

PUBLIC UTILITIES REVENUE BOND OVERSIGHT COMMITTEE CITY AND COUNTY OF SAN FRANCISCO MINUTES - DRAFT

**Public Utilities Commission Building
525 Golden Gate Ave., 2nd Floor
Yosemite Conference Room
San Francisco, CA 94102**

November 7, 2016 - 9:00 AM

Regular Meeting

Mission: The purpose of the Revenue Bond Oversight Committee (RBOC) is to monitor the expenditure of revenue bond proceeds related to the repair, replacement, upgrade and expansion of the SFPUC's water, power and sewer infrastructure. The RBOC's goal is to ensure that specific SFPUC revenue bond proceeds are spent appropriately and according to authorization and applicable laws. The RBOC provides oversight to ensure transparency and accountability in connection with expenditure of the proceeds. The public is welcome to attend RBOC meetings and provide input.

1. Call to Order and Roll Call

Seat 1 Holly Kaufman (Holdover status)
Seat 2 Kevin Cheng, Chair (Holdover status)
Seat 3 Robert Leshner
Seat 4 Tim Cronin
Seat 5 Dari Barzel
Seat 6 Christina Tang, Vice Chair
Seat 7 Jadie Wasilco

Chair Cheng called the meeting to order at 9:07 a.m. On the call of the roll, Chair Cheng, Members Barzel, Kaufman, Leshner, and Wasilco were noted present. Vice Chair Tang and Member Cronin were noted not present. There was a quorum.

2. Agenda Changes

New Member Robert Leshner introduced himself to the Committee.

3. Public Comment: Members of the public may address the Revenue Bond Oversight Committee (RBOC) on matters that are within the RBOC's jurisdiction but are not on today's agenda.

Public Comment. Speakers: There were none.

4. San Francisco Public Utilities Commission (SFPUC) Staff Report: Water System Improvement Program (WSIP) Updates

Dan Wade, WSIP Director (SFPUC); provided an update on the Water System Improvement Program, including the following: program status; recent accomplishments; Alameda Creek Recapture project (report to be released on November 30, 2016); Calaveras Dam Replacement project; placement of first lift of clay core; completion of intake tower; fish passage facilities at Alameda Creek Division Dam project; regional groundwater storage and recovery projects; bioregional habitat restoration projects, including hydroseeding; active and completed regional construction contracts; change orders and trends; risks and forecasted changes versus contingency. Mike Brown (SFPUC); provided information and responded to questions and answers throughout the discussion.

Public Comment. Speakers: None.

5. **Presentation of SFPUC Bond Sale Update**

Richard Morales, Debt Manager, and Mike Brown (SFPUC); presented on wastewater bond sale results and water revenue refunding bonds sale results, including the following: water and wastewater credit ratings, favorable market conditions, successful bond sale, green bonds certification, press coverage, historically low rates, bond pricing, and debt service savings.

Public Comment. Speakers: None.

6. **Annual Report Preparation**

Committee members are to send any edits to the Clerk. A working draft will be compiled and included in the packet material for the December 12, 2016, Revenue Bond Oversight Committee meeting agenda.

Public Comment. Speakers: None.

7. **Announcements, Comments, Questions, and Future Agenda Items**

Upcoming meeting to include a presentation on the capital budget overview, including funding for all projects, and the wastewater side to be presented by Eric Sandler and Karen Kubick.

The Committee requested the following updates to the next SSIP presentation: include SSIP binder; lessons learned from WSIP being applied to SSIP; how do green projects integrate with other projects; where are the assets? how old are assets? what are the lessons learned on green projects? what are the community benefit requirements? and what is the jobs report for SSIP on local hiring?

Chair Cheng requested Dan Wade present (January 2017) on a high-level overview of the initial budget and rebaselining, including overtime, contingencies that exceeded forecasts, risk register, and reporting requirements.

Public Comment. Speakers: None.

8. **Adjournment**

There being no further business, the meeting adjourned at 10:56 a.m.

N.B. The Minutes of this meeting set forth all actions taken by the Revenue Bond Oversight Committee on the matters stated but not necessarily in the chronological sequence in which the matters were taken up.

Agenda Item Information

Each item on the agenda may include: 1) Department or Agency cover letter and/or report; 2) Public correspondence; 3) Other explanatory documents. For more information concerning agendas, minutes, and meeting information, such as these documents, please contact RBOC Clerk, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 – (415) 554-5184.

Audio recordings of the meeting of the Revenue Bond Oversight Committee are available at:
http://sanfrancisco.granicus.com/ViewPublisher.php?view_id=97

For information concerning San Francisco Public Utilities Commission please contact by e-mail RBOC@sfgov.org or by calling (415) 554-5184.

Meeting Procedures

Public Comment will be taken before or during the Committee's consideration of each agenda item. Speakers may address the Committee for up to three minutes on that item. During General Public Comment, members of the public may address the Committee on matters that are within the Committee's jurisdiction and are not on the agenda.

Procedures do not permit: 1) persons in the audience to vocally express support or opposition to statements by Commissioners by other persons testifying; 2) ringing and use of cell phones, pagers, and similar sound-producing electronic devices; 3) bringing in or displaying signs in the meeting room; and 4) standing in the meeting room.

The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

LANGUAGE INTERPRETERS: Requests must be received at least 48 hours in advance of the meeting to help ensure availability. Contact Peggy Nevin at (415) 554-5184. AVISO EN ESPAÑOL: La solicitud para un traductor debe recibirse antes de mediodía de el viernes anterior a la reunion. Llame a Derek Evans (415) 554-5184. PAUNAWA: Ang mga kahilingan ay kailangang matanggap sa loob ng 48 oras bago mag miting upang matiyak na matutugunan ang mga hiling. Mangyaring tumawag kay sa (415) 554-5184.

Disability Access

Revenue Bond Oversight Committee meetings are held at the Public Utilities Commission, 525 Golden Gate Avenue, San Francisco, CA. The hearing rooms at the Public Utilities Commission are specified on the agenda and are wheelchair accessible. To request sign language interpreters, readers, large print agendas or other accommodations, please call (415) 554-5184. Requests made at least 48 hours in advance of the meeting will help to ensure availability.

翻譯 必須在會議前最少四十八小時提出要求
請電 (415) 554-7719

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils, and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review.

For more information on your rights under the Sunshine Ordinance (San Francisco Administrative Code, Chapter 67) or to report a violation of the ordinance, contact by mail: Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102; phone at (415) 554-7724; fax at (415) 554-7854; or by email at sotf@sfgov.org.

Citizens may obtain a free copy of the Sunshine Ordinance by printing San Francisco Administrative Code, Chapter 67, at <http://www.sfbos.org/sunshine>.

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code, Section 2.100, et. seq.] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at: 25 Van Ness Avenue, Suite 220, San Francisco, CA 94102; telephone (415) 581-3100; fax (415) 252-3112; website www.sfgov.org/ethics.



