

BOARD of SUPERVISORS



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## MEMORANDUM

### BUDGET AND FINANCE COMMITTEE

### SAN FRANCISCO BOARD OF SUPERVISORS

TO: Supervisor Sandra Lee Fewer, Chair  
Budget and Finance Committee

FROM: Linda Wong, Assistant Clerk

DATE: June 17, 2019

SUBJECT: **COMMITTEE REPORT, BOARD MEETING**  
Tuesday, June 18, 2019

The following file should be presented as a **COMMITTEE REPORT** at the Board meeting on Tuesday, June 18, 2019, at 2:00 p.m. This item was acted upon at a Special Committee Meeting on June 14, 2019, at 10:00 a.m., by the votes indicated.

**Item No. 51                      File No. 190571**

Ordinance amending Ordinance No. 143-18 to authorize an increase of the issuance and sale of tax-exempt or taxable Water Revenue Bonds and other forms of indebtedness by the San Francisco Public Utilities Commission (Commission) to an aggregate principal amount not to exceed \$513,524,665 from \$478,440,136 to finance the costs of various capital water projects benefitting the Water Enterprise, pursuant to amendments to the Charter of the City and County of San Francisco enacted by the voters on November 5, 2002, known as Proposition E; authorizing the issuance of Water Revenue Refunding Bonds; declaring the official intent of the Commission to reimburse itself with one or more issues of tax-exempt or taxable bonds or other forms of indebtedness; and ratifying previous actions taken in connection therewith, as defined herein.

#### **RECOMMENDED AS A COMMITTEE REPORT**

Vote: Supervisor Sandra Lee Fewer - Aye  
Supervisor Catherine Stefani - Aye  
Supervisor Rafael Mandelman - Aye  
Supervisor Hillary Ronen - Aye  
Supervisor Norman Yee - Aye

c: Board of Supervisors  
Angela Calvillo, Clerk of the Board  
Jon Givner, Deputy City Attorney  
Alisa Somera, Legislative Deputy Director

File No. 190571

Committee Item No. 1

Board Item No. 51

### COMMITTEE/BOARD OF SUPERVISORS

#### AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date June 14, 2019

Board of Supervisors Meeting Date June 18, 2019

#### Cmte Board

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| <input type="checkbox"/>            | <input type="checkbox"/>            | Motion                                       |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Resolution                                   |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Ordinance                                    |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Legislative Digest                           |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report        |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Youth Commission Report                      |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Introduction Form                            |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/>            | <input type="checkbox"/>            | MOU  |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Grant Information Form                       |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Grant Budget                                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Subcontract Budget                           |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Contract/Agreement                           |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Form 126 – Ethics Commission                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Award Letter                                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Application                                  |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Public Correspondence                        |

#### OTHER (Use back side if additional space is needed)

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>SFPUC Res. No. 18-0023 and 190046</u> |
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Completed by: Victor Young Date June 7, 2019

Completed by: \_\_\_\_\_ Date June 17, 2019

1 [Amending Ordinance No. 143-18 - San Francisco Public Utilities Commission Water  
2 Revenue Bond Issuance - Not to Exceed \$513,524,665]

3 **Ordinance amending Ordinance No. 143-18 to authorize an increase of the issuance  
4 and sale of tax-exempt or taxable Water Revenue Bonds and other forms of  
5 indebtedness by the San Francisco Public Utilities Commission (Commission) to an  
6 aggregate principal amount not to exceed \$513,524,665 from \$478,440,136 to finance  
7 the costs of various capital water projects benefitting the Water Enterprise, pursuant to  
8 amendments to the Charter of the City and County of San Francisco enacted by the  
9 voters on November 5, 2002, known as Proposition E; authorizing the issuance of  
10 Water Revenue Refunding Bonds; declaring the official intent of the Commission to  
11 reimburse itself with one or more issues of tax-exempt or taxable bonds or other forms  
12 of indebtedness; and ratifying previous actions taken in connection therewith, as  
13 defined herein.**

