

The PUC would use the prepayment to reduce the retail customers' water rates by:

(1) Depositing a portion of the prepayment into the retail customers' Water Enterprise Fund balance which directly reduces retail customer's rates;⁹

⁹ Retail customers' water rates are calculated based on the balance remaining in the retail customer's portion of the PUC Water Enterprise Fund. The revenue from retail customers' water bills are deposited into this Fund which is used to pay their portion of the regional water system's operating and capital costs (including debt service). If there is a large balance remaining in the Fund after paying operating and capital costs, the water rate increase in the next year is reduced.

(2) Funding a portion of the retail customer's share of expenditures for planned local and regional capital projects; and

(3) Paying down debt on Water Bonds which would have been paid for by retail customers through higher water rates.

Table 3 below shows a breakdown of PUC's proposed use of BAWSCA's prepayment proceeds.

Table 3
PUC Proposed Use of BAWSCA Financing Prepayment Proceeds (000's)

	Total	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Retail Customer Fund Balance	\$86,880	\$86,880						
Regional Capital Projects	30,134	6,254	11,575	12,305				
Local Capital Projects	135,986	28,651	51,585	55,750				
Defeasance of Water Bonds	109,000		16,639	18,956	24,589	17,688	21,210	9,918
Total	\$362,000	\$121,785	\$79,799	\$87,011	\$24,589	\$17,688	\$21,210	\$9,918

Source: San Francisco Public Utilities Commission

File 12-1194

According to a December 21, 2012 Bay Area Water Supply and Conservation Agency (BAWSCA) Bond Summary report issued by Goldman Sachs (BAWSCA's lead bond underwriter), the annual debt service that would be collected and deposited into the proposed Water Enterprise Capital Cost Recovery Payment Surcharge Fund by the PUC would be approximately \$24,888,262 or \$2,074,021 a month, which exceeds the \$50,000 amount required in Section 10.100-1(b) of the Administration Code enabling any earned interest to be credited to Fund.¹⁰ Attachment II shows the annual revenue bond principal and interest payments to be deposited into the Fund and remitted monthly to the Bond Trustee.

Pursuant to the Wholesale Water Revenue Prepayment and Collection Agreement, the PUC would invest the proceeds in the Surcharge Fund through the City and County of San Francisco Treasurer's Office at the Treasurer's pooled deposits and investments yield to calculate investment earnings on the surcharge payments which, as of November 2012, yielded an average rate of 1.17%. According to Mr. Richard Morales, PUC's Debt Manager, it would be difficult to estimate how much interest would accrue in the Fund from the surcharge payments each month because wholesale customers may pay the surcharge on different days of the month varying the amount of money and time spent in the Fund.

¹⁰ \$24,888,262 is a pro forma, annual average debt service amount based on current market conditions.

POLICY CONSIDERATION

The proposed Category 8 Water Enterprise Capital Cost Recovery Payment Surcharge Fund's sunset date should correspond with the termination date of the Wholesale Water Revenue Prepayment and Collection Agreement.

According to the Wholesale Water Revenue Prepayment and Collection Agreement, the termination date of the agreement is the earlier of: (a) July 1, 2036 or (b) the date on which: (i) the BAWSCA revenue bonds are paid in full, (ii) BAWSCA notifies PUC to stop collecting the surcharge, and (iii) all surcharges are collected or transferred to the appropriate parties; or (c) the date that all parties agree, in writing, to terminate the agreement early. The sole purpose of the proposed Water Enterprise Capital Cost Recovery Payment Surcharge Fund is to collect and remit surcharges for bond repayment; therefore the Fund should not be active after the termination date of the Wholesale Water Revenue Prepayment and Collection Agreement as no surcharges will be collected or remitted after this date.

Therefore, the Budget and Legislative Analyst recommends amending the proposed ordinance by deleting line 10 and 11 on page 2 and replacing it with the following language: “(c) *Administration of Fund. The fund shall be maintained from July 1, 2013 through the termination date of the Wholesale Water Revenue Prepayment and Collection Agreement.*”

RECOMMENDATIONS

1. Approve the proposed resolution for the approval and execution of the Wholesale Water Revenue Prepayment and Collection Agreement (File 12-1203).
2. Amend the proposed ordinance (File 12-1194) by deleting line 10 and 11 on page 2 and replacing it with the following language: “(c) *Administration of Fund. The fund shall be maintained from July 1, 2013 through the termination date of the Wholesale Water Revenue Prepayment and Collection Agreement.*”
3. Approve the proposed ordinance as amended (File 12-1194).