WSIP Update

Revenue Bond Oversight Committee

November 7, 2016

Daniel L. Wade, WSIP Director
Infrastructure



San Francisco
Water Power Sewer

Services of the San Francisco Public Utilities Commission

WSIP Program Status

- Regional: **92.4%**
- Local: **99.8%**
- Overall WSIP: **93.1%**





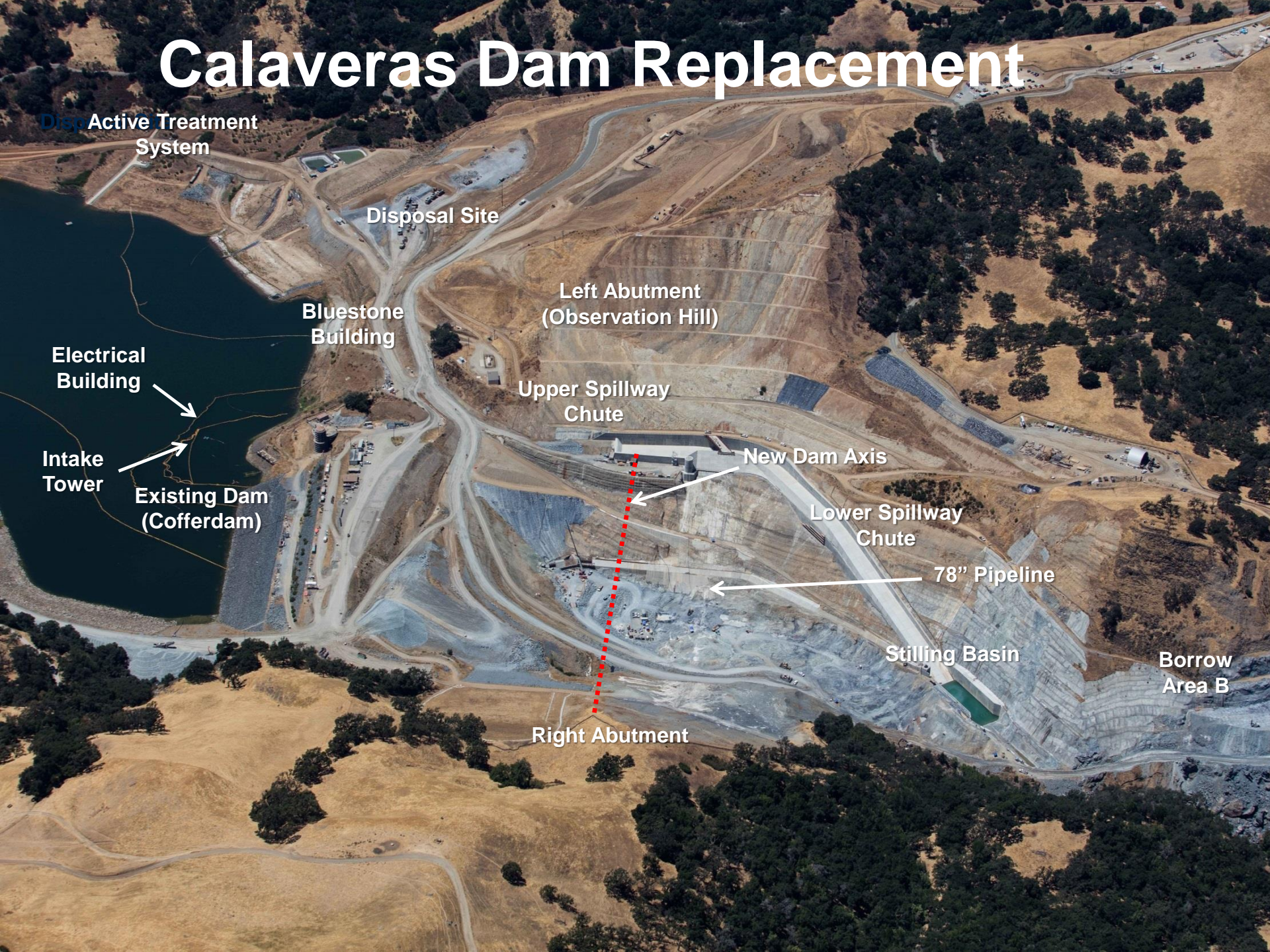
Recent Accomplishments

- Reached Final Construction Completion on one project:
 - Harry Tracy Water Treatment Plant Long-Term Improvements
- Reached Final Project Closeout on two projects:
 - Bay Tunnel
 - Peninsula Pipelines Seismic Upgrade
- Initiated WSIP Closeout Projects for the four WSIP regions
- Completed **199** of **208** system shutdowns and hot taps
- Safety record exemplary based on **8.5 million** hours; lost time incidents rate is lower than half the industry average
- Recent Awards: ASCE 2016 San Francisco Section – Outstanding Construction Project of the Year Award (New Irvington Tunnel); Water & Wastes Digest's 2016 Top Project Award (Peninsula Pipelines Seismic Upgrades)



Alameda Creek Recapture (Rendering)

Calaveras Dam Replacement



Disp Active Treatment System

Disposal Site

Bluestone Building

Electrical Building

Intake Tower

Existing Dam (Cofferdam)

Left Abutment (Observation Hill)

