

File No. 190546

Committee Item No. 3

Board Item No. 33

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date June 14, 2019

Board of Supervisors Meeting Date June 25, 2019

Cmte Board

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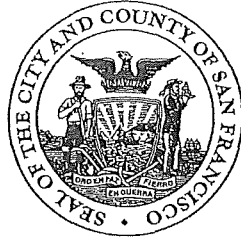
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Completed by: Victor Young Date June 7, 2019

Completed by: _____ Date June 17, 2019

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. 50 **File No. 190546**

Ordinance amending Ordinance No. 142-18 to authorize an increase of the issuance and sale of tax-exempt or taxable Power Revenue Bonds and other forms of indebtedness by the San Francisco Public Utilities Commission (Commission) to an aggregate principal amount not to exceed \$199,898,526 from \$154,928,059 to finance the costs of various capital projects benefitting the Power Enterprise pursuant to Charter, Sections 9.107(6) and 9.107(8), including amendments to the Charter of the City and County of San Francisco enacted by the voters on June 5, 2018, commonly referred to as Proposition A; authorizing the issuance of Power 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

1 [Amending Ordinance No. 142-18 - San Francisco Public Utilities Commission Power
2 Revenue Bond Issuance - Not to Exceed \$199,898,526]

3 Ordinance amending Ordinance No. 142-18 to authorize an increase of the issuance
4 and sale of tax-exempt or taxable Power 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 \$199,898,526 from \$154,928,059 to finance
7 the costs of various capital projects benefitting the Power Enterprise pursuant to
8 Charter, Sections 9.107(6) and 9.107(8), including amendments to the Charter of the
9 City and County of San Francisco enacted by the voters on June 5, 2018, commonly
10 referred to as Proposition A; authorizing the issuance of Power Revenue Refunding
11 Bonds; declaring the official intent of the Commission to reimburse itself with one or
12 more issues of tax-exempt or taxable bonds or other forms of indebtedness; and
13 ratifying previous actions taken in connection therewith, as 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. Pursuant to Charter Sections 9.107 (6) and 9.107(8), the San Francisco Public
25 Utilities Commission ("Commission") is authorized to issue revenue bonds, without a vote of
the voters, to finance or refinance the acquisition, construction, installation, equipping,

1 improvement or rehabilitation of electric power facilities as well as equipment or facilities for
2 renewable energy and energy conservation; and

3 B. On June 5, 2018, the voters of the City and County of San Francisco (the "City")
4 approved Proposition A ("Proposition A"), which among other things, authorized the
5 Commission to issue revenue bonds, including notes, commercial paper or other forms of
6 indebtedness, when authorized by ordinance approved by a two-thirds vote of the Board of
7 Supervisors, for the purpose of reconstructing, replacing, expanding, repairing or improving
8 water facilities, clean water facilities or power facilities or combinations of water, clean water
9 facilities and power facilities under the jurisdiction of the Commission, or for any lawful
10 purpose of the water, clean water and power facilities, including any purposes set forth under
11 Charter Section 8b.124; and

12 C. The Commission adopted the Indenture dated as of May 1, 2015, as further
13 amended and supplemented from time to time ("Indenture"), between the Commission and U.
14 S. Bank National Association and in connection therewith, has from time to time issued power
15 revenue bonds to finance projects benefitting the Power Enterprise; and

16 D. This Board has previously adopted Ordinance No. 142-18 to authorize the
17 issuance of not to exceed \$154,928,059 of the Commission's Power Revenue Bonds and
18 other forms of indebtedness ("Initial Ordinance") to finance the costs of various capital
19 projects benefitting the Power Enterprise (the "Capital Improvement Projects" such projects
20 being more fully described in the Commission Resolution 18-0023, adopted on February 13,
21 2018); and

22 E. On March 12, 2019, the Commission adopted Resolution 19-0046 to increase
23 budgets for capital improvements related to projects benefitting Commission enterprises,
24 including an increase \$44,970,467 for the Power Enterprise.

25 ///

1 F. In order to finance the costs of additional capital improvements for the Power
2 Enterprise, the Board now desires to amend the Initial Ordinance to increase the bonding
3 authorization by \$44,970,467 to provide funds for the new capital project; and

4 Section 2. Authorization to Issue Power Revenue Bonds and other forms of
5 indebtedness. The Board hereby amends the Ordinance No. 142-18 to increase the
6 authorization of the issuance and sale of Power Revenue Bonds and other forms of
7 indebtedness in one or more series from time to time by the Commission pursuant to Charter
8 Sections 9.107 (6) and 9.107(8) and Proposition A and in accordance with the Commission
9 Resolution, in an aggregate principal amount not to exceed \$199,898,526 (inclusive of
10 financing costs), at a maximum rate or rates of interest of not to exceed twelve percent (12%)
11 per annum to finance a portion of the costs of the design, acquisition and construction of the
12 Capital Improvement Projects. All other terms and conditions of Ordinance No. 142-18, are
13 hereby incorporated by reference as if set forth in full herein, and except as amended by the
14 terms of this Ordinance remain in full force and effect.

