1. Welcome and Introduction
2. Agency Capital Budget Overview
3. Addressing Rate Impact Concerns
4. Water Enterprise and Wastewater Enterprise Financial Outlook
5. Water Enterprise Capital Plan
6. Wastewater Enterprise Capital Plan

**Power Enterprise Capital Budget approved at March 4, 2024, Capital Planning Committee meeting**
Overview of the SFPUC's 10-Year Capital Improvement Plan

• As the largest 10-Year Capital Plan ever proposed, this year’s $11.8 Billion plan represents a visionary investment in San Francisco's economy, infrastructure, and resiliency

• Key Points:
  • A comprehensive plan spanning 10 years, ensuring reliable water, clean energy, and resilient infrastructure – delivering on the SFPUC's priorities
  • A catalyst for economic growth, creating and sustaining thousands of local union jobs
  • Bolstering the City’s tax base, in turn supporting the City’s General Fund.
  • A local solution to the global climate crisis
  • Aligned with the Mayor's priorities, building a safer, cleaner, and more prosperous San Francisco
Addressing City Department Concerns from March 5, 2024 CPC Meeting

Affordability and Transparency

- **Commitment to Affordability:** Established Water/Wastewater Affordability Policy in Nov 2023.
- **Transparency & Collaboration:** Transparent communication with public, MBO and City departments on proposed budget.

Efficient Capital Planning

- **Improved Planning:** Capital Planning Improvement Initiative balances affordability with deliverability.
- **Capital Plan Optimization:** Reduced internally proposed plan by $2.7 billion.
- **Continued Efforts to Reduce Carryforward Balance:** Decreased by $300M (12%).

What’s driving rates

- **Rate Drivers:** Capital (Water/Wastewater), Power purchase/delivery (Power).
- **Interest Rate Impact:** Increased assumption (5% to 6%) impacts projected debt service and rates.

Efforts to temper rate impacts

- **Funding Strategies:** Pursuing WIFIA, SRF loans, federal/state grants and other external sources for mandated projects.
- **Cost Offsets for Departments:** Utilizing GI Grants and Conservation programs.
Projecting Utility Costs for General Fund Departments

• Water and Wastewater rates are adopted for the next two years.

• The increase in Power utility costs to General Fund departments is the center per KwH rate increase intended to bring General Use Customers up to cost of service.

• When GUSE customers do reach retail rate levels, rates will continue to be significantly below PG&E.

• Power purchase and delivery is the primary driver in rate increases for retail ratepayers.

• Capital projects are the primary drivers for rate increases in the Water and Wastewater enterprises.

**Retail power rates now projected to be 12% vs 14% next year**
The growth in this year’s Capital Plan is overwhelmingly driven by regulatory and environmental obligations, clean energy investments, and repair and replacement of aging critical infrastructure.

$3 Billion Growth in the Capital Improvement Plan by project type

- **Regulatory and Environmental**: 45%
- **Clean Energy**: 27%
- **Repair and Replacement of Critical Infrastructure**: 26%
- **Other Misc.**: 2%
Economic Impact: Sustaining Jobs, Strengthening San Francisco

• Every $1 million expended on construction creates and sustains roughly 5.93 jobs.

• The SFBOS assumes over 80% of the capital plan is dedicated to construction. That’s over 50,000 jobs.
  • 2/3 of which are good paying construction jobs, either created or sustained by SFPUC's 10-Year CIP.
  • Multiplier Effect: Capital investment stimulates local businesses, generating additional jobs and economic activity/vitality.

2. https://sfbos.org/6-capital-project-design-costs
Commitment to Labor:
A Partnership for a Stronger San Francisco

• The multiplier effect of the $11.8 billion investment in San Francisco infrastructure will especially benefit union jobs, ensuring:
  • Access to locally sourced skilled labor and expertise in project completion
  • Investment in local communities and workforce development
  • Jobs that are safe, and provide fair wages and benefits for our community

• Recent capital investments have yielded:
  • Local residents performing a minimum of 30% of all work hours on projects >$400,000
  • 44% of workers assigned to SFPUC capital projects were San Francisco residents (2022)
  • 1,400 internships per year
Water and Wastewater
Capital Budget, 10-Year Capital Improvement Plan, and 10-Year Financial Plan Overview
2-Year Water and Wastewater Budget

Budget Comparison:
• Changes are minimal compared to what was anticipated at this point last year. **Significant growth in the 10-Year Capital Plan is reflected in the outyears.**