Upper Spillway Chute

New Dam Axis

Lower Spillway Chute

78" Pipeline

Stilling Basin

Borrow Area B

Right Abutment

Start of Embankment Dam Construction



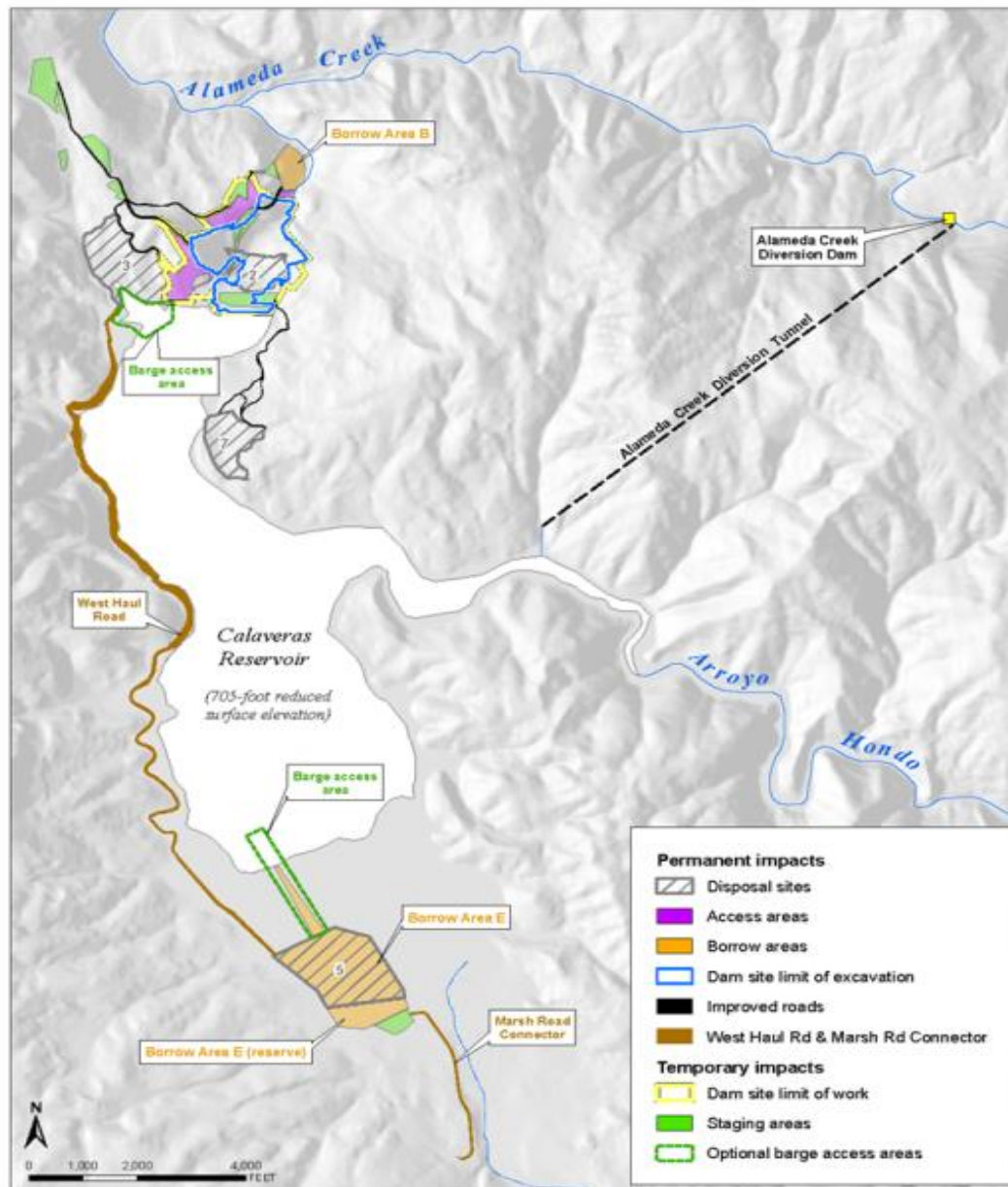


Placement of First Lift of Clay Core

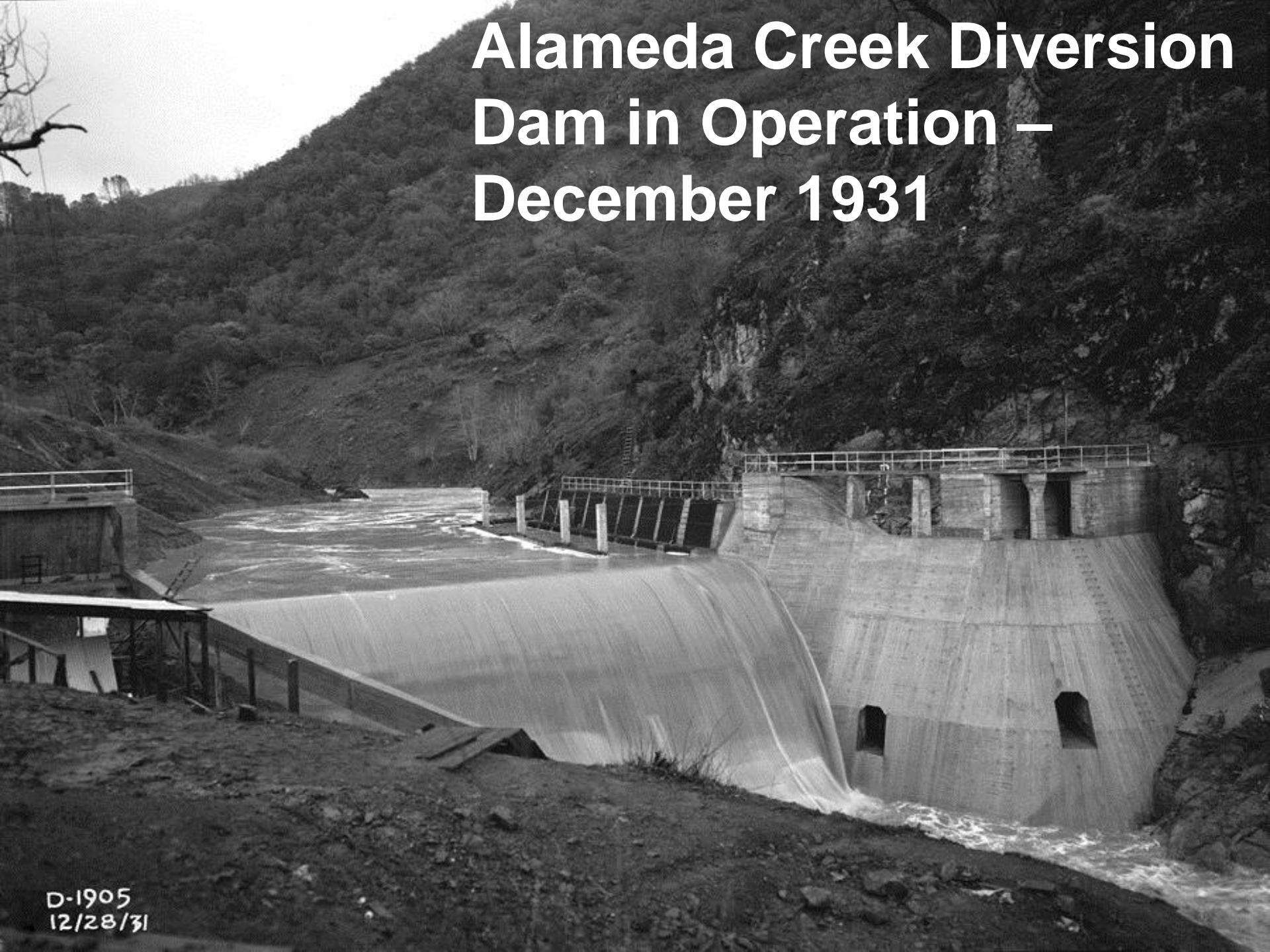
Completion of Intake Tower



Alameda Creek Diversion Dam



Alameda Creek Diversion Dam in Operation – December 1931

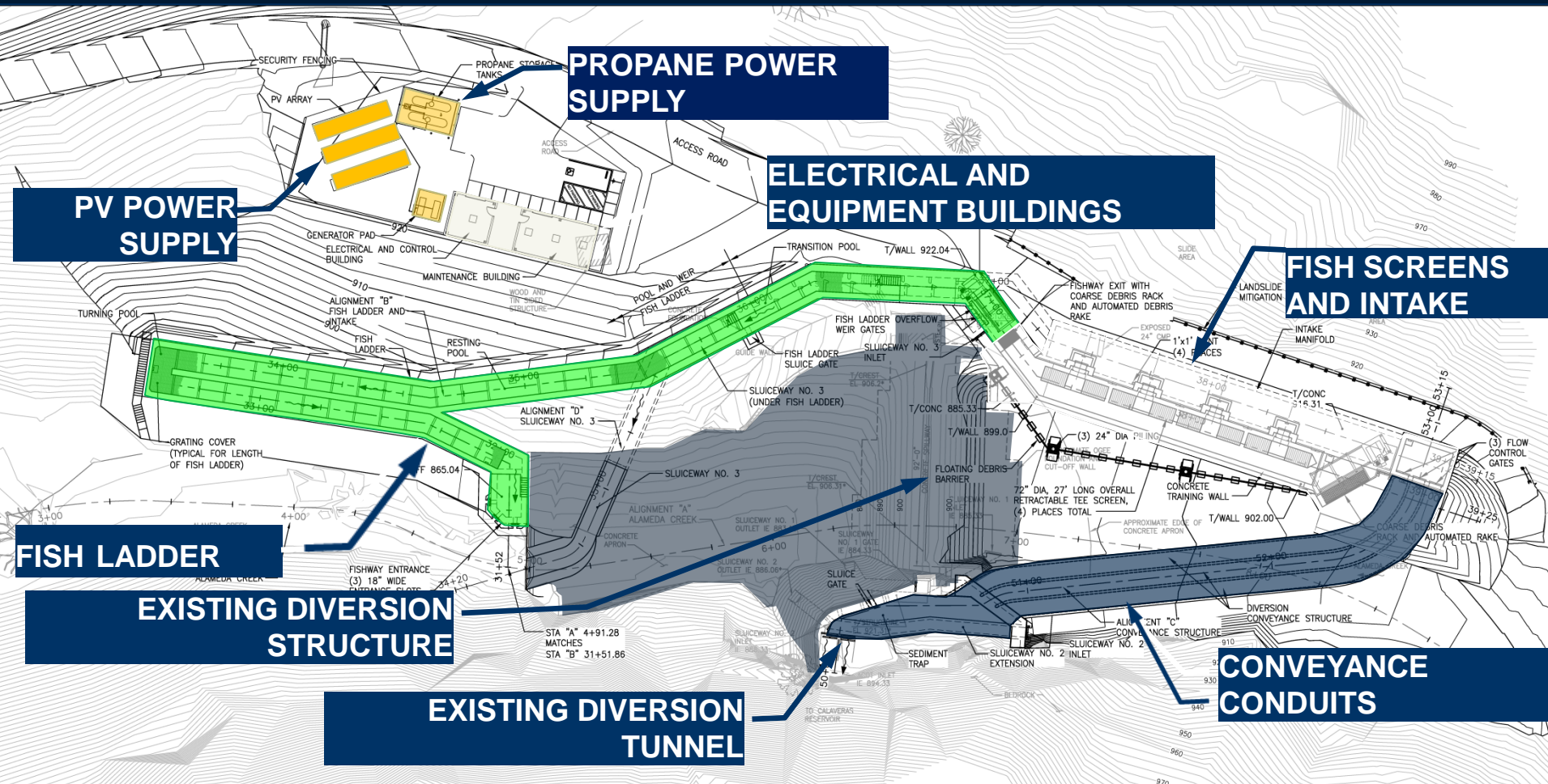


D-1905
12/28/31

Operation – December 2004



Overview - Primary Features



Fish Screens



Retractable Cylindrical
Screens – automated
with rotating drums and
stationary brush arms