Attachment I
2009 Water Supply Agreement 25 Year Payoff Schedule

Fiscal Year	Principal	Interest	Annual Payment
2010	\$8,033,383	\$20,180,139	\$28,213,522
2011	\$8,455,324	\$19,758,197	\$28,213,521
2012	\$8,899,428	\$19,314,094	\$28,213,522
2013	\$9,366,858	\$18,846,664	\$28,213,522
2014	\$9,858,839	\$18,354,683	\$28,213,522
2015	\$10,376,659	\$17,836,862	\$28,213,521
2016	\$10,921,678	\$17,291,843	\$28,213,521
2017	\$11,495,324	\$16,718,198	\$28,213,522
2018	\$12,099,099	\$16,114,423	\$28,213,522
2019	\$12,734,586	\$15,478,935	\$28,213,521
2020	\$13,403,452	\$14,810,070	\$28,213,522
2021	\$14,107,449	\$14,106,072	\$28,213,521
2022	\$14,848,422	\$13,365,099	\$28,213,521
2023	\$15,628,314	\$12,585,208	\$28,213,522
2024	\$16,449,169	\$11,764,353	\$28,213,522
2025	\$17,313,137	\$10,900,384	\$28,213,521
2026	\$18,222,485	\$9,991,037	\$28,213,522
2027	\$19,179,594	\$9,033,928	\$28,213,522
2028	\$20,186,974	\$8,026,547	\$28,213,521
2029	\$21,247,265	\$6,966,256	\$28,213,521
2030	\$22,363,247	\$5,850,274	\$28,213,521
2031	\$23,537,844	\$4,675,677	\$28,213,521
2032	\$24,774,136	\$3,439,386	\$28,213,522
2033	\$26,075,361	\$2,138,160	\$28,213,521
2034	\$27,444,932	\$768,590	\$28,213,522
Total	\$397,022,959	\$308,315,079	\$705,338,038

Source: 2009 Water Supply Agreement Revised Attachment K-3 and K-4.

Attachment II

Bay Area Water Supply and Conservation Agency 2013 Revenue Bonds 21 Year Payoff Schedule
(Pro Forma)

Year (Beginning October 1, 2013)	Principal	Interest	Annual Payment
2013		\$10,095,068	\$10,095,068
2014	\$10,615,000	\$14,595,279	\$25,210,279
2015	\$10,785,000	\$14,428,775	\$25,213,775
2016	\$11,110,000	\$14,101,401	\$25,211,401
2017	\$11,460,000	\$13,750,500	\$25,210,500
2018	\$11,835,000	\$13,376,284	\$25,211,284
2019	\$12,320,000	\$12,893,277	\$25,213,277
2020	\$12,840,000	\$12,377,251	\$25,217,251
2021	\$13,390,000	\$11,826,287	\$25,216,287
2022	\$13,970,000	\$11,242,517	\$25,212,517
2023	\$14,590,000	\$10,626,228	\$25,216,228
2024	\$15,240,000	\$9,975,297	\$25,215,297
2025	\$15,925,000	\$9,287,971	\$25,212,971
2026	\$16,655,000	\$8,562,386	\$25,217,386
2027	\$17,415,000	\$7,798,254	\$25,213,254
2028	\$18,220,000	\$6,993,858	\$25,213,858
2029	\$19,085,000	\$6,129,256	\$25,214,256
2030	\$19,990,000	\$5,223,260	\$25,213,260
2031	\$20,940,000	\$4,273,968	\$25,213,968
2032	\$21,935,000	\$3,279,178	\$25,214,178
2033	\$22,975,000	\$2,236,738	\$25,211,738
2034	\$24,065,000	\$1,144,495	\$25,209,495
Total	\$335,360,000	\$204,217,527	\$539,577,527
Average¹			\$24,888,262

Source: Goldman Sachs, Bond Debt Service Report for the Bay Area Water Supply and Conservation Agency, December 21, 2012

¹The average is calculated using a 21.68 year term because the estimated delivery date is January 22, 2013 and the first payment date is October 1, 2013 which is less than a full year (8 months and 9 days).