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

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

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

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

1 including notes, commercial paper and other forms of indebtedness, when authorized by  
2 ordinance approved by a two-thirds vote of the Board of Supervisors, for the purpose of  
3 reconstructing, replacing, expanding, repairing or improving water facilities or clean water  
4 facilities or combinations of water and clean water facilities under the jurisdiction of the  
5 Commission; and

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

11 C. This Board adopted Ordinance No. 143-18 to authorize the issuance of not to  
12 exceed \$478,440,136 of the Commission's Water Revenue Bonds and other forms of  
13 indebtedness (including SRF Loans, as defined therein) ("Initial Ordinance") to finance the  
14 costs of various capital projects benefitting the Water Enterprise (the "Capital Improvement  
15 Projects" such projects being more fully described in the Commission Resolution 18-0023,  
16 adopted on February 13, 2018); and

17 D. On March 12, 2019, the Commission adopted Resolution 19-0046 to increase  
18 budgets for capital improvements related to projects benefitting Commission enterprises,  
19 including an increase \$35,084,529 for the Water Enterprise; and

20 E. In order to finance the costs of additional capital projects benefitting the Water  
21 Enterprise the Board now desires to amend the Initial Ordinance to increase the bonding  
22 authorization by \$35,084,529 to provide funds for the additional capital projects for the Water  
23 Enterprise; and

24 Section 2. Authorization to Issue Water Revenue Bonds and other forms of  
25 indebtedness. The Board hereby amends the Ordinance No. 143-18 to increase the

1 authorization of the issuance and sale of Water Revenue Bonds in one or more series from  
2 time to time by the Commission pursuant to Proposition E and in accordance with the  
3 Commission Resolution, and the execution and delivery of SRF Loan agreements, in an  
4 aggregate principal amount not to exceed \$513,524,665 (inclusive of financing costs), at a  
5 maximum rate or rates of interest of not to exceed twelve percent (12%) per annum to finance  
6 a portion of the costs of the design, acquisition and construction of the Capital Improvement  
7 Projects. All other terms and conditions of Ordinance No. 143-18 are hereby incorporated by  
8 reference as if set forth in full herein, and except as amended by the terms of this Ordinance  
9 remain in full force and effect.

10 Section 3. General Authority. The Controller, Treasurer, the City Attorney and other  
11 officers of the City and their duly authorized deputies and agents are hereby authorized and  
12 directed, jointly and severally, to take such actions and to execute and deliver such  
13 certificates, agreements, requests or other documents, as they may deem necessary or  
14 desirable to facilitate the issuance, sale and delivery of the Water Revenue Bonds, Refunding  
15 Bonds and other forms of indebtedness, to obtain bond insurance or other credit  
16 enhancements with respect to such obligations, to obtain surety, to obtain title and other  
17 insurance with respect to the facilities to be financed, and otherwise to carry out the provisions  
18 of this Ordinance. The Commission is hereby directed to provide the final form to the Clerk of  
19 the Board of any disclosure document prepared in connection with the execution of any Water  
20 Revenue Bonds or Refunding Bonds, and the final executed Installment Sale Agreement or  
21 other document reflecting the incurrence of an SRF Loan, within 30 days of the closing of  
22 such transactions.

23 Section 4. Ratification of Prior Actions. All actions authorized and directed by this  
24 Ordinance in connection with the issuance of the Water Revenue Bonds or other forms of  
25 indebtedness (including SRF Loans), Refunding Bonds, and heretofore taken are hereby

1 ratified, approved and confirmed by this Board.

2 Section 5. File Documents. All documents referred to as on file with the Clerk of the  
3 Board are in File Nos. 190511.

4 Section 6. Effective Date. Pursuant to Charter Section 8B.124, this Ordinance shall  
5 take effect thirty (30) days after its adoption.