DEBRIS RACK

SLUICEWAY NO. 3

TRAINING WALL

SCREEN CHANNEL

DEBRIS BOOM

SLUICeway NO. 1

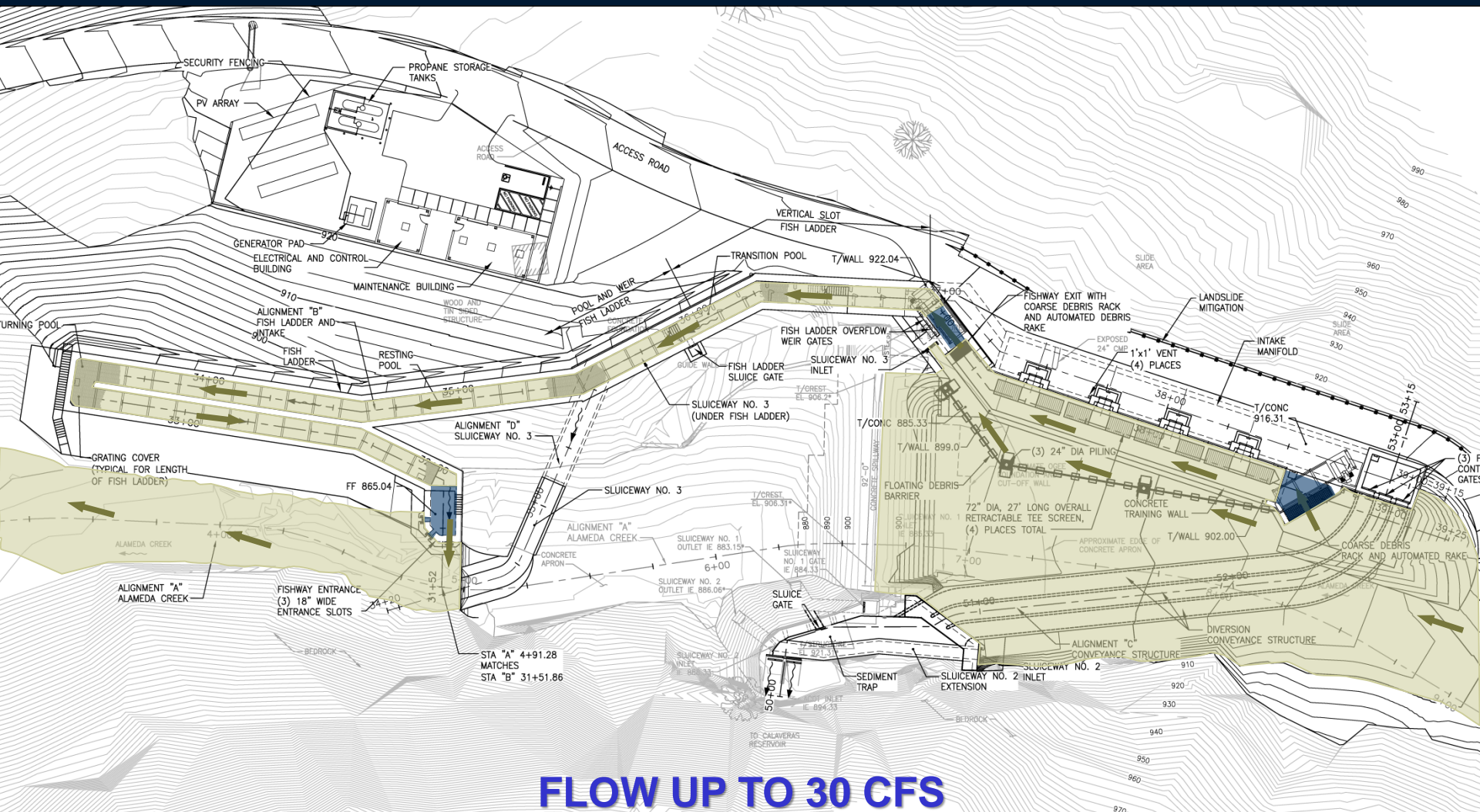
SLUICEWAY NO. 2

DEBRIS RACK



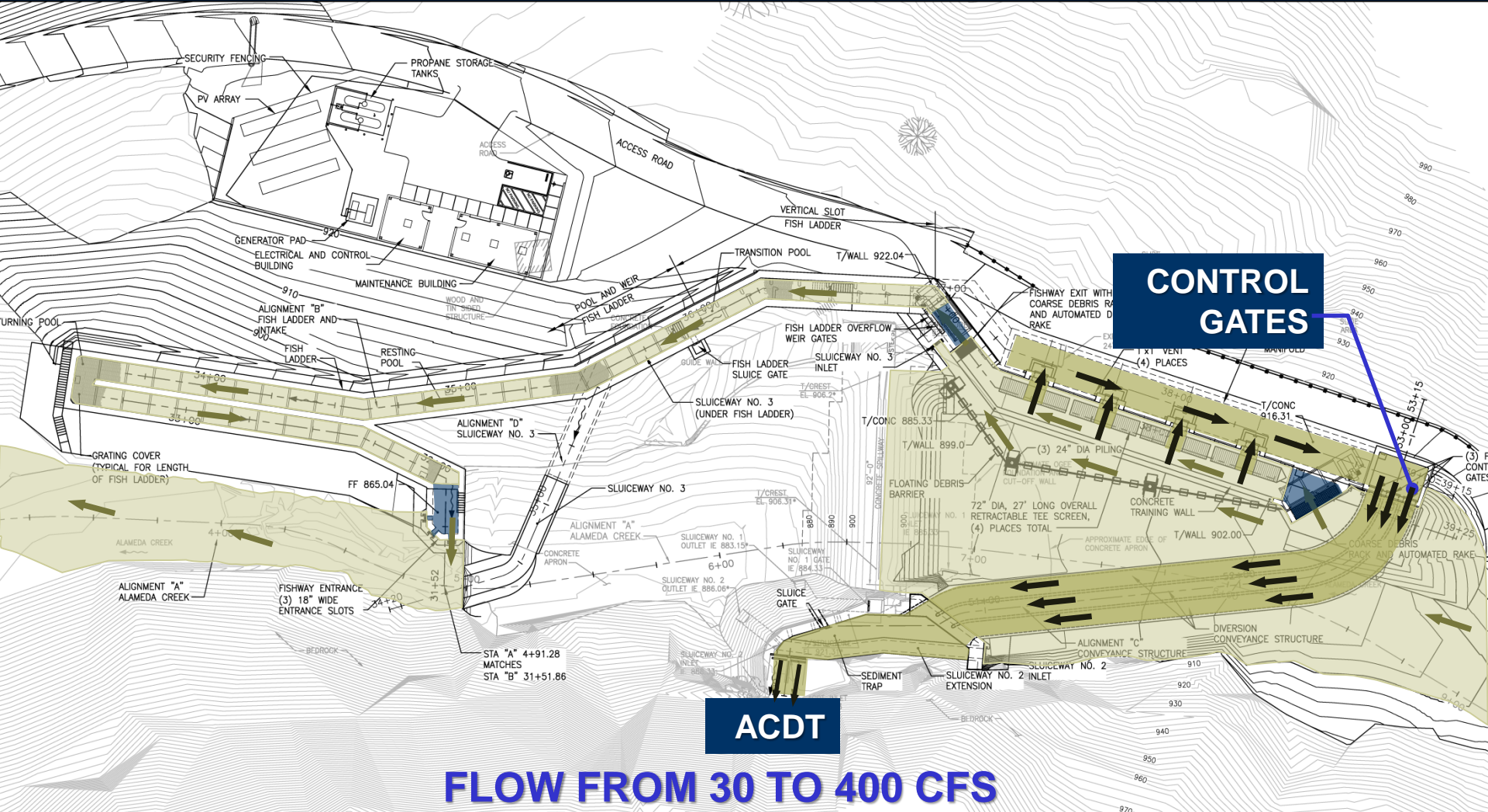
Hetch Hetchy
Regional
Water
System

Operations – Bypass



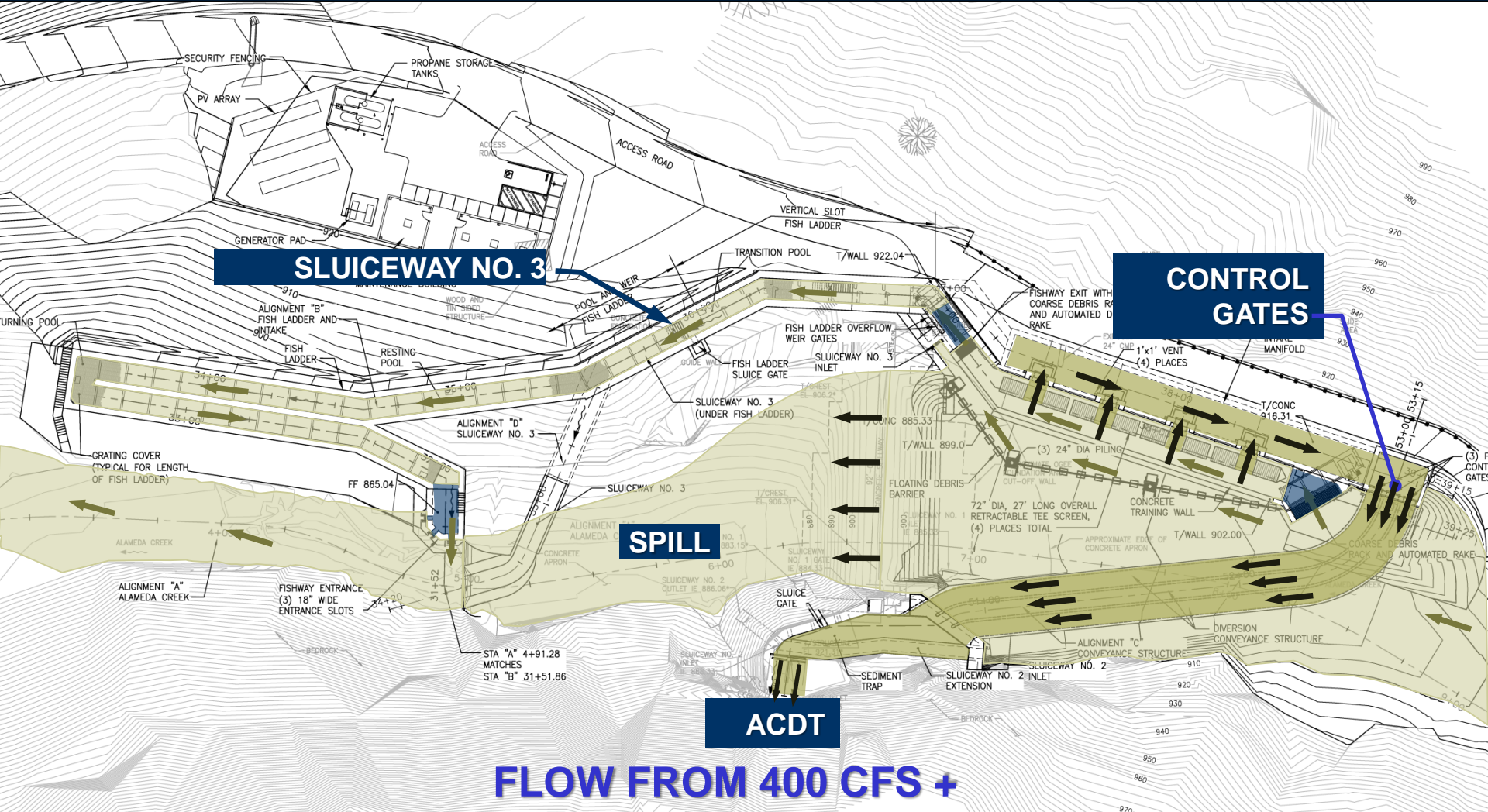


FLOW FROM 30 TO 400 CFS





