Motion directing the Board of Supervisors Budget Analyst, in conjunction with the Office of the Legislative Analyst and the San Francisco Public Utilities Commission ("PUC"), to review the best practices for financing large capital improvement projects at municipal utilities in the State of California and at state agencies performing similar utility construction projects; directing the Budget Analyst, in consultation with the Mayor's Office of Public Finance and the PUC, to interview analysts at bond rating agencies to determine the outlook for PUC bond ratings for the Water and Clean Water enterprises, and to determine recommended steps to improve bond ratings for the water and sewer enterprises; directing the Budget Analyst to calculate potential savings in potential interest payments for the PUC's proposed capital improvement program if bond ratings for the Water and Clean Water enterprises increase to their former levels; and directing the Budget Analyst to report back to the Board of Supervisors by May 31, 2002.

Whereas, The San Francisco Public Utilities Commission ("PUC") is planning an aggressive Capital Improvement Program that is expected to cost approximately $4.6 billion over a period of at least 10 years; and

Whereas, Much of the work in the proposed Capital Improvement Program is required to seismically retrofit the PUC's water and sewer infrastructure and to replace or repair infrastructure that is in some cases more than 100 years old; and

Whereas, Many of the PUC's system components lie along three major earthquake faults, including the San Andreas Fault, the Hayward Fault and the Calaveras Fault, and it has been estimated that a severe earthquake could result in water outages for 2.4 million water
users served by the PUC for a period of 60-90 days, potentially resulting in catastrophic
impacts to public health and the regional economy; and

Whereas, Several Peninsula lawmakers have introduced bills that could affect the
future financing of the PUC Capital Improvement Program or future ownership of PUC assets,
including a bill that would set the groundwork for a State takeover of the PUC; and

Whereas, Over the past several years, bond rating agencies have down-graded bond
ratings for the Water and Clean Water (sewer) enterprises of the PUC, resulting in increased
cost of debt for bonds issued to finance capital improvements; and

Whereas, It is in the best interests of San Francisco ratepayers to avoid a state
takeover of the PUC and to maintain City control of the assets under jurisdiction of the PUC;
and

Whereas, It is in the best interests of San Francisco ratepayers for the PUC to maintain
the highest possible bond ratings that will result in the lowest possible water and sewer rate
increases; now, therefore, be it

Resolved, That the San Francisco Board of Supervisors does hereby direct the Budget
Analyst to perform the following research and report back to the Board not later than May 31,
2002:

1. In conjunction with the Office of the Legislative Analyst and the Public Utilities
Commission, review the best practices for financing large capital improvement
projects at municipal utilities in the State of California and at state agencies
performing similar utility construction projects;

2. In consultation with the Mayor’s Office of Public Finance and the Public Utilities
Commission, interview analysts at bond rating agencies to determine the outlook for
the San Francisco Public Utilities Commission (“PUC”) bond ratings for the Water
and Clean Water enterprises, and to determine recommended steps to improve bond ratings for the water and sewer enterprises; and

3. Calculate potential savings in potential interest payments for the PUC’s proposed capital improvement program if bond ratings for the Water and Clean Water enterprises increase to their former levels.

Further Resolved, That the Budget Analyst is authorized to expend not more than 40 hours of staff time preparing the Budget Analyst’s report pursuant to this motion and, if needed, to request additional time for report preparation via a motion approved by the Board.
Motion directing the Board of Supervisors Budget Analyst, in conjunction with the Office of the Legislative Analyst and the San Francisco Public Utilities Commission ("PUC"), to review the best practices for financing large capital improvement projects at municipal utilities in the State of California and at state agencies performing similar utility construction projects; directing the Budget Analyst, in consultation with the Mayor’s Office of Public Finance and the PUC, to interview analysts at bond rating agencies to determine the outlook for PUC bond ratings for the Water and Clean Water enterprises, and to determine recommended steps to improve bond ratings for the water and sewer enterprises; directing the Budget Analyst to calculate potential savings in potential interest payments for the PUC’s proposed capital improvement program if bond ratings for the Water and Clean Water enterprises increase to their former levels; and directing the Budget Analyst to report back to the Board of Supervisors by May 31, 2002.
I hereby certify that the foregoing Motion was APPROVED AS AMENDED on March 18, 2002 by the Board of Supervisors of the City and County of San Francisco.

Gloria L. Young
Clerk of the Board