6  
7 APPROVED AS TO FORM:  
8 DENNIS J. HERRERA, City Attorney

9  
10 By: 

11 Mark D. Blake  
12 Deputy City Attorney

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## LEGISLATIVE DIGEST

[Amending Ordinance No. 143-18 - San Francisco Public Utilities Commission Water Revenue Bond Issuance - Not to Exceed \$513,524,665]

**Ordinance amending Ordinance No. 143-18 to authorize an increase of the issuance and sale of tax-exempt or taxable Water Revenue Bonds and other forms of indebtedness by the San Francisco Public Utilities Commission (Commission) to an aggregate principal amount not to exceed \$513,524,665 from \$478,440,136 to finance the costs of various capital water projects benefitting the Water Enterprise, pursuant to amendments to the Charter of the City and County of San Francisco enacted by the voters on November 5, 2002, known as Proposition E; authorizing the issuance of Water Revenue Refunding Bonds; declaring the official intent of the Commission to reimburse itself with one or more issues of tax-exempt or taxable bonds or other forms of indebtedness; and ratifying previous actions taken in connection therewith, as defined herein.**

### Existing Law

This law proposes to amend Ordinance No. 143-18, passed by the Board on June 12, 2018 and signed by the Mayor on June 20, 2018 ("Original Ordinance").

The Original Ordinance authorized the issuance of not to exceed \$478,440,136 to finance the costs of various capital water projects benefitting the Water Enterprise.

### Amendments to Current Law

The proposed Amending Ordinance increases the authorization to issue bonded indebtedness to \$513,524,665 from \$478,440,136.

### 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 Amending Ordinance amends the Original Ordinance to increase the bonding authorization to \$513,524,665 from \$478,440,136 to provide additional funds to pay the costs to finance expanded water projects, as more fully set forth in the staff report accompanying the proposed Amending Ordinance.

FILE NO. 190571

The Bonds will be issued under an Amended and Restated Indenture dated as of January 1, 2002, as further amended and supplemented from time to time, between the Commission and U. S. Bank National Association.

All other terms of the Prior Ordinance remain in effect, and are incorporated by reference.

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<p><b>Items 1 and 2</b>  <b>Files 19-0571 and 19-0572</b></p>	<p><b>Department:</b>                  Public Utilities Commission</p>
<p><b>EXECUTIVE SUMMARY</b></p>	
<p style="text-align: center;"><b>Legislative Objectives</b></p>	
<p><b>File 18-0571</b> is an ordinance amending Ordinance No. 143-18 to authorize an increase in the San Francisco Public Utilities Commission (SFPUC) authorization to sale tax-exempt and taxable Water Revenue Bonds by \$35,084,529 from \$478,440,136 to \$513,524,665 to finance water capital projects.</p>	
<p><b>File 19-0572</b> is an ordinance appropriating \$26,071,000 of Water Revenue Bond proceeds and water revenues for the San Francisco Public Utilities Commission (SFPUC) Water Enterprise; and de-appropriating and re-appropriating \$33,997,225 of Water System Improvement Program appropriations for FY 2019-20, totaling \$60,068,225.</p>	
<p style="text-align: center;"><b>Key Points</b></p>	
<ul style="list-style-type: none"> <li>• SFPUC owns and operates a municipal water supply, storage, and distribution system that provide drinking water to retail customers in the City, certain retail customers that are located outside of the City, and wholesale customers in Alameda County, Contra Costa County, and Santa Clara County.</li> <li>• Proposition E, approved by San Francisco voters in 2002, allows SFPUC to issue revenue bonds to pay for water capital projects. Proposition E did not set a cap on the amount of bonds that could be issued but requires a two-thirds vote by ordinance of the Board of Supervisors to authorize the issuance of bonds. The Board of Supervisors previously authorized the issuance and sale of \$4.2 billion in Water Revenue Bonds.</li> <li>• SFPUC's 10-Year Capital Plan provides for \$1.6 billion in Water Enterprise projects, of which \$763.2 million are regional water projects, \$736.1 million are local water projects, and \$125 million is for the Emergency Firefighting Water System.</li> </ul>	
<p style="text-align: center;"><b>Fiscal Impact</b></p>	
<ul style="list-style-type: none"> <li>• According to the SFPUC's 10-Year Financial Plan for FY 2019-20 to FY 2028-29, annual debt service on Water Revenue Bonds and other Water Enterprise debt is within the SFPUC's debt service coverage policy requirements.</li> <li>• SFPUC planned an 8.3 percent increase in water rates in FY 2019-20 and a 7.8 percent increase in water rates in FY 2020-21 to cover the Water Enterprise's operating and capital costs.</li> </ul>	
<p style="text-align: center;"><b>Recommendation</b></p>	
<ul style="list-style-type: none"> <li>• Approve File 19-0571 and File 19-0572.</li> </ul>	

**MANDATE STATEMENT**

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

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

**BACKGROUND**

The San Francisco Public Utilities Commission (SFPUC) owns and operates a municipal water supply, storage, and distribution system that provides drinking water to (1) retail customers in the City, (2) certain retail customers that are located outside of the City, and (3) wholesale customers in Alameda County, Contra Costa County, and Santa Clara County.