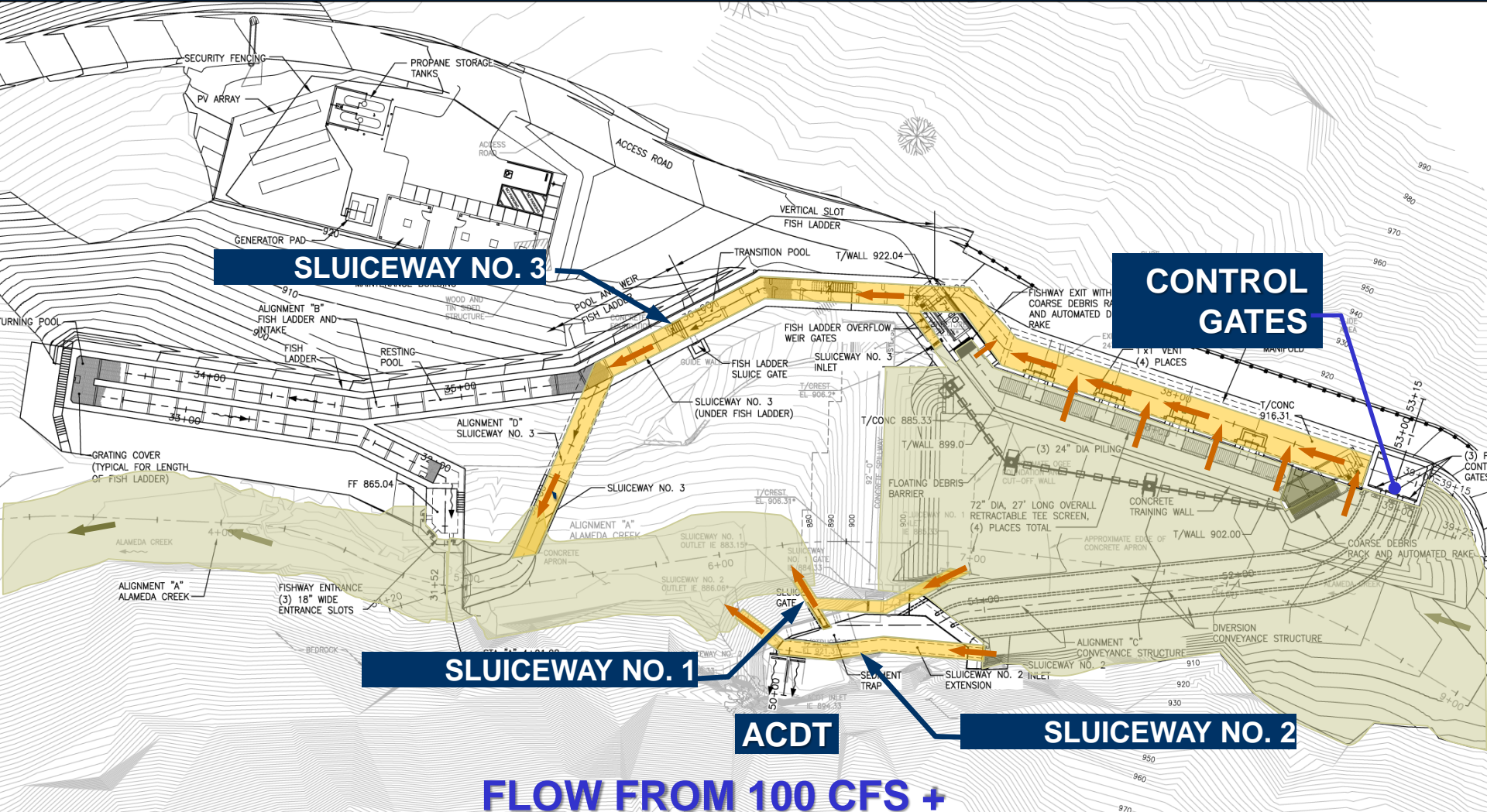
FLOW FROM 400 CFS +





Hetch Hetchy
Regional
Water
System

Operations – Sluicing



Construction – June 2016



View Looking Downstream





Regional Groundwater Storage & Recovery

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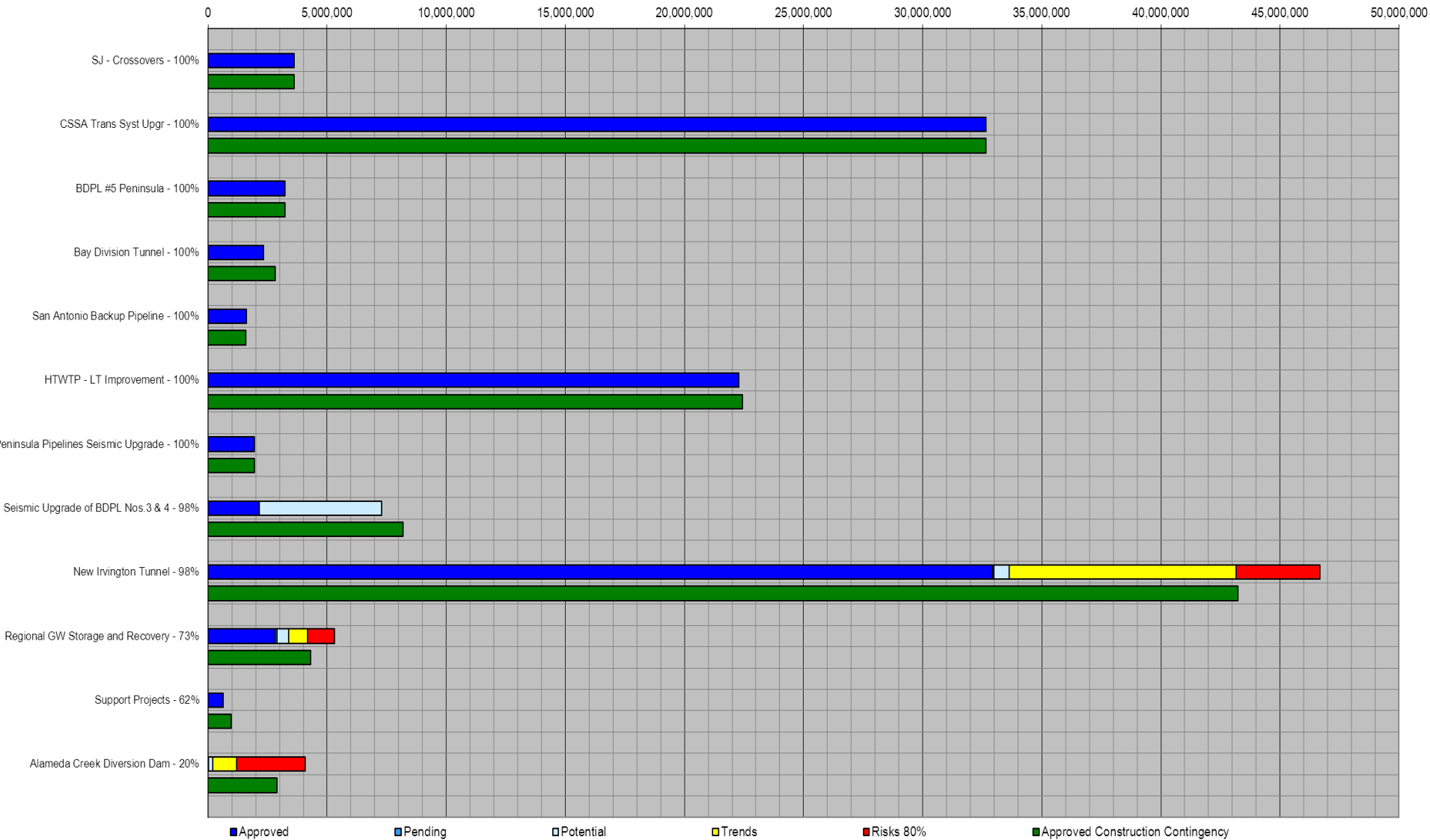