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

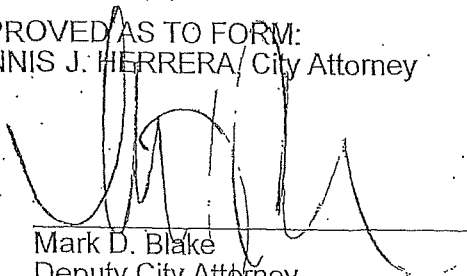
1 Section 4. Ratification of Prior Actions. All actions authorized and directed by this
2 Ordinance in connection with the issuance of the Power Revenue Bonds and other forms of
3 indebtedness, Refunding Bonds, and heretofore taken are hereby ratified, approved and
4 confirmed by this Board.

5 Section 5. File Documents. All documents referred to as on file with the Clerk of the
6 Board are in File Nos. ~~1954~~

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

9
10 APPROVED AS TO FORM:
11 DENNIS J. HERRERA, City Attorney

12
13 By:


14 Mark D. Blake
15 Deputy City Attorney

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LEGISLATIVE DIGEST

[Amending Ordinance No. 142-18 - San Francisco Public Utilities Commission Power Revenue Bond Issuance - Not to Exceed \$199,898,526]

Ordinance amending Ordinance No. 142-18 to authorize an increase of the issuance and sale of tax-exempt or taxable Power Revenue Bonds and other forms of indebtedness by the San Francisco Public Utilities Commission (Commission) to an aggregate principal amount not to exceed \$199,898,526 from \$154,928,059 to finance the costs of various capital projects benefitting the Power Enterprise pursuant to Charter, Sections 9.107(6) and 9.107(8), including amendments to the Charter of the City and County of San Francisco enacted by the voters on June 5, 2018, commonly referred to as Proposition A; authorizing the issuance of Power 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. 142-18, 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 \$154,928,059 to finance the costs of various capital projects benefitting the Power Enterprise.

Amendments to Current Law

The proposed Amending Ordinance increases the authorization to issue bonded indebtedness to \$199,898,526 from \$154,928,059.

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 \$199,898,526 from \$154,928,059 to provide additional funds to pay the costs

FILE NO. 190546

to finance expanded power enterprise projects, as more fully set forth in the staff report accompanying the proposed Amending Ordinance.

The Bonds will be issued under an Indenture dated as of May 1, 2015, 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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Items 3 and 4 Files 19-0546 and 19-0545	Department: Public Utilities Commission (PUC)
EXECUTIVE SUMMARY	
Legislative Objectives	
<p>File 18-0546 is an ordinance amending Ordinance No. 142-18 to authorize an increase of the issuance and sale of tax-exempt and taxable Power Revenue Bonds by \$44,970,467 from \$154,928,058 to \$199,898,526 to finance various capital projects.</p>	
<p>File 19-0545 is an ordinance (a) appropriating \$27,922,599 of Hetch Hetchy Power and Water Revenue Bonds for the San Francisco Public Utilities Commission (SFPUC) Hetch Hetchy Capital Improvement Program for FY 2019-20; (b) re-appropriating \$21,561,397 from Hetchy Power and Water revenue to Hetchy Power and Water Revenue Bonds as a source of funds for projects; (c) re-appropriating \$75,911,397 in Hetch Hetchy Enterprise revenue and Hetch Hetchy Power and Water revenue bonds as sources of funds for existing power and water capital projects; (d) de-appropriating \$15,000,000 previously appropriated to streetlight projects in FY 2018-19 and return these funds to fund balance; and (e) placing \$27,922,599 of new Power and Water Bond authorization on Controller's Reserve.</p>	
Key Points	
<ul style="list-style-type: none"> • SFPUC's Hetch Hetchy Water and Power Enterprise is responsible for power trading and scheduling, customer relations and billing, in-City facilities, distribution infrastructure, street lights, public policy and financial planning. Power sales must generate sufficient revenues to fund the Hetch Hetchy Enterprise's operating expenses and capital program. • Proposition A, approved by voters in June 2018, allows SFPUC to issue revenue bonds to fund power facilities projects, subject to two-thirds vote of the Board of Supervisors. As a result, SFPUC proposes to de-appropriate Hetch Hetchy revenue funds that had been budgeted for certain power capital improvement projects and replace the revenue funds with bond proceeds. The Board of Supervisors previously authorized the issuance and sale of \$351.9 million in Power Revenue Bonds. • SFPUC's 10-Year Capital Plan provides for \$867.5 million in Hetch Hetchy Water capital project expenditures through FY 2028-29; and \$360.2 million in Hetch Hetchy Power capital project expenditures through FY 2028-29, totaling \$1.23 billion over ten years. 	
Fiscal Impact	
<ul style="list-style-type: none"> • According to the SFPUC's 10-Year Financial Plan for FY 2019-20 to FY 2028-29, total annual debt service for the Hetch Hetchy Power Enterprise is within the SFPUC's debt service coverage policy requirements. • Electricity rates paid by the City's General Fund departments increase by \$0.005 (1/2 cent) per kilowatt hour (kWh) in FY 2019-20 and FY 2020-21 to fund Hetch Hetchy Power Enterprise operating, maintenance, and capital costs. 	
Policy Consideration	
<ul style="list-style-type: none"> • Replacing revenue funds with bond proceeds will contribute to higher electricity rates for retail and wholesale customers over time. 	
Recommendation	
<ul style="list-style-type: none"> • Approve Files 19-0545 and 19-0546. 	