The SFPUC water system is divided into two geographic groups including (1) the regional water conveyance system and the (2) in-city (local) distribution system. The regional water conveyance system includes: (a) the Hetch Hetchy System, comprised of the Hetch Hetchy Reservoir and associated pipelines; (b) the Alameda System, comprised of the San Antonio and Calaveras Reservoirs and associated pipelines including the Irvington Tunnel; and (c) the Peninsula System, comprised of the San Andreas and Crystal Springs Reservoirs and associated pipelines that connect the regional water conveyance system to the in-city distribution system. The in-city distribution system is a series of pipelines that distributes water from the regional water conveyance system to residences and retail businesses in the City.

The Public Utilities Commission annually adopts a 10-Year Capital Plan and 10-Year Financial Plan in accordance with Charter Section 8B.123. The 10-Year Financial Plan evaluates the SFPUC's revenue requirements for the Water Enterprise, Wastewater Enterprise and Hetch Hetchy Enterprise to fund operations, maintenance and capital investment activities. For FY 2019-20 to FY 2028-29, the 10-Year Capital Plan provides for \$1.6 billion in Water Enterprise projects, of which \$763.2 million are regional water projects, \$736.1 million are local water projects, and \$125 million is for the Emergency Firefighting Water System.

**DETAILS OF PROPOSED LEGISLATION**

File 19-0571 is an ordinance (1) amending Ordinance No. 143-18 to authorize an increase of the issuance and sale of tax-exempt or taxable Water Revenue Bonds and other forms of indebtedness from \$478,440,136 to not-to-exceed \$513,524,665 to finance water capital projects; (2) authorizing the issuance of Water Revenue Refunding Bonds; (3) declaring the Official Intent of the Commission to reimburse itself; and (4) ratifying prior actions.

File 19-0572 is an ordinance (1) appropriating \$26,071,000 of Water Revenue Bond proceeds and water revenues for the SFPUC Water Enterprise's capital improvement program for FY 2019-20; (2) de-appropriating and re-appropriating \$33,997,225 of Water System Improvement Program appropriations for FY 2019-20; and (3) placing \$20,571,000 on Controller's Reserve pending certification of available funds and adoption of California Environmental Quality Act (CEQA) findings for specified projects.

**File 19-0571: Water Revenue Bonds**

The San Francisco voters approved Proposition E in 2002, authorizing the SFPUC to sell future Water Revenue Bonds subject to approval by ordinance of two-thirds of the Board of Supervisors. According to SFPUC's Comprehensive Annual Financial Report, SFPUC had \$5.0 billion in outstanding Water Revenue Bonds as of June 30, 2018.

In June 2018, the Board of Supervisors authorized SFPUC to issue and sell not-to-exceed \$478,440,136 of Water Revenue Bonds (File No. 18-0451; Ordinance No. 143-18). Approval of the proposed ordinance (File 19-0571) would amend Ordinance No. 143-18 to increase the bonding authority by \$35,084,529 to \$513,524,665 to provide funds for additional capital projects for the Water Enterprise.

The proposed amended allocation of bond proceeds is shown in Table 1 below.