BHR - Hydroseeding

WSIP Active and Completed Construction Contracts

Approved, Pending, Potential COs, Trends, & Risks vs. Contingency
Status as of September 2016

Note: Projects are ordered by Percent Complete

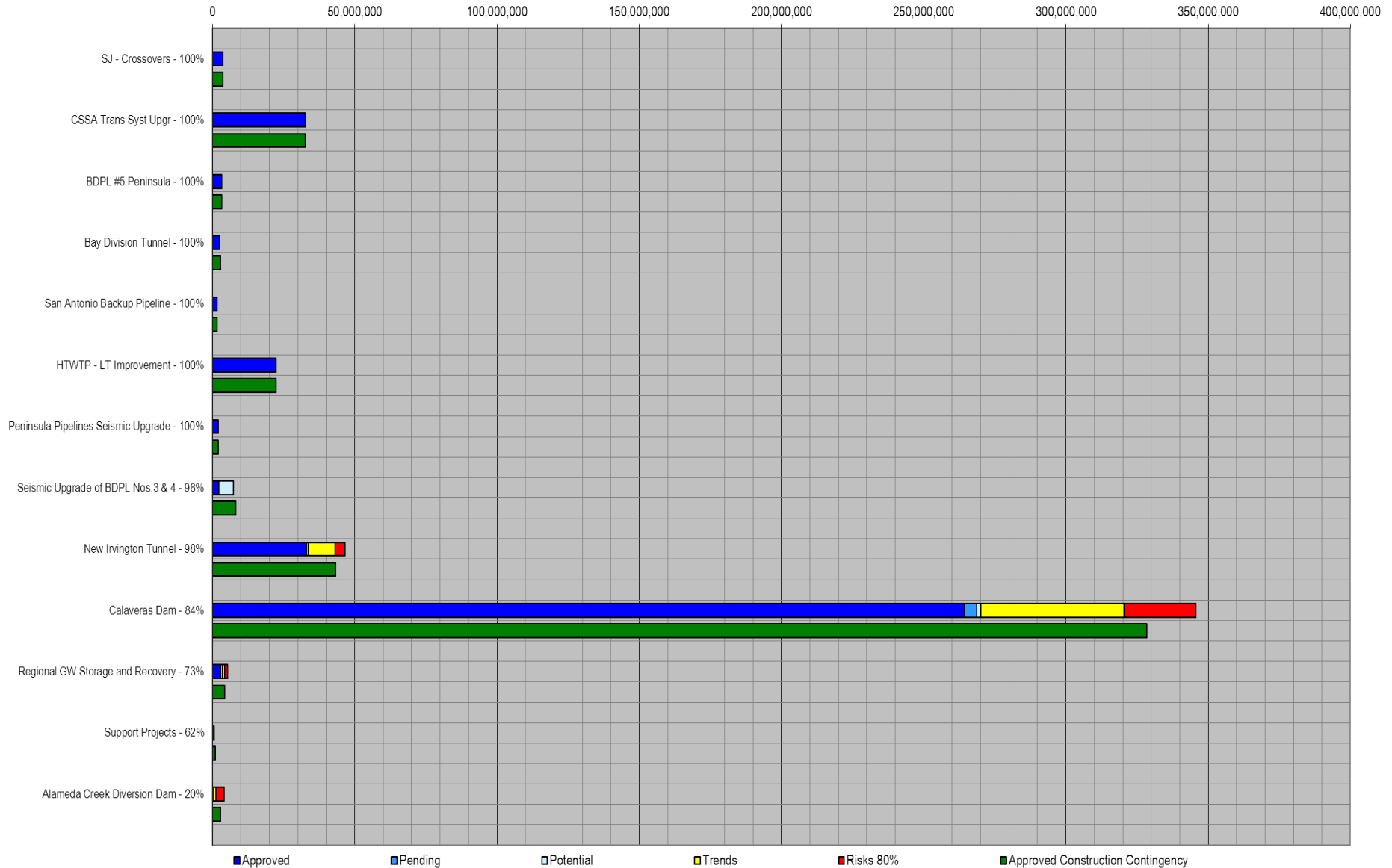


Note: CDRP data not shown

WSIP Active and Completed Construction Contracts

Approved, Pending, Potential COs, Trends, & Risks vs. Contingency
Status as of September 2016