Debt Authorization:
• Through this budget, the SFPUC is requesting **$1.035 Billion of debt authorization** in FY2024-25 and FY2025-26 for the Water Enterprise
• Through this budget, the SFPUC is requesting **$1.716 Billion of debt authorization** in FY2024-25 and FY2025-26 for the Wastewater Enterprise

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</thead>
<tbody>
<tr>
<td>Water</td>
<td>895</td>
<td>893</td>
<td>(2)</td>
<td>818</td>
<td>823</td>
<td>5</td>
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<tr>
<td>Wastewater</td>
<td>437</td>
<td>456</td>
<td>19</td>
<td>444</td>
<td>477</td>
<td>34</td>
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<tr>
<td>Hetchy Water</td>
<td>156</td>
<td>153</td>
<td>(3)</td>
<td>153</td>
<td>181</td>
<td>28</td>
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<td></td>
<td>1487</td>
<td>1501</td>
<td>14</td>
<td>1415</td>
<td>1481</td>
<td>66</td>
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</table>

2-Year Budget Comparison to Prior Plan

- Proposed Budget (in millions)
- Fiscal Year: FY2024-25, FY2025-26
- Prior Plan
- Proposed Plan
Local/Regional Water’s $3B Capital Plan

- Water’s Capital plan has grown by $695 M or 32%
- Aging infrastructure is the primary growth driver
- Key growth in projects:

<table>
<thead>
<tr>
<th>Project</th>
<th>Total in Plan $M</th>
<th>Increase $M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Replacement (Local Conveyance)</td>
<td>517</td>
<td>156</td>
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<td>Millbrae Campus Improvements</td>
<td>411</td>
<td>187</td>
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<tr>
<td>Alternative Water Supplies</td>
<td>225</td>
<td>142</td>
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<tr>
<td>Palo Alto Pipeline Replacement</td>
<td>88</td>
<td>18</td>
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<tr>
<td>Pilarcitos Dam</td>
<td>56</td>
<td>33</td>
</tr>
<tr>
<td>SVWTP Long Term Improvements</td>
<td>35</td>
<td>35</td>
</tr>
</tbody>
</table>

Plan Total $M

- Regional 1,626
- Local 1,333
- Total 3,000
Hetchy Water’s $1.5B Capital Plan

- Hetchy Water’s Capital plan has grown by $557M or 50%
- Aging infrastructure is the primary growth driver
- Key growth in projects:

<table>
<thead>
<tr>
<th>Project</th>
<th>Total in Plan $M</th>
<th>Increase $M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moccasin Penstocks</td>
<td>321</td>
<td>285</td>
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<tr>
<td>Moccasin Dam</td>
<td>134</td>
<td>70</td>
</tr>
<tr>
<td>SJPL Valve</td>
<td>113</td>
<td>36</td>
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<tr>
<td>Moccasin Buildings</td>
<td>110</td>
<td>50</td>
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<td>Transmission Lines Clearance</td>
<td>63</td>
<td>23</td>
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<tr>
<td>Eleanor Dam</td>
<td>52</td>
<td>24</td>
</tr>
<tr>
<td>Moccasin Powerhouse</td>
<td>44</td>
<td>30</td>
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</tbody>
</table>
Wastewater’s $6B Capital Plan

- Wastewater’s Capital plan has grown by $1.160 B or roughly 24%.
- Regulatory obligations and aging infrastructure are the key growth drivers.
- Key projects beginning in this plan are the Nutrients Reduction and Southeast Outfall Replacement projects.
Water and Wastewater Expenses

Projected Operating Budget Expenses

Water

- Continued investment and capital and escalating operating expenses
  - 4.0% compound annual growth in expenses

Wastewater

- Capital investment, driven by replacement of aging infrastructure and regulatory requirements
  - Debt service grows from 24% to 58% of total expenses in 10 years
# Water & Sewer Affordability

The table below illustrates the projected water and sewer rates from FYE 2025 to FYE 2034, along with the impact on the combined bill. The rates are projected to increase annually, with a 10-Year Average increase of 4.2% for water and 9.6% for sewers, leading to a combined bill impact of 8.1%.