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 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) Hetch Hetchy Water and Power Enterprise, of which the Power Enterprise is a component, is responsible for power trading and scheduling, customer relations and billing, in-City facilities, distribution infrastructure, street lights, public policy and financial planning. The Hetch Hetchy Water and Power Enterprise is also responsible for all water and power facilities at Hetch Hetchy. Power sales must generate sufficient revenues to fund the Hetch Hetchy Enterprise's operating expenses and capital program.

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 \$867.5 million in Hetch Hetchy Water capital project expenditures through FY 2028-29, and \$360.2 million in Hetch Hetchy Power capital project expenditures through FY 2028-29, totaling \$1.23 billion over ten years. These projects are funded primarily by Power Revenue Bonds, Water Revenue Bonds, operating revenue, and Cap and Trade Allowances¹.

DETAILS OF PROPOSED LEGISLATION

File 19-0545: The proposed ordinance would (a) appropriate \$27,922,599 of Hetch Hetchy Power and Water Revenue Bonds for the SFPUC Hetch Hetchy Capital Improvement Program

¹ The California Cap and Trade Program sets greenhouse gas emission allowances for public and private utilities and other agencies; agencies that do not fully use their greenhouse gas emission allowance can sell the allowance to other agencies.

for FY 2019-20; (b) re-appropriate \$21,561,397 from Hetchy Power and Water revenue to Hetchy Power and Water Revenue Bonds as a source of funds for projects; (c) re-appropriate \$75,911,397 in Hetch Hetchy Enterprise revenue and Hetch Hetchy Power and Water revenue bonds as sources of funds for existing power and water capital projects; (d) de-appropriate \$15,000,000 previously appropriated to streetlight projects in FY 2018-19 and return these funds to fund balance; and (e) place \$27,922,599 of new Power and Water Bond authorization on Controller's Reserve subject to the certification of available funds.

File 19-0546: The proposed ordinance would (a) amend Ordinance No. 142-18 to authorize an increase of the issuance and sale of tax-exempt or taxable Power Revenue Bonds and other forms of indebtedness by SFPUC to an aggregate principal amount not to exceed \$199,898,526 from \$154,928,059, (b) authorize the issuance of Power Revenue Refunding Bonds, (c) declare the official intent of the Public Utilities Commission to reimburse itself with one or more issues of tax-exempt or taxable bonds or other forms of indebtedness; and (d) ratify previous actions.

File 19-0546: Power Revenue Bonds

In June 2018, the Board of Supervisors authorized SFPUC to issue and sell not-to-exceed \$154,928,059 of Power Revenue Bonds (File No. 18-0450; Ordinance No. 142-18). Approval of the proposed ordinance (File 19-0546) would amend Ordinance No. 142-18 to increase the bonding authority by \$44,970,467 to \$199,898,526 to finance various capital projects benefitting the Power Enterprise.

Table 1: Amended Allocation of \$199,898,526 in Power Revenue Bonds

Use	Original	Amendment	Total
Capital Project Appropriation	\$131,688,850	\$38,224,897	\$169,913,747
Financing Costs (17%)	22,898,366	6,661,559	29,559,925
City Services Auditor (0.2%)	263,378	61,529	324,907
Revenue Bond Oversight Committee (0.05%)	77,464	22,482	99,946
Total	\$154,928,058	\$44,970,467	\$199,898,526

Financing costs of \$29,559,925, equal to approximately 17 percent of the bond allocation to capital projects, are for issuance costs; debt service reserve, capitalized interest², bond counsel, and other costs.

