

Date: March 13, 2022

To: Members of the Capital Planning Committee

From: Laura Busch, SFPUC Budget Director

Subject: CPC Meeting March 13, 2022 – SFPUC FY 2023-24
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 capital supplemental appropriations for FY 2023-24 for the Wastewater Enterprise, Water Enterprise, Hetch Hetchy Water & Power, and CleanPowerSF, as shown in the below table.

Summary of Capital Supplemental Appropriation¹

| (\$ Millions) | Amount | Financing | |
|----------------------|------------------|----------------|------------------|
| | | Costs | Total |
| Wastewater | 985.5 | 157.1 | 1,142.6 |
| Water | 290.0 | 42.3 | 332.3 |
| Hetchy Water & Power | 106.3 | 17.7 | 124.0 |
| CleanPowerSF | 1.6 | 0.0 | 1.6 |
| Total | \$1,383.4 | \$217.1 | \$1,600.5 |

We are also requesting consideration and approval of the planned Water Revenue Bond Financing of \$359.0 million, Wastewater Revenue Bond Financing of \$1,047 million and Hetchy Power Financing of \$41.0 million.

FY 2023-24 – Capital Budget Development

The development of the FY 2023-24 Capital Budget occurred from July through December 2022 and was directed by the SFPUC Budget Steering Committee, comprised of the SFPUC Executive Team supported by the Capital Planning Subcommittee. The main FY 2023-24 capital budgeting goal was to develop a balanced budget that is deliverable, incorporating current projects needs and ratepayer affordability. The FY 2023-24 Capital Budget is consistent with the

¹ The Hetch Hetchy Water and Power capital budget includes \$1.1 Million in Low Carbon Fuel Standard funding, that is not included in the supplemental appropriation because it is in a self-appropriating fund.

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first year of the 10-Year Capital Plan approved by the Commission on February 14, 2023.

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. Additionally, Finance staff conducted an evaluation of each enterprise's utilization of budgeted funds and the change in total unspent appropriation balances from 2017 through 2022. This important step focused on capital project delivery and reduced the amount of new funding requested in FY 2023-24 to more efficient use of existing project appropriations and financing resources.

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. The capital budget requests went through a project quality review process involving (1) validation of costs and schedule of all proposed projects, (2) assessment of the ability to deliver projects as scheduled including looking at historic versus planned spending and available resources, and (3) the assessment by each Enterprise of its ability to onboard new assets as planned. In addition, individual project datasheets describing the project budget, schedule, and scope were produced. This capital planning effort helps assure the budget requests meet each Enterprise's long-range capital needs, reflects a sound project prioritization process, and supports affordability by promoting efficient use of ratepayer funds.

Wastewater Supplemental Appropriation – \$1,142.6 million

The supplemental request funds \$986 million for projects and \$157 million in financing costs for the Wastewater Enterprise. Projects include:

- SSIP Program Management \$18.0M – Supports the SSIP implementation providing condition assessments, project definition and prioritization, public outreach and education, sustainability evaluation, and general program management.
- SSIP Biosolids Project \$535.8M - 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.
- SSIP Treatment Plant Improvements (Southeast) \$48.0M – Funds improvements to the SEP Headworks Project, Power Feed and Primary Switchgears Upgrades, Facility Wide Distributed Control Upgrades and the Primary Treatment Building 040/041 Ventilation System Project.

- SSIP Treatment Plant Improvements (Other) \$25.4M - Funds improvements at the Oceanside Plant, North Point Facilities and West Side Pump Station Projects.
- SSIP Collection System Improvements \$83.1M – Funds the Geary BRT Sewer Improvement Project Phase 2 Construction, Seacliff No 1 & 2 Force Man and pump Station Upgrades and Sunnydale Pump station Safety Improvements.
- SSIP Stormwater/Green Infrastructure \$24.8M – Funds the Yosemite Green Infrastructure Project, Buchanan Street Mall and the Stormwater Grant Management Program.
- SSIP Flood Resiliency/Hydraulic Improvements \$43.3M – Funds the Folsom Area Stormwater Improvement Project to provide stormwater conveyance improvements to the neighborhood surrounding 17th and Folsom Street.
- R&R Collection System Improvements \$89.1M - 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 \$6.2M - 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.
- Treasure Island \$111.7M - Funds the new Treasure Island Water Resource Recovery Facility located on the northeast corner of Treasure Island to achieve an average dry weather flow capacity of at least 1.3 million gallons per day (MGD) and peak wet weather flow of 3.9 MGD.

Water Enterprise Supplemental Appropriation – \$332.3 million

The supplemental request funds \$290 million for projects and \$42.3 million in financing costs for the Water Enterprise.² Major projects include:

Regional

- Regional Water Treatment Program \$153.1M - Funding for the Sunol Valley Water Treatment Plant Ozone and Short Term Improvement

² Water's financing cost shown here does *not* include Water's portion of the Hetch Hetchy Water and Power Enterprise's project financing costs (i.e. the Water Enterprise's share of up-county water and joint project costs), these are included in the Hetch Hetchy Water and Power budget. However, please note that the Bond Financing Authorization for Water includes upcountry Water financing as the Water enterprise issues debt for upcountry water projects.