<table>
<thead>
<tr>
<th>Fiscal Year Ending</th>
<th>Water Rate Increase</th>
<th>Sewer Rate Increase</th>
<th>Combined Bill Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>FYE 2025*</td>
<td>5.0%</td>
<td>9.0%</td>
<td>8.8%</td>
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<tr>
<td>FYE 2026*</td>
<td>5.0%</td>
<td>9.0%</td>
<td>9.6%</td>
</tr>
<tr>
<td>FYE 2027</td>
<td>5.0%</td>
<td>12.0%</td>
<td>9.6%</td>
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<tr>
<td>FYE 2029</td>
<td>5.0%</td>
<td>11.0%</td>
<td>9.4%</td>
</tr>
<tr>
<td>FYE 2030</td>
<td>4.0%</td>
<td>10.0%</td>
<td>8.6%</td>
</tr>
<tr>
<td>FYE 2031</td>
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<td>7.7%</td>
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<td>FYE 2032</td>
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<td>7.4%</td>
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<td>FYE 2033</td>
<td>3.0%</td>
<td>7.0%</td>
<td>4.9%</td>
</tr>
<tr>
<td>FYE 2034</td>
<td>3.0%</td>
<td>7.0%</td>
<td>5.6%</td>
</tr>
<tr>
<td>10 Year Avg.</td>
<td>4.2%</td>
<td>9.6%</td>
<td>8.1%</td>
</tr>
</tbody>
</table>

- * Admitted rates
- SFPUC is not required by charter to project rates over a 20-Year horizon, but has done so anyhow for purposes of responsible management and transparency
Water Capital Requests
Bay Area Reliance on Hetch Hetchy Regional Water System

The Hetch Hetchy Regional Water System supplies high-quality drinking water to over 2.7 million residents and businesses throughout the San Francisco Bay Area. Of the 26 wholesale customers, 21 rely on the Regional System for more than 60% of their drinking water supply.

Bay Area Reliance on Hetch Hetchy Regional Water System

- 1. San Francisco
- 2. San Mateo
- 3. Alameda
- 4. Contra Costa
- 5. Marin
- 6. Santa Cruz
- 7. Santa Clara
- 8. San Francisco Bay

Hetch Hetchy Regional Water System

Source: BOWSER et al., 2016-18 Annual Report

San Andreas Fault
Calaveras Fault
Hayward Fault
Local Water Capital Program Highlights

- Main Replacement ($609M)
  - Local Water Conveyance/Distribution ($517M)
  - Local Water Conveyance Joint Transit ($33M)
  - Potable Emergency Firefighting Water System ($54M)
  - Wawona/Pine Lake ($5M)

- New CDD Headquarters, beginning construction in late 2024:
  - 2000 Marin ($343M, $50M previously appropriated)
Local Water Capital Program Highlights

• Eliminating Lead
  • Lead Component Services Program ($21M, $28M previously appropriated)
Regional Water Capital Program Highlights

- Millbrae Yard Campus Improvements ($411M)
  - Rollins Road building is seismically unsafe
  - Millbrae laboratory is outdated
  - South Shops building is unsafe and unusable
  - Millbrae Yard has numerous “temporary” outbuildings and storage containers

- 3 SVWTP Projects ($175M, $190M previously appropriated)
  - Ozone Treatment ($107M, $145M previously appropriated)
  - Short Term Improvements ($33M, $45M previously appropriated)
  - Long Term Improvements ($35M)
Regional Water Capital Program Highlights

• Five major transmission main projects ($196M) in construction in the next 4 years
  • BDPL1-4 Lining Repair ($19M)
  • BDPL4 Pre-Stressed Concrete Cylinder Pipe Repair ($50M)
  • BDPL3&4 UPRR Crossing Upgrade ($18M)
  • CSPL2 Reaches 2&3 Rehabilitation ($74M)
  • CSPL2 Reach 5 Lining Replacement ($35M)

• Regional Water: Alternative Water Supply Projects:
  • Daly City Recycled Water ($115M)
  • Los Vaqueros Reservoir Expansion ($42M)
  • Purified Water Projects in development ($57M)
Hetch Hetchy Water Capital Program Highlights

- Mountain Tunnel Improvements ($58M), Moccasin Powerhouse Projects ($80M), and SJPL Valve and Safe Entry ($75M) all in construction

- Seven other major projects ($294M) going into construction in the next 5 years
  - SJPL Valve Remote Control ($38M)
  - Moccasin Switchyard Rehabilitation ($18M)
  - Transmission Lines Clearance Mitigation ($63M)
  - Cherry-Eleanor Pumps ($38M)
  - Canyon Tunnel - Hetchy Adit ($27M)
  - Moccasin Engineering and Records Building ($84M)
  - Moccasin Warehouse Building ($26M)
• Moccasin Penstocks Replacement ($322M) is a very large, critical project.
  • Penstocks are essential for Hetch Hetchy water supply delivery.
  • Penstocks were constructed in 1925.
  • Rehabilitation has been actively considered, but not selected.
  • All replacement options are being considered, but all have similar costs.
Wastewater Capital Requests
WWE operates and maintains **3** wastewater treatment plants, **1** wet-weather facility, **27** pump stations, **1,900** miles of sewer mains and laterals, over **216** green infrastructure assets, and **25,000** catch basins to protect public health and the environment. WWE facilities process **60 million gallons per day (mgd)** of dry weather flows and have **565 mgd** of wet weather treatment capacity.