Note: Projects are ordered by Percent Complete

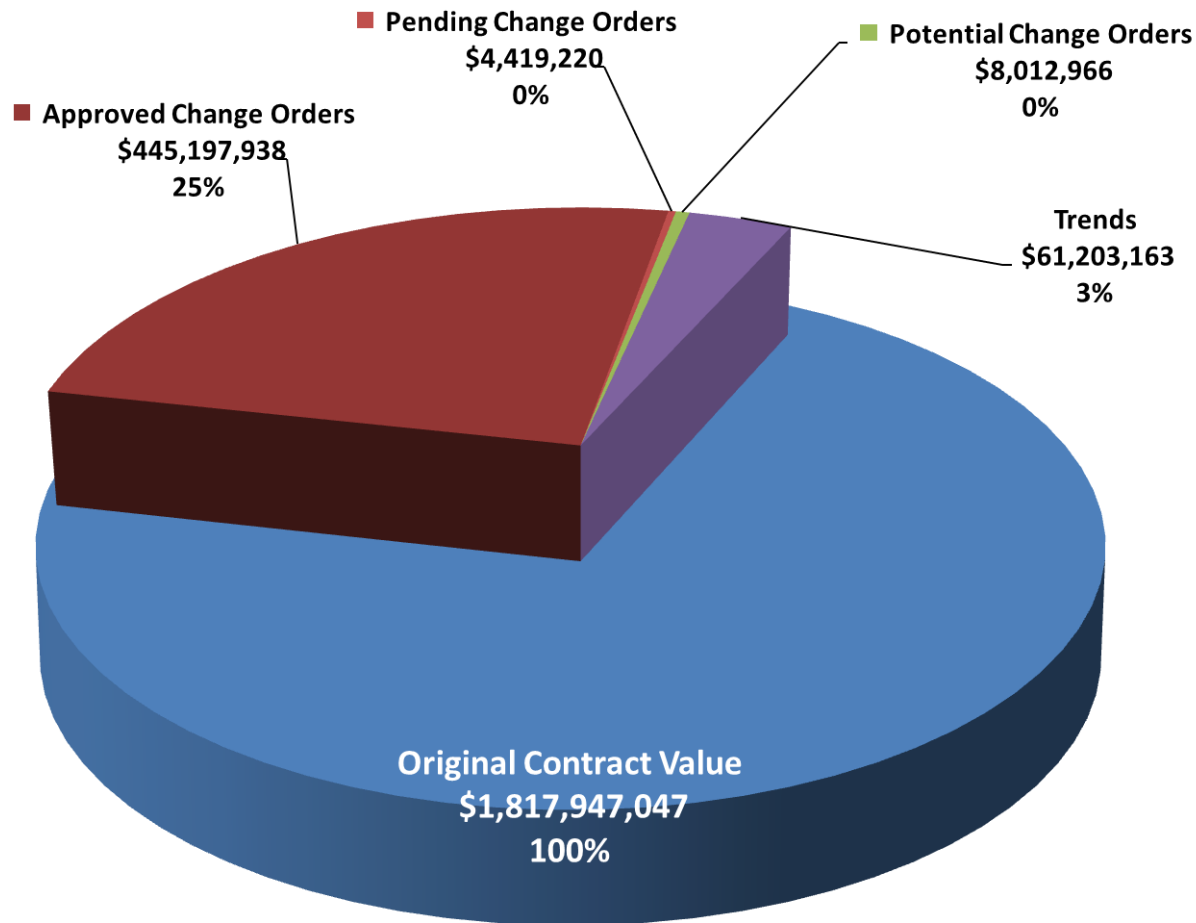


WSIP **Active & Completed** including BHR

Regional Construction Contracts

Percentage of Projected Changes vs. Awarded Amount
September 2016

Forecasted Changes Amount = \$518.8M 29%



WSIP **Active & Completed** including BHR

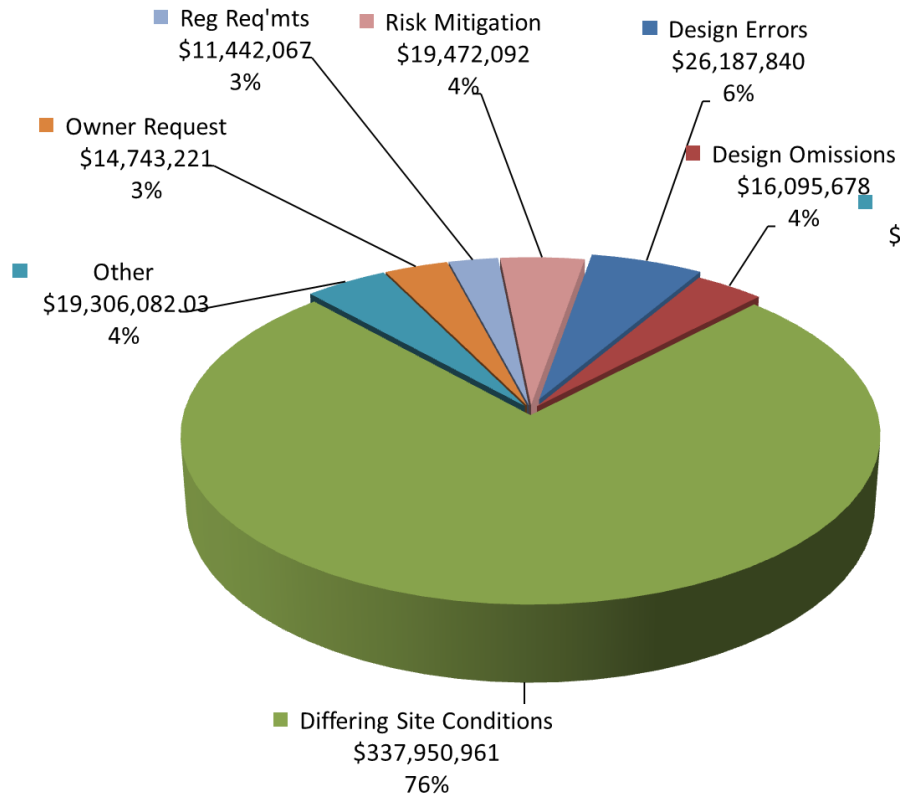
Change Order Reason

Approved Change Orders

September 2016

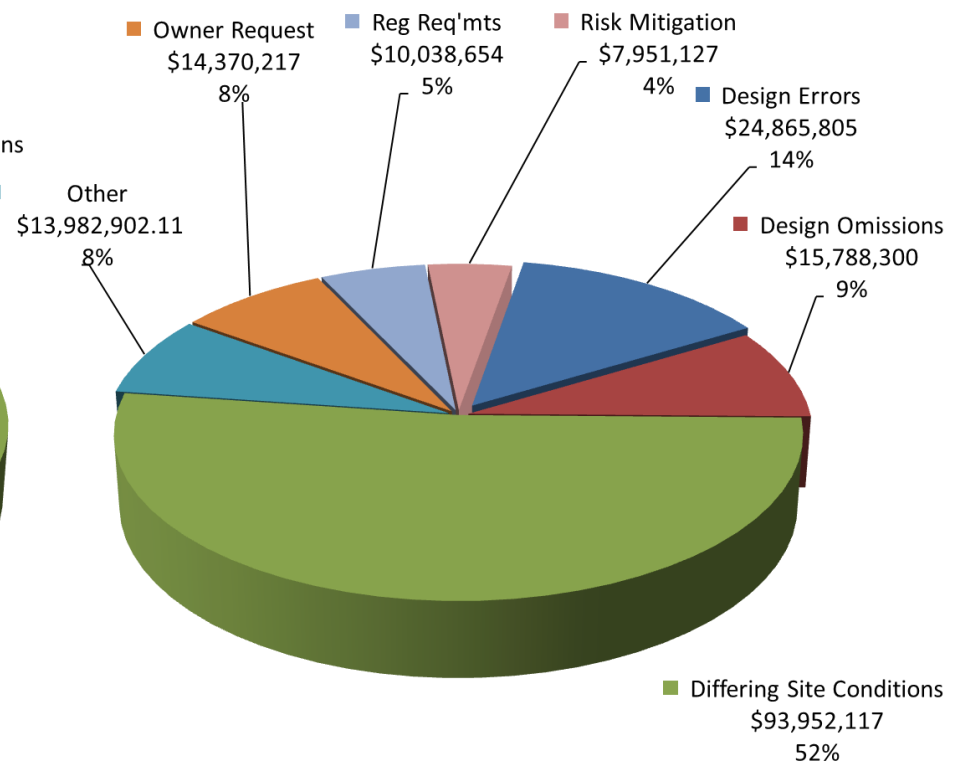
Total Approved CO

\$445.2 M 24%



Total less CDRP

\$180.9 M 12%

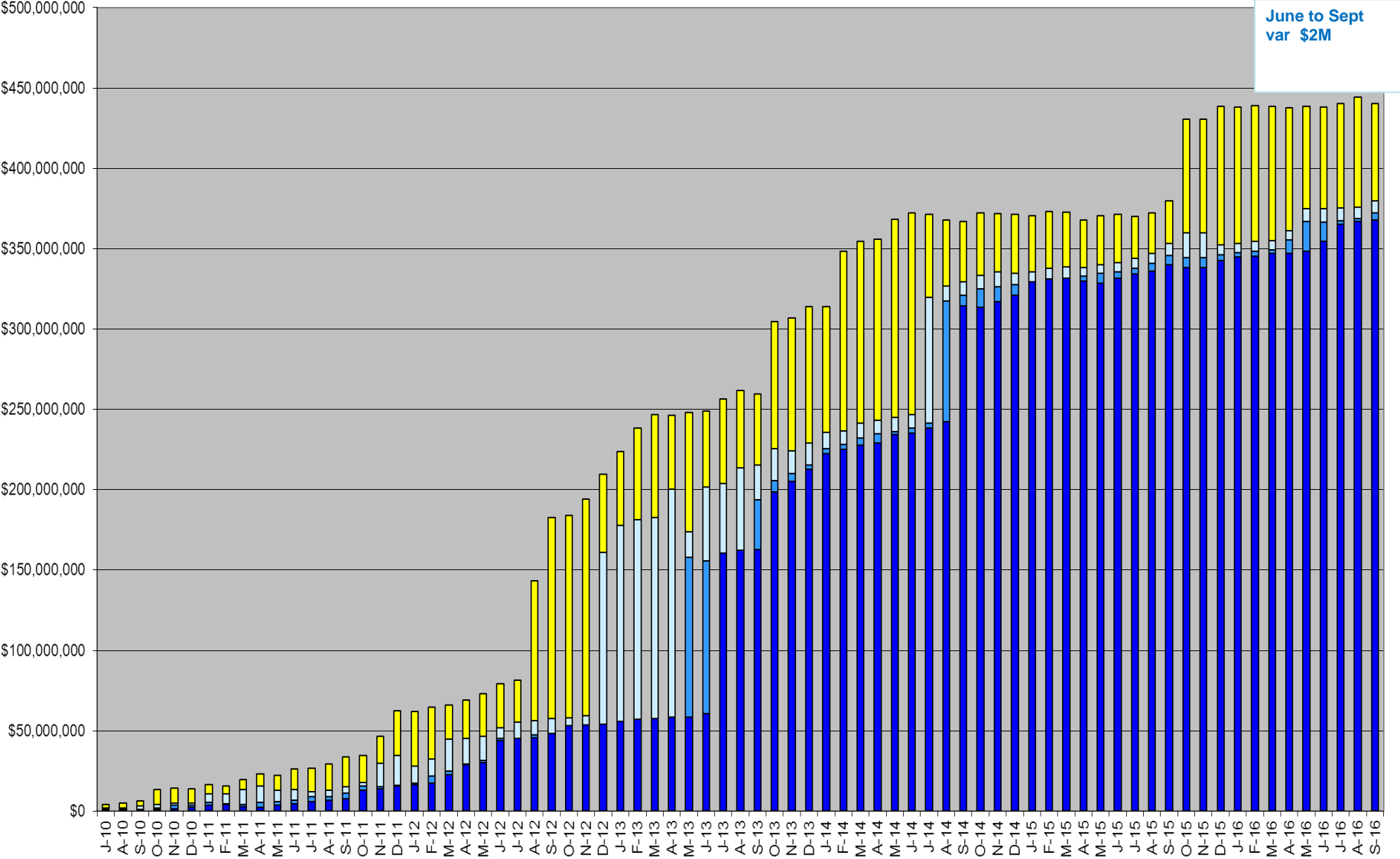


Change Order + Trends (September 2016)

