



Date: March 9, 2020

To: Members of the Capital Planning Committee

Through: Harlan L. Kelly Jr., General Manager *[Signature]*

From: Eric Sandler, CFO and AGM–Business Services *[Signature]*

CC: Brian Strong, Capital Planning Program

Subject: **CPC Meeting March 9, 2020 – SFPUC Supplemental Appropriation FY 2020-21 and FY 2021-22 and Associated Bond Financing Authorizations**

The San Francisco Public Utilities Commission (SFPUC) is requesting Capital Planning Committee consideration and approval of a capital supplemental appropriation for FY 2020-21 and FY 2021-22 for the Wastewater Enterprise, Water Enterprise, Hetch Hetchy Water & Power, and CleanPowerSF, as shown in the below table. We are also requesting consideration and approval of the planned Water Revenue Bond Financing of \$370.8 million, Wastewater Revenue Bond Financing of \$387.7 million and Hetchy Power Financing of \$143.0 million.

Summary of Capital Supplemental Appropriation

Enterprise (\$ in million)	FY 2020-21	FY 2021-22	Total
Wastewater	\$189.3	\$447.7	\$637.0
Water	\$149.8	\$220.1	\$369.9
Hetch Hetchy Water & Power	\$94.4	\$165.9	\$260.3
CleanPowerSF	\$2.3	\$2.0	\$4.3
SFPUC Totals	\$435.8	\$835.7	\$1,271.5

2–Year Capital Budget Development

The development of the 2-Year Capital Budget for FY 2020-21 and FY 2021-22 occurred from June through December 2019 and was directed by the Budget Steering Committee, comprised of the SFPUC executive team. The 2-Year Capital Budget was developed and is consistent with the 10-Year Capital Plan adopted on February 11th, 2020. As a preliminary step to 2–Year Capital

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budget development, a baseline review of all existing project appropriations was completed for potential closeout or repurposing to new capital needs. This important step focused on capital project delivery capacity and reduced the amount of funding requested in the 2-Year Capital Budget resulting in a more efficient use of existing project appropriations, commercial paper and bond funding issuances.

As a result of the baseline review, the Wastewater Enterprise is re-appropriating \$391.4 million of prior year project appropriations to fund a portion of its the 2-year budget request. The Water Enterprises is de-appropriating \$18.8 million in un-spent project balances and re-appropriating \$15.3 million to fund Water Supply projects in next the 2-year budget and returning \$3.5 million to the Water Enterprise fund balance. The Power Enterprise is de-appropriating un-spent project balances, returning \$6.0 million to the Hetchy's fund balance and re-appropriating \$0.3M.

Wastewater Supplemental Appropriation – \$637.0 million

The supplemental request funds \$578.8 million for projects and \$58.2 million in financing costs for the Wastewater Enterprise, including the Sewer System Improvement Program (SSIP), Collection System and Treatment Facilities Renewal & Replacement Projects, Wastewater Facilities & Infrastructure improvement projects.

The Wastewater Enterprise is re-appropriating \$391.4 million of prior year SSIP project appropriations to fund the 2-year budget request.

Water Enterprise Supplemental Appropriation – \$369.9 million

The supplemental request funds \$330.6 million for projects and \$39.3 million in financing costs for the Water Enterprise. Projects include improvements to the Local Water System (Main Replacement Program, Building & Grounds, Water Supply and Recycle projects), Regional Water System Improvements (Pipeline Replacement & Repairs, Structural and Seismic Upgrades, and Facilities Improvements).

In addition, the Water Enterprise FY 2020-21 Budget includes \$153.0 million funding for Auxiliary Water Supply System that is funded by General Obligation Bonds and is not included in the supplemental appropriation request.

The Water Enterprise is re-appropriating \$15.3 million to fund Water Supply projects and closing un-spent project balances returning \$3.5 million to the Water Enterprise fund balance.

Hetch Hetchy Water & Power Supplemental Appropriation – \$260.3 million

The supplemental request funds \$222.6 million for projects and \$37.7 million in financing costs for the Hetchy Enterprise, including Hetchy Power and Hetchy Water Projects (includes the Power Enterprise's share of up-county power and

joint project costs). For Hetchy up-country, project include Mountain Tunnel, Renewal and Replacement for water, power, and joint Hetchy assets. For Local Power, project include Intervening facilities and the Bay Corridor Transmission Distribution Project.

The Hetch Hetchy Enterprise is closing out \$6.3 million in project appropriations returning \$6.0 million to Hetchy fund balance and re-appropriating \$0.3M for project closeout

CleanPowerSF Supplemental Appropriation - \$4.3 million

This is the first Capital Budget request for the CleanPowerSF program. The supplemental request funds \$4.3 million for the Local Renewable Energy Program to develop new renewable energy and battery storage projects on select SFPUC sites and CleanPowerSF Customer Programs to fund the development and implementation of new customer programs supporting demand response, electric mobility, and local renewable energy generation.

Wastewater Revenue Bond Financing – \$387.7 million

Requesting Revenue Bond authorization to fund \$387.7 million for the Wastewater Capital Program project costs and \$58.1 million in financing costs, and Revenue Bond Oversight Committee and City Services Auditor costs.

Water Revenue Bond Financing – \$370.8 million

(Water \$262.1 and Hetchy Water \$108.7)

Requesting Revenue Bond authorization to fund \$262.1 million for Water Enterprise project costs, \$108.7 million for Water Enterprise portion of the Hetchy Water Enterprise up-country water project costs and \$55.6 million in financing costs, and Revenue Bond Oversight Committee and City Services Auditor costs.

Hetchy Power Enterprise Bond Financing – \$143.0 million

Requesting Revenue Bond authorization to fund \$143.0 million for Hetchy Power Enterprise project costs and \$21.4 million in financing costs, and Revenue Bond Oversight Committee and City Services Auditor costs.

The supplemental appropriation and bond authorization legislation will be submitted to the Board of Supervisors in conjunction with the Mayor's recommended SFPUC budget on May 1, 2020.

If you have any questions or need additional information, please contact Frank McPartland at (415) 487-5252. Your consideration of this request is greatly appreciated.