- Administration
  - Administration
  - Planning and Regulatory Compliance Division
  - Southeast Community Center
- Maintenance
- Operations
- Collection System
- Engineering
- Wastewater Labs
Reducing nutrient loading into San Francisco Bay is one of the most pressing water quality issues facing our region.

SF Bay experienced a harmful algal bloom and fish kills in 2022, and a second bloom in 2023.

A project is needed to meet expected regulatory requirements.
Southeast Bay Outfall & SEP Booster Station Replacement

Impact to 10-year Plan: $ 80 M increase
Proposed Project Budget: $ 2,968 M

- Southeast Bay Outfall is a critical asset that conveys final effluent from Southeast Treatment Plant to the Bay.

- A current CIP project is underway (Southeast Outfall Condition Assessment and Rehab) to complete comprehensive condition assessment of the outfall and perform any needed rehab.

- This long-term project is needed to replace the outfall to ensure reliable operations, protect water quality in San Francisco Bay, and align with the City’s long-term waterfront adaptation plans for sea level rise.

Planning start: FY24/25
Anticipated Construction start: FY37/38

Islais Creek
Impact to 10-year Plan: $ 300 M increase

Proposed Project Budget: $ 2,673 M

• Cost increase is due current market conditions, single-bidder outcomes, and higher material costs.

• Construction of digester tanks, solid pretreatment building, and dewatering building are underway. Construction is ~45% complete.

• All major Trade Bid Packages have been procured and buyout of major facilities completed.

Project Schedule:

<table>
<thead>
<tr>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
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- Planning through Bid & Award
- Construction
- Close Out
Impact to 10-year Plan: $110 M increase

Proposed Project Budget: $430 M

- Cost increase reflects the latest design estimates due to higher costs and additional time needed to address the complexity of the upcoming construction of the tunnel and large sewer boxes in congested city streets.
- Scope of work has been divided into four separate construction contracts. The first contract (upstream sewers) is in construction and the three remaining contracts (tunnel, sewer box, and other sewers) are in design.
- Project helps meet the San Francisco Bay Regional Water Quality Control Board Clean-Up and Abatement Order.

**Project Schedule:**

<table>
<thead>
<tr>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
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</table>

- Planning through Bid & Award
- Construction
- Close Out

Crews installing pipeline along Harrison Street
Lower Alemany Area Stormwater Improvements

Impact to 10-year CIP: no change
Approved Project Budget: $300 M

- Design and Environmental Review are underway.
- Scope includes construction of a sewer tunnel and other sewer improvements to provide stormwater storage and conveyance.
- Project helps meet the San Francisco Bay Regional Water Quality Control Board Clean-Up and Abatement Order.

Project Schedule:

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
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<tr>
<td>Phase</td>
<td>Planning through Bid &amp; Award</td>
<td>Construction</td>
<td>Close Out</td>
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[Map and table showing project schedule]
Impact to 10-year Budget: no change

Proposed Project Budget: $100 M

- This project is a repackaging of green infrastructure projects currently approved in the FY24-33 10-year CIP. This project funds conceptual engineering, design, and construction of “implementation-ready” green infrastructure projects citywide.

- Starting in FY 24/25, the 10-year WWE green infrastructure CIP will be scoped by overall performance through establishment of a total drainage management area goal.

- Together with the Green Infrastructure Planning project, this project aims to deliver 65 acres of drainage management area managed by green infrastructure over the next 10 years.

Project Schedule:

<table>
<thead>
<tr>
<th>2024</th>
<th>2025</th>
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</table>

- Planning through Bid & Award
- Construction
- Close Out
FY 2024-25 and FY2025-26 Budget Resources

• 10-Year Capital Plan
  • Project by project breakdown over the next 10 years
• Capital Plan Report
  • Breakdown of SFPUC's budget process, priorities, budget benefits, and key projects.
• Financial Plan Report
  • Breakdown of SFPUC's financial strategy to fund 10-Year Capital Improvement Plan.
• PUC Budget entered in BFM, will be a part of the AAO process.
Water Existing and Projected Debt Service
(10-Year Plan Assumptions)