



Date: March 21, 2022

To: Members of the Capital Planning Committee

From: Laura Busch, Budget Director

**Subject: CPC Meeting March 21, 2022 – SFPUC FY 2022-23
 Capital Budget Supplemental Appropriation 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 2022-23 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 \$141.4 million, Wastewater Revenue Bond Financing of \$704.2 million and Hetchy Power Financing of \$140.9 million.

Summary of Capital Supplemental Appropriation

Enterprise (\$ in million)	FY 2022-23
Wastewater	\$793.0
Water	\$122.5
Hetch Hetchy Water & Power	\$211.0
CleanPowerSF	\$3.7
SFPUC Totals	\$1,130.2

FY 2022-23 – Capital Budget Development

The development of the FY 2022-23 Capital Budget occurred from June through December 2021 and was directed by the Budget Steering Committee, comprised of the SFPUC executive team supported by the Capital Planning Subcommittee. The FY 2022-23 Capital Budget is consistent with the first year of the 10-Year Capital Plan that the Commission is also considering on February 8, 2022.

London N. Breed
 Mayor

Anson Moran
 President

Newsha Ajami
 Vice President

Sophie Maxwell
 Commissioner

Tim Paulson
 Commissioner

Dennis J. Herrera
 General Manager



The SFPUC Budget Steering Committee decided to move forward with only a single year capital budget supplemental for FY 2022-23 and postpone action on the FY 2023-24 capital budget until next year as additional work is needed to develop that budget.

Baseline Review

As a preliminary step to the capital budget development, a baseline review of all existing project appropriations was completed for potential closeout or repurposing to new capital budget needs. This important step focused on capital project delivery and reduced to the amount of new funding requested in FY 2022-23 and more efficiently use existing project appropriations and financing resources.

The budget development and baseline review resulted in project budget re-appropriations and closeouts. The water amount \$38.3M is included in the attached FY 2022-23 Capital Budget Summary and included in the Supplemental Appropriation Ordinance.

Capital Plan Quality Review

The SFPUC Infrastructure Bureau reviewed and validated the Capital Plan project submissions for a consistent and comprehensive capital planning approach across the agency comprised of individual project datasheets describing the project budget, schedule, and scope. In addition, the Infrastructure Bureau validated the costs and schedule of all proposed projects, and provided an assessment of the ability to deliver projects as scheduled including looking at historic versus planned spending and available resources.

Wastewater Supplemental Appropriation – \$793.0 million

The supplemental request funds \$687.4 million for projects and \$105.6 million in financing costs for the Wastewater Enterprise. Major projects include:

- Biosolids Project \$375.5M - Project for a new digester and solids handling facility, replacing the existing aged and failing facility at the Southeast Plant (SEP). The new facility would include updated/modern treatment processes producing Class A biosolids.
- Large Diameter Sewer Project \$35.0M – Project to rehabilitate and/or replace large-diameter sewers based on condition assessment efforts. This project will fund approximately 35,000-feet of rehabilitation or replacements of large-diameter sewers that are over 100-years-old in various parts of San Francisco.
- Folsom Area Stormwater Project \$30.0M - The Folsom Area Stormwater Improvement Project will provide stormwater conveyance improvements to the neighborhood surrounding 17th and Folsom Street. Major components of the project consist of a tunnel to convey

stormwater flows from the neighborhood surrounding 17th and Folsom to the Channel Consolidated Transport/Storage Box and upsizing of existing combined sewer pipes and structures upstream of the tunnel.

- R&R Collection System Improvements \$77.4M - Projects to maintain the existing functionality of the sewage collection system including planned and emergency projects for repair and replacement of structurally inadequate sewers. Projects will consist of replacing structurally inadequate main sewers throughout San Francisco with the goal of replacing 15 miles per year.
- R&R Treatment Facilities Improvements \$25.7M - Treatment Plant Improvement projects to maintain the capacity and reliable performance of the wastewater treatment facilities owned/operated by the Wastewater Enterprise. This is a continuing annual program to extend the useful life of the Wastewater treatment assets.