File 19-0545: Appropriation to Support Hetch Hetchy Capital Improvement Program

The proposed ordinance appropriates \$27,922,599 in Hetch Hetchy Power and Water Revenue Bonds (File 19-0546) and re-appropriates \$75,922,397 in previously approved revenue and bond appropriations, totaling \$103,833,996, to Hetch Hetchy capital projects and bond financing costs, as shown in Table 2 below. Of the \$103,833,996:

- \$27,922,599 are new funding to the Bay Corridor project, including associated financing costs; and
- \$75,911,397 are reallocation of funding sources to existing projects.

² Capitalized interest is the accrual of interest prior to the receipt of revenues to repay the bonds.

Table 2: Proposed Appropriation and Re-appropriation

	Revenue	Power	Water	Total
Sources				
<u>Appropriation</u>				
Bond proceeds (File.15-0546)		\$25,745,570	\$2,177,029	\$27,922,599
<u>Re-appropriation</u>				
From revenues:	(\$21,561,397)	\$9,224,897	\$12,336,500	\$0
From projects:				
Bay Corridor	21,000,000	0	0	21,000,000
Treasure Island	1,707,065	0	0	1,707,065
Candlestick Point/ Alice Griffith	7,814,332	0	0	7,814,332
Distribution	7,000,000	0	0	7,000,000
Streetlights	0	6,010,000	0	6,010,000
Facilities	0	9,950,000	0	9,950,000
Mountain Tunnel	0	12,336,500	10,093,500	22,430,000
<i>Subtotal Projects</i>	\$37,521,397	\$28,296,500	\$10,093,500	\$75,911,397
Total Sources	\$15,960,000	\$63,266,967	\$24,607,029	\$103,833,996
Uses				
<u>Appropriation</u>				
Bay Corridor		\$19,000,000		\$19,000,000
Financing, reserves, audits		6,745,570	2,177,029	8,922,599
<i>Subtotal Bond (File 15-0546)</i>		\$25,745,570	\$2,177,029	\$27,922,599
<u>Re-appropriation</u>				
Bay Corridor	0	21,000,000	0	21,000,000
Treasure Island	0	1,707,065	0	1,707,065
Candlestick Point/ Alice Griffith	0	7,814,332	0	7,814,332
Distribution	0	7,000,000	0	7,000,000
Streetlights	6,010,000	0	0	6,010,000
Facilities	9,950,000	0	0	9,950,000
Mountain Tunnel		0	10,093,500	10,093,500
Mountain Tunnel (File 19-0571)	0	0	12,336,500	12,336,500
<i>Subtotal Re-appropriation</i>	\$15,960,000	\$37,521,397	\$22,430,000	\$75,911,397
Total Uses	\$15,960,000	\$63,266,967	\$24,607,029	\$103,833,996

In addition, the proposed ordinance de-appropriates \$15,000,000 in Hetch Hetchy Power revenues, previously appropriated to Streetlight projects, and returns these funds to the Enterprise fund balance.

FISCAL IMPACT

SFPUC Debt Service Coverage Policy and Financial Plan

According to the SFPUC Comprehensive Annual Financial Report (CAFR), as of June 30, 2018, SFPUC had \$43.0 million in outstanding Power Revenue Bonds. Total outstanding Hetch Hetchy

Power Enterprise debt as of June 30, 2018, including Clean Renewable Energy Bonds and Certificates of Participation, was \$69.8 million. Total annual Hetch Hetchy Power Enterprise debt service in FY 2018-19 is \$4.8 million and is projected to increase to \$41.2 million by the end of FY 2028-29.

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 coverage³: net revenues equal to a minimum of 1.35 times annual debt service
- Current coverage⁴: 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, total annual debt service for the Hetch Hetchy Power Enterprise is within the SFPUC's debt service coverage policy requirements.

Electricity Rate Increases in FY 2019-20 and FY 2020-21

Power Revenue Bonds are repaid from SFPUC's Hetch Hetchy Power Enterprise revenues, which are generated largely from the sale of electricity. Currently, SFPUC charges different electricity rates to different customers.