**Table 1: Amended Allocation of \$513,524,665 in Water Revenue Bonds**

Use	Original		Amendment		Total
	Water Enterprise (File 18-0451)	Hetch Hetchy Water (File 18-0450)	Water Enterprise (File 19-0571)	Hetch Hetchy Water (File 19-0545) <sup>a</sup>	
Capital Project Appropriation	\$329,219,969	\$89,415,150	\$18,000,000	\$12,336,500	\$448,971,619
Financing Costs (14%)	46,184,858	12,543,668	2,513,715	2,169,772	63,412,013
City Services Auditor (0.2%)	658,440	178,830	47,000	--	884,270
Revenue Bond Oversight Committee (0.05%)	188,126	51,094	10,285	7,257	256,762
<b>Total</b>	<b>\$376,251,393</b>	<b>\$102,188,742</b>	<b>\$20,571,000</b>	<b>\$14,513,529</b>	<b>\$513,524,665</b>

<sup>a</sup> The appropriation of Hetch Hetchy Water Bond proceeds for the Mountain Tunnel project is discussed further in the Budget and Legislative Analyst report for Files 19-0545 and 19-0546.

Financing costs of \$63,412,013, equal to approximately 14 percent of the bond allocation to capital projects, are for issuance costs, debt service reserve, capitalized interest<sup>1</sup>, bond counsel, and other costs.

**File 19-0572: Appropriation, De-Appropriation, and Re-Appropriation to Water Enterprise**

The proposed ordinance (File 19-0572) would appropriate bond proceeds and Water Enterprise revenues to regional water supply and storage projects and local water supply projects, as shown in Table 2 below. The supplemental appropriation would (1) add approximately \$13.5 million in FY 2019-20 funding for exploring alternative methods to expand regional water

<sup>1</sup> Capitalized interest is the accrual of interest prior to the receipt of revenues to repay the bonds.

sources including the Indirect Potable Reuse Project, Los Vaqueros expansion, and the Regional Desalination Project; (2) moving approximately \$4.5 million of the \$29.8 million budget for the Daly City Recycled Water Project from FY 2021-22 to FY 2019-20 to expedite project planning and design; (3) add \$5.5 million in new FY 2019-20 funding for exploring alternative methods to expand local water sources including the Eastside Water Purification Project; and (4) add approximately \$2.6 million in new FY 2019-20 funding for costs associated with the issuance of Water Revenue bonds.

The proposed ordinance would also de-appropriate funds from water system improvement projects that have been completed and closed out and re-appropriate the funds to the Regional Groundwater Storage Project and other system wide regional projects, as shown in Table 2.

**Table 2: Proposed Water Enterprise Appropriation, De-Appropriation, and Re-Appropriation for FY 2019-20**

	FY 2019-20
<b>Appropriation Sources</b>	
Bond Proceeds	\$20,571,000
Water Enterprise Revenue	5,500,000
<b>Total Sources</b>	<b>\$26,071,000</b>
<b>Appropriation Uses</b>	
Water Supply and Storage (Regional)	\$18,000,000
Water Supply Projects (Local)	5,500,000
Financing Costs	2,513,715
City Services Auditor (0.2%)	47,000
Revenue Bond Oversight Committee (0.05%)	10,285
<b>Total Uses</b>	<b>\$26,071,000</b>
<b>De-Appropriation</b>	
<i>Close Out of Water System Improvement Program</i>	
San Joaquin	(\$540,463)
Sunol Valley	(20,865,928)
Bay Division	(8,605,645)
Peninsula	(3,985,189)
<b>Total De-Appropriation</b>	<b>(\$33,997,225)</b>
<b>Re-Appropriation</b>	
Regional Groundwater Storage Project	\$31,158,027
System Wide Regional	2,839,198
<b>Total Re-Appropriation</b>	<b>\$33,997,225</b>

Of the proposed appropriation of the \$26,071,000, the \$20,571,000 in bond proceeds would be placed on Controller's Reserve pending certification of available funds.

## FISCAL IMPACT

### SFPUC Debt Service Coverage Policy and Financial Plan

According to the SFPUC Comprehensive Annual Financial Report (CAFR), as of June 30, 2018, the SFPUC Water Enterprise had \$5.0 billion in outstanding debt, including \$4.9 billion in Water

Revenue Bonds and \$107.1 million in Certificates of Participation. The Water Enterprise's annual debt service payments in FY 2018-19 are \$286 million, increasing to \$307 million in FY 2019-20 and \$309 million in FY 2020-21.