Water Enterprise Supplemental Appropriation – \$122.5 million

The supplemental request funds \$111.3 million for projects and \$11.2 million in financing costs for the Water Enterprise. Major projects include:

Regional

- Sunol Valley Water Treatment Plant Polymer Feed Project \$9.0M- The existing basins have a capacity of treating 40 million gallons per day but do not achieve capacity under all operating and water quality conditions. A basin optimization plan was prepared and recommended adding a flocculant aid polymer system serving all five sedimentation basins to optimize plant water production.
- Bay Division Pipeline # 4 Repairs \$6.2M - This project would replace approximately 3.8 miles of coal tar lining with cement mortar lining, upgrade 34 appurtenances to meet current standards, and improve access and shutdown flexibility throughout the pipeline for assessment and maintenance.
- Millbrae Yard and Shop Improvements \$2.2M - The Millbrae Administration Building requires major upgrades and enhancements meet essential facility requirements. The new yard and administrative building increase efficiency of operations, improve employee working environment with improved heating, ventilation, and air conditioning, improve employee health and safety, and enhance site and building security.

Local

- Main Replacement Program \$39.6M - This long-term program funds management of linear assets in the potable water distribution system between transmission or storage and final customer service connection with a goal of replacing 15 miles of water pipes per year.

- Lead Component Services program \$7.2M - This new CIP program funds the management of and replacement of a.) Unknown user service lines, and b.) Galvanized service lines with possible lead whips or appurtenances over a 10-year period.

Hetch Hetchy Water & Power Supplemental Appropriation – \$211.0 million

The supplemental request funds \$179.9 million for projects and \$31.1 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). Major projects include:

Hetchy Water

- San Joaquin Pipeline Valve/Safe Entry Project \$44.2M - Project to allow safe entry into and all sections of the pipeline for inspection and maintenance while the remainder of the system stays in operation. This project will allow for isolation of the pipelines to prevent a water engulfment hazard during an entry of a pipeline.
- Transmission Line 7/8 Upgrades \$15.7M - This project funds reconductoring and the replacement of the existing 115kV conductors on Lines 7/8 from Warnerville to Standiford substations resulting in improved transmission, tower stability, and line clearance.
- Moccasin Powerhouse GSU Rehab \$13.1M - Moccasin Powerhouse Generators were completed in 1969. Both generator units have exceeded their life expectancy and need repair to continue operating reliably.

Hetchy Power

- Intervening Facilities Project \$12.0M - To provide primary service to customers under the new Wholesale Distribution Tariff (WDT3). The costs to connect customers at primary rate include the intervening facilities and switchgear to connect customers at a higher voltage.
- Grid Connections - \$40.4M - Project to connect customers to SFPUC owned and operated distribution and transmission facilities. Bay Corridor and SFPUC grid customers to be connected include, The Shipyard, 2000 Marin, 1990 Newcomb, UCSF block 34, Wastewater interconnections and other customers throughout the City.
- Power Asset Acquisition \$3.4M - The Public Power Expansion Project funds financial, technical, regulatory, and legal analysis and City staff time toward assessment of acquiring PG&E's electrical assets.

CleanPowerSF Supplemental Appropriation - \$3.7 million

The supplemental request funds \$3.7 million for the:

- Local Renewable Energy Program 0.7M - To develop new renewable energy and battery storage projects on select SFPUC sites.
- CleanPowerSF Customer Programs 0.9M - Fund the development and implementation of new customer programs supporting demand response, electric mobility, and local renewable energy generation.
- DAC Solar Program \$2.1M - To increase renewable energy produced and consumed within Disadvantaged Communities. By offering these programs, CleanPowerSF will be able to provide participating customers 100% renewable energy at a 20% discount.

Wastewater Revenue Bond Financing – \$704.2 million

Requesting Revenue Bond authorization to fund \$598.6 million for the Wastewater Capital Program project costs and \$105.6 million in financing costs, and Revenue Bond Oversight Committee and City Services Auditor costs.

Water Revenue Bond Financing – \$141.4 million

(Water \$74.3 and Hetchy Water \$67.1)

Requesting Revenue Bond authorization to fund \$63.2 million for Water Enterprise project costs, \$57.0 million for Water Enterprise portion of the Hetchy Water Enterprise up-country water project costs and \$21.2 million in financing costs, and Revenue Bond Oversight Committee and City Services Auditor costs.

Hetchy Power Enterprise Bond Financing – \$140.9 million

Requesting Revenue Bond authorization to fund \$119.9 million for Hetchy Power Enterprise project costs and \$21.0 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, 2022.

If you have any questions or need additional information, please contact Laura Busch or Frank McPartland. Your consideration of this request is greatly appreciated.