Projects and continuing renewal and replacement projects for treatment plants in the Regional Water program.

- Water Supply and Storage \$4.8M – Includes funding for upgrades to the Pilarcitos and San Andreas Dams Facilities.
- Watershed & Land Management \$12.2M – Funding to evaluate and repair damaged destabilized services roads (East & West Shore Service Roads) and implement long term solutions to continue road uses to access and operate SFPUC facilities and land management.
- Communications and Monitoring \$2.0M – Funding for the Radio Communications and Security System Improvement Projects.
- Buildings & Grounds Regional \$9.1M – Includes funding for the redevelopment of the existing Sunol Yard, construction of a Watershed Center near the Sunol Water Temple and the Millbrae Warehouse/ Administration Building Project to repair 2 buildings within the yard.
- Long Term Monitoring & Permit Program \$0.4M - This program provides the resources to meet the long-term monitoring and permit requirements associated with capital projects and the operation and maintenance of the SFPUC water supply system and watershed lands within the Bay Area.

Local

- Water Supply Projects \$2.3M – Funding for the San Francisco Zoo Recycled Water Pipeline Project will convert its current groundwater supply and distribution system to a recycled water supply system.
- Local Water Conveyance/Distribution \$87.8M– Projects include the Main Replacement Program funding the renewal and replacement of feeder and distribution mains and the Lead Components Services Program requiring the PUC to identify areas that may have lead user service lines and a timeline to replace those lines.
- System Monitoring & Controls \$3.8M – Funds upgrades to the Customer Services System modernizing technology and enable the PUC to optimize business processes to align with current and future Customer Service needs and bring increased operational effectiveness.
- Local Reservoir & Tanks \$10.6M - Provides funding for the College Hill Reservoir Outlet Structure and Pipeline Project to address seismic, water quality, electrical, structural, and other deficiencies and for various in City reservoirs roof and tank coating repairs.

- Pump Station Improvements \$0.9M – Funds repairs at the Lake Merced, Bay Bridge West and Harding Park Pump Stations.
- Automated Meter Reading System \$3.1M - This program provides funding for ongoing upgrades including meter renewal, replacement, automation, and replacement planning for the entire system by the end of its 20-year useful life.

Hetch Hetchy Water & Power Supplemental Appropriation – \$124.0 million

The supplemental request funds \$106.3 million for projects and \$17.7³ million in financing costs for the Hetch Hetchy Water and Power Enterprise. Major projects include:

Hetchy Water

- Water Infrastructure Projects \$48.9M – Funds improvements to Water Only (100% Water Assets) infrastructure including the Mountain Tunnel Project, San Joaquin Pipeline (SJPL) Valve and Safe Entry Project and the SJPL Life Extension Program that funds on-going renewal and replacement of the pipeline.
- Joint Infrastructure Projects \$37.0M – Funds improvements to Joint Hetchy Water Projects (55% Power/45% Water) including the Mountain Tunnel, Moccasin Water Treatment Plant and O’Shaughnessy Dam Outlet Works Projects.

Hetchy Power

- Distribution Services \$9.1M – Includes the Intervening Facilities Project for the installation of major connection equipment such as transformers and fault interrupters allowing the PUC to be the primary service to new wholesale customers and the San Francisco International Airport (SFO) Substation Improvement Project to allow the SFPUC continue to serve the anticipated load increase at SFO.
- Streetlight \$2.8M – Funds on-going renewal and replacement of Streetlights including continued condition assessments and Pedestrian Lighting and Festivity pole use projects
- Energy Efficiency Projects \$0.9M - Funds advanced energy projects in facilities of Power customers including lighting, heating and ventilation, retro-commissioning, energy management systems, renewable, battery storage, fuel switching projects, and others.

³ Financing cost shown here includes *both* Power and Water’s shares of Hetch Hetchy Water and Power Projects. However, the Bond Financing Authorization for Power does not include upcountry water financing as the Water enterprise issues debt for upcountry water projects.

- Power Asset Acquisition \$7.6M - 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 - \$1.6 million

The supplemental request funds \$1.6 million for the:

- Local Renewable Energy Program 0.8M - To develop new renewable energy and battery storage projects on select SFPUC sites.
- DAC Solar Program \$0.8M - 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 – \$1,147.3 million

Requesting Revenue Bond authorization to fund \$890.2 million for the Wastewater Capital Program project costs and \$157.1 million in financing costs, and Revenue Bond Oversight Committee and City Services Auditor costs.

Water Revenue Bond Financing – \$359.0 million (Water \$281.9 and Hetchy Water \$77.1)

Requesting Revenue Bond authorization to fund \$239.6 million for Water Enterprise project costs, \$65.5 million for the Water Enterprise's portion of the Hetchy Water and Power Enterprise's up-country water project costs and \$53.9 million in financing costs, and Revenue Bond Oversight Committee and City Services Auditor costs.

Hetchy Power Enterprise Bond Financing – \$41.0 million

Requesting Revenue Bond authorization to fund \$34.9 million for Hetchy Power Enterprise project costs and the Power portion of the Hetchy Water and Power Enterprise's up-country water project costs, and \$6.1 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 June 1, 2023.

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