According to SFPUC's bond covenants with bondholders and debt service coverage policy, the ratio of net revenues to annual debt service must meet the following minimum coverage:

- Indenture coverage<sup>2</sup>: net revenues equal to a minimum of 1.35 times annual debt service
- Current coverage<sup>3</sup>: net revenues equal to a minimum of 1.10 times annual debt service

According to the SFPUC's 10-Year Financial Plan for FY 2019-20 to FY 2028-29, annual debt service on Water Revenue Bonds and other Water Enterprise debt is within the SFPUC's debt service coverage policy requirements.

#### **Water Rate Increases in FY 2019-20 and FY 2020-21**

SFPUC bills residential customers for a combined water and sewer bill. The average monthly residential combined water and sewer bill in FY 2018-19 is \$115, of which \$52 is water and \$63 is sewer. According to the FY 2019-20 to FY 2028-29 10-Year Financial Plan, SFPUC planned an 8.3 percent increase in water rates in FY 2019-20 and a 7.8 percent increase in water rates in FY 2020-21 to cover the Water Enterprise's operating and capital costs. The 10-Year Financial Plan estimates that the average monthly residential water bill will increase by \$4 in FY 2019-20, from \$52 in FY 2018-19 to \$56 in FY 2019-20; and by \$5 in FY 2020-21, from \$56 in FY 2019-20 to \$61 in FY 2020-21.

In April 2018, Public Utilities Commission adopted water rate increases that are consistent with the planned rate increases included in the adopted 10-Year Financial Plan. In accordance with Charter Section 8B.125, SFPUC is responsible for setting the rates, fees and other charges for water and sewer. The SFPUC's action on all rates, fees and charges is subject to rejection, within 30 days of submission, by resolution of the Board of Supervisors. If the Board of Supervisors does not act within 30 days, the SFPUC proposed rates become effective without further Board of Supervisors action.

#### **POLICY CONSIDERATION**

San Francisco voters approved Proposition E in 2002, authorizing the SFPUC to sell future Water Revenue Bonds subject to approval by ordinance of two-thirds of the Board of Supervisors. Proposition E did not set a maximum amount of the Water Revenue Bonds that could be authorized. As of June 4, 2019, the Board of Supervisors authorized \$4,234,873,289 in Water Revenue Bonds. To date, \$3,339,462,000 of the Proposition E bonds have been issued and sold with \$895,411,289 in authorized and unsold bonds. According to Mr. Carlos Jacobo, Budget Director at SFPUC, SFPUC anticipates selling additional Water Revenue Bonds in the first or second quarter of FY 2019-20 with exact amounts depending on project spending and the availability of commercial paper.

<sup>2</sup> Indenture coverage is the ratio of Net Revenues + Unappropriated Fund Balance to Annual Debt Service

<sup>3</sup> Current coverage is the ratio of Net Revenues to Annual Debt Service

The proposed ordinance (File 19-0571) would authorize an additional \$35.1 million in Water Revenue Bonds for a total of over \$930 million in authorized and unsold Proposition E Water Revenue Bonds. The SFPUC's policy is to request authorization for bonds and other form of debt to fund new capital appropriations. Because water capital projects occur over a long period of time, projects and project financing change, which may result in previously authorized bonds no longer being needed:

**RECOMMENDATION**

Approve File 19-0571 and File 19-0572.

# PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO.: 18-0023

WHEREAS, The General Manager of the San Francisco Public Utilities Commission (SFPUC) and staff presented the proposed FY 2018-19 and FY 2019-20 Capital Budget for the Water Enterprise, Wastewater Enterprise and Hetch Hetchy Water & Power, including the Power Enterprise ("Capital Budget") to the Commission at public hearings held on January 18, and 25, and February 1, 2018, and copies of those presentations are on file with the Commission Secretary and incorporated herein by reference; and

WHEREAS, The proposed FY 2018-19 and FY 2019-20 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 for the capital expenditures presented in the proposed FY 2018-19 and FY 2019-20 Capital Budget to timely implement public repairs and improvement projects; and

WHEREAS, Subsequent approvals of projects to be funded through this Capital Budget would only be granted following the consideration of environmental review pursuant to the California Environmental Quality Act (CEQA), Administrative Code Chapter 31, and Proposition E (approved by the voters in 2002 for Water and Wastewater projects) by this Commission; and