- Some City departments, including the Airport, Port, and SFPUC, pay enterprise rates, or rates equal to those set by Pacific Gas and Electric (PG&E). These rates are adjusted automatically when PG&E's rates change.
- Other City departments and some non-City governmental entities such as the San Francisco Unified School District pay a General Use rate shown in Table 3 below.
- Retail customers in areas served by SFPUC (primarily redevelopment areas along the east side of the City) pay retail rates which are pegged to a 10 percent discount from the comparable PG&E rates. These rates are adjusted annually based on the equivalent PG&E rates as of April 1.

Table 3: Electric Rates Adopted by the SFPUC

	FY 2018-19 Rates	FY 2019-20 Rates	FY 2020-21 Rates
General Fund Departments	8.48 ¢/kWh	8.98 ¢/kWh	9.48 ¢/kWh
Airport	14.07 ¢/kWh	14.35 ¢/kWh	14.78 ¢/kWh
Other Enterprise Departments	17.42 ¢/kWh	17.77 ¢/kWh	18.30 ¢/kWh

In accordance with Charter Section 8B.125, SFPUC is responsible for setting the rates, fees and other charges for the sale of electricity. 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, SFPUC proposed rates become effective without further Board of Supervisors action.

³ Indenture coverage is the ratio of Net Revenues + Unappropriated Fund Balance to Annual Debt Service

⁴ Current coverage is the ratio of Net Revenues to Annual Debt Service

Combined with other miscellaneous sources of revenue, the adopted 10-Year Financial Plan projects that these rate increases provide sufficient revenues to fund the requested capital appropriation, including meeting all coverage and reserve policy targets.

POLICY CONSIDERATION

Exchange of Revenue-Based Funding Sources for Debt-Based Sources

As discussed above, in June 2018, San Francisco voters approved Proposition A, which amended the City Charter to allow SFPUC to issue revenue bonds for power facilities. As a result, SFPUC proposes to de-appropriate Hetch Hetchy revenue funds that had been budgeted for certain power capital improvement projects and replace the revenue funds with bond proceeds. Debt service payments on bonds and other forms of indebtedness have higher long-term costs than funding projects with operating revenues. According to the 10-Year Financial Plan, Hetch Hetchy Water and Power debt service payments are expected to begin increasing substantially in FY 2022-23 to \$8.1, from \$4.3 million in FY 2021-22, and continue increasing each year through the end of the 10-year projection to \$41.2 million in FY 2028-29. The increase in debt service payments, among other projected increases for operations and maintenance expenditures, will contribute to higher electricity rates for retail and wholesale customers over time.

Status of Authorized and Issued Bonds

To date, the Board of Supervisors previously authorized the issuance and sale of \$351.9 million in Power Revenue Bonds, of which \$38.8 million of Power Revenue Bonds have been sold with \$313.0 million in authorized and unsold bonds.⁵ The proposed ordinance (File 19-0546) authorizes an additional \$45.0 million in Power Revenue Bonds and other forms of debt. The SFPUC's policy is to request authorization for bonds and other forms of debt to fund new capital appropriations.

RECOMMENDATION

Approve Files 19-0545 and 19-0546.

⁵ Not including \$50.5 million in outstanding commercial paper

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:

FY 2018-19 Capital Budget	Amount	Financing Costs	Total
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
Total	\$ 1,023,521,934	\$ 117,928,988	\$ 1,141,450,922

FY 2019-20 Capital Budget	Amount	Financing Costs	Total
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
Total	\$ 826,867,897	\$ 90,250,340	\$ 917,118,237

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.

Alonna Wood

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

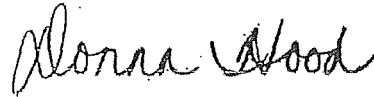
WHEREAS, This action does not constitute a project under California Environmental Quality Act (CEQA) Guidelines Section 15378 because there would be no physical change in the environment. Environmental review under CEQA would be completed prior to any subsequent action by this Commission to approve a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

2019 MAY 14 PM 4:21

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Sophia Kittler
RE: Amending Ordinance 142-18-SFPUC Power Revenue Bond Issuance-Not
to Exceed \$199,898,526
DATE: May 14, 2019

A handwritten signature in black ink, appearing to be "SK".

Ordinance amending Ordinance No. 142-18 to authorize an increase of the issuance and sale of tax-exempt or taxable Power 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 \$199,898,526 from \$154,928,059 to finance the costs of various capital projects benefitting the Power Enterprise pursuant to Charter Sections 9.107(6) and 9.107(8), including amendments to the Charter of the City and County of San Francisco enacted by the voters on June 5, 2018 commonly referred to as Proposition A; authorizing the issuance of Power 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.

Please note that Supervisor Peskin is a co-sponsor of this legislation.

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