WHEREAS, This Commission has considered the proposed FY2018-19 and FY2019-20 Capital Improvement Program Budgets for the Water Enterprise, Wastewater Enterprise, and Hetch Hetchy Water and Power, including the Power Enterprise, which total \$1,023,521,934 for FY 2018-19 and \$826,867,897 for FY 2019-20; now, therefore, be it

RESOLVED, That this Commission hereby adopts the proposed FY2018-19 and FY2019-20 SFPUC Capital Improvement Program Budgets for the Water Enterprise, the Wastewater Enterprise, and Hetch Hetchy Water and Power, including the Power Enterprise as presented at the public hearings on January 18, January 25, and February 1, 2018 and in the agenda item for the February 13, 2018 Commission meeting, and authorizes the General Manager to request the Mayor to recommend to the Board of Supervisors a supplemental appropriation, including financing costs, in the amount of \$1,141,450,922 to fund FY 2018-19 and \$917,118,237 to fund FY 2019-20 as follows:

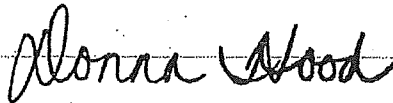
<b>FY 2018-19 Capital Budget</b>	<b>Amount</b>	<b>Financing Costs</b>	<b>Total</b>
Wastewater Enterprise	\$ 632,376,182	\$ 74,087,312	\$ 706,463,494
Water Enterprise	264,349,000	30,111,143	294,460,143
Hetchy Water	65,298,000	4,141,236	69,439,236
Hetchy Power	61,498,752	9,589,297	71,088,049
<b>Total</b>	<b>\$ 1,023,521,934</b>	<b>\$ 117,928,988</b>	<b>\$ 1,141,450,922</b>

<b>FY 2019-20 Capital Budget</b>	<b>Amount</b>	<b>Financing Costs</b>	<b>Total</b>
Wastewater Enterprise	\$ 461,855,500	\$ 48,768,071	\$ 510,623,571
Water Enterprise	187,715,000	19,200,000	206,915,000
Hetchy Water	113,266,000	8,632,357	121,898,357
Hetchy Power	64,031,397	13,649,912	77,681,309
<b>Total</b>	<b>\$ 826,867,897</b>	<b>\$ 90,250,340</b>	<b>\$ 917,118,237</b>

FURTHER RESOLVED, That the General Manager of the SFPUC is authorized to make further technical adjustments to these approved amounts as may be necessary, or upon further direction from the Commission; 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 \$496,677,886 aggregate principal amount of Water Revenue Bonds and other forms of indebtedness, including commercial paper and State Revolving Fund(SRF) loans, and \$986,843,065 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 (2) \$154,928,059 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 security documents prepared in connection with the issuance of such Bonds and other forms of indebtedness to finance these capital improvement program projects.

*I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting of February 13, 2018.*



*Secretary, Public Utilities Commission*



## PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO. 19-0046

WHEREAS, On February 13, 2018, the San Francisco Public Utilities Commission (SFPUC) approved the FY 2018-19 and FY 2019-20 Capital Improvement Budget through Resolution No. 18-0024 for the Water Enterprise, Wastewater Enterprise, and Hetch Hetchy Water and Power, including the Power Enterprise; and

WHEREAS, On June 12, 2018, the San Francisco Board of Supervisor approved the FY 2019-20 Water Enterprise Capital Budget, Ordinance 140-18 for \$206,915,00, and the Hetch Hetchy Water and Power Capital Budget, Ordinance 139-18 for \$199,579,665; and

WHEREAS, The SFPUC General Manager recommends that the SFPUC request a supplemental appropriation to the approved FY 2019-20 Capital Improvement Budget for the Water Enterprise and Hetch Hetchy Water and Power Enterprise including the Power Enterprise, and a de-obligation of \$15 million in FY 2018-19 to Power Enterprise's Streetlight project; and

WHEREAS, The Water Enterprise Capital Budget for FY 2019-20 will be increased by \$26,071,000 to a total of \$232,986,000 to fund Regional and Local water diversification projects and associated financing costs; and

WHEREAS, The Hetchy Water and Power Enterprise budget for FY 2019-20 will be increased by \$27,922,599 to a total of \$227,502,264 to expedite work on the Bay Corridor Transmission/Distribution Project and associated financing costs; and

WHEREAS, \$75,911,397 of the Hetch Hetchy Capital Plan appropriation for FY 2019-20 is being de-appropriated and re-appropriated with no change to the project budget total for FY 2019-20; and

WHEREAS, The Power Enterprise is de-appropriating \$15,000,000 for FY 2018-19 in previously appropriated project funds from the Streetlight Project to assist in funding the Bay Corridor Project and increase reserves; and

WHEREAS, Funding is available from Water Enterprise Revenue Bonds (Regional) in the amount of \$20,571,000, Water Enterprise Revenue Funds (Local) in the amount of \$5,500,000, Power Enterprise Power Revenue Bonds in the amount of \$25,745,570, and Water Revenue Bonds issued for Hetch Hetchy Project in the amount of \$2,177,029; and

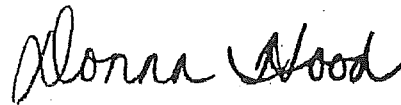
WHEREAS, This action does not constitute a project under California Environmental Quality Act (CEQA) Guidelines Section 15378 because there would be no physical change in the environment. Environmental review under CEQA would be completed prior to any subsequent action by this Commission to approve a project or award of any construction contract; now therefore, be it

RESOLVED, That this Commission hereby adopts the proposed amendments to the FY 2019-20 Water Enterprise and Hetch Hetchy Water and Power including the Power Enterprise Capital Project budgets, and authorizes the General Manager to request the Mayor to recommend to the Board of Supervisors a supplemental appropriation, including financing costs, in the amount of \$26,071,000 for the Water Enterprise and \$27,922,599 for Hetchy Water and Power Enterprise, including the de-appropriation and re-appropriation of \$75,911,397 in the FY 2019-20 Hetch Hetchy Water & Power approved project budget and the de-obligation of \$15,000,000 in the Power Enterprise's Streetlight Project; and be it

FURTHER RESOLVED, That the General Manager of the SFPUC is authorized to make further technical adjustments to these approved amounts as may be necessary, or upon further direction from the Commission; 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 not to exceed \$35,084,529 aggregate principal amount of Water Revenue Bonds and other forms of indebtedness, including commercial paper and State Revolving Fund (SRF) loans, and \$44,970,469 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 and the Board of Supervisors for a subsequent discretionary approval of any disclosure and security documents prepared in connection with the issuance of such Bonds and other forms of indebtedness to finance these capital improvement program projects.

*I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting of March 12, 2019.*



*Secretary, Public Utilities Commission*

OFFICE OF THE MAYOR  
SAN FRANCISCO



LONDON N. BREED  
MAYOR

SK

TO: Angela Calvillo, Clerk of the Board of Supervisors  
FROM: Sophia Kittler  
RE: Amending Ordinance 143-18-SFPUC Water Revenue Bond Issuance-Not  
to Exceed \$513,524,665  
DATE: May 21, 2019

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**Ordinance amending Ordinance No. 143-18 to authorize an increase of the issuance and sale of tax-exempt or taxable Water Revenue Bonds and other forms of indebtedness (as described below) by the San Francisco Public Utilities Commission (Commission) to an aggregate principal amount not to exceed \$513,524,665 from \$478,440,136 to finance the costs of various capital water projects benefitting the Water Enterprise, pursuant to amendments to the Charter of the City and County of San Francisco enacted by the voters on November 5, 2002 as Proposition E; authorizing the issuance of Water Revenue Refunding Bonds; declaring the Official Intent of the Commission to Reimburse Itself with one or more issues of tax-exempt or taxable bonds or other forms of indebtedness; and ratifying previous actions taken in connection therewith.**

Should you have any questions, please contact Sophia Kittler at 415-554-6153.

BOARD OF SUPERVISORS  
SAN FRANCISCO  
2019 MAY 21 PM 2:42  
AK