August to Sept
var **-\$3.7M**

June to Sept
var **\$2M**

Change Orders + Trends

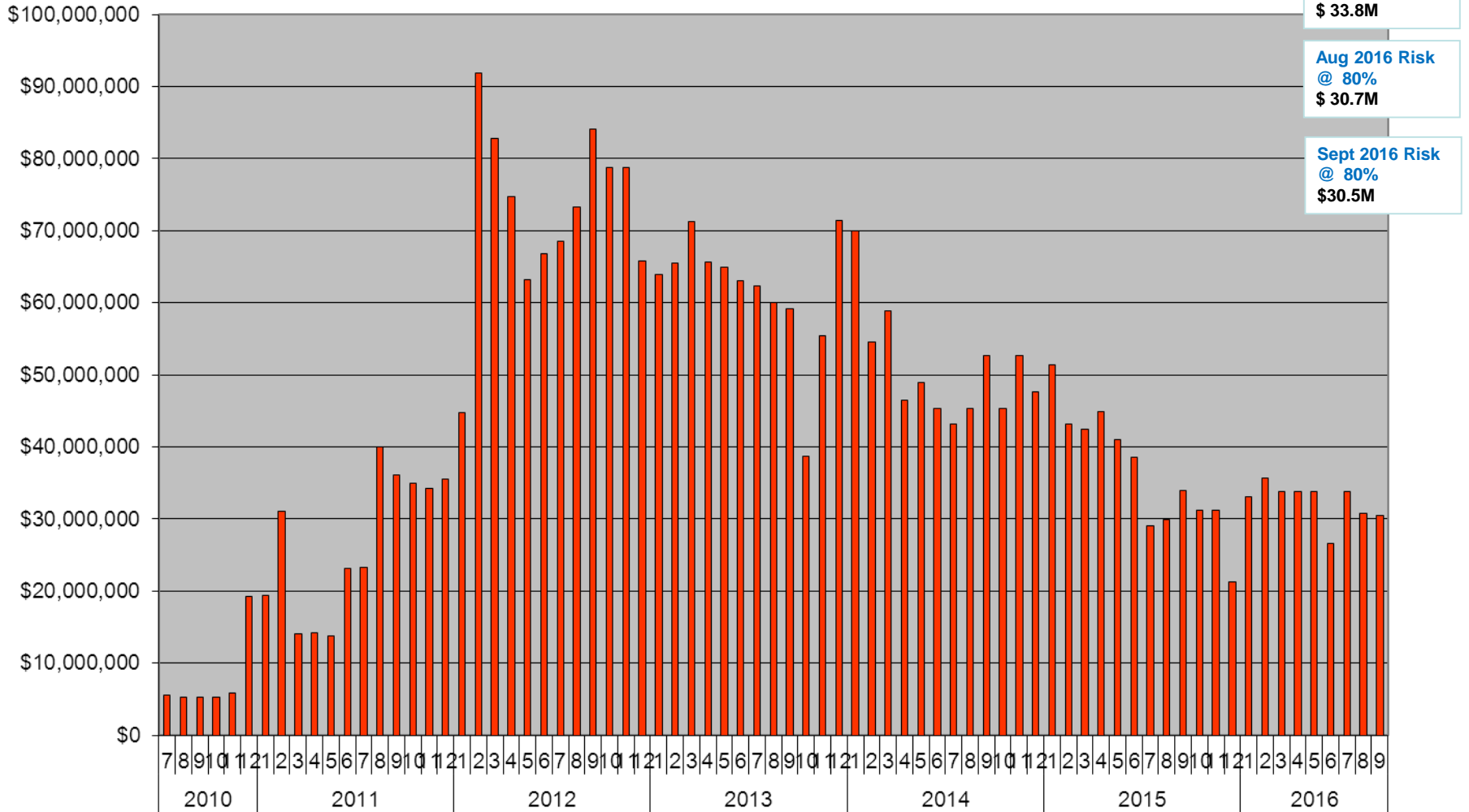


Note: Including BHR

80 % Risk Confidence Level

Name ▾

Sum of Montecarlo Risk 80%



Year ▾ Month ▾

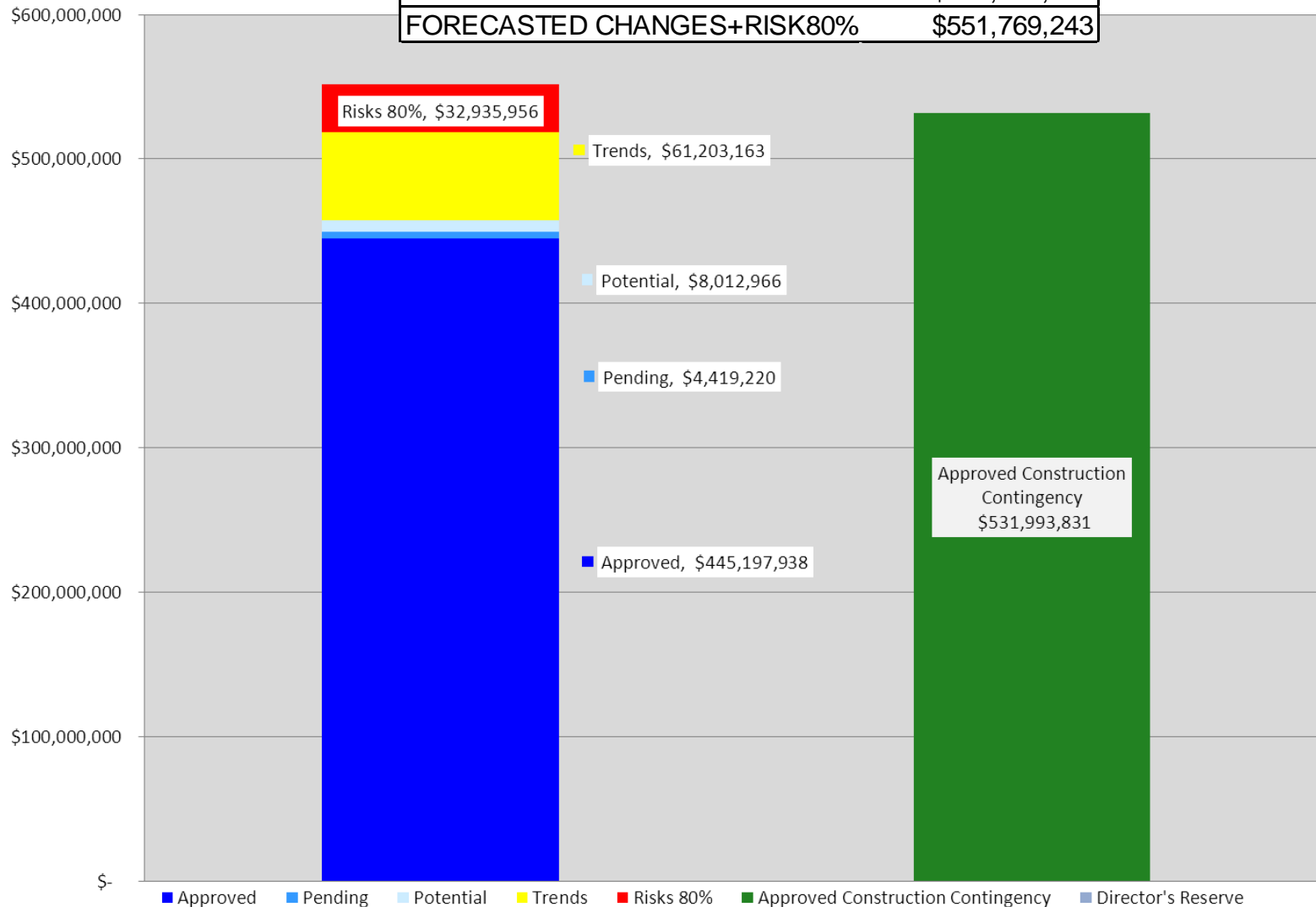
Note:

WSIP **Active & Completed** including BHR

Forecasted Changes VS Contingency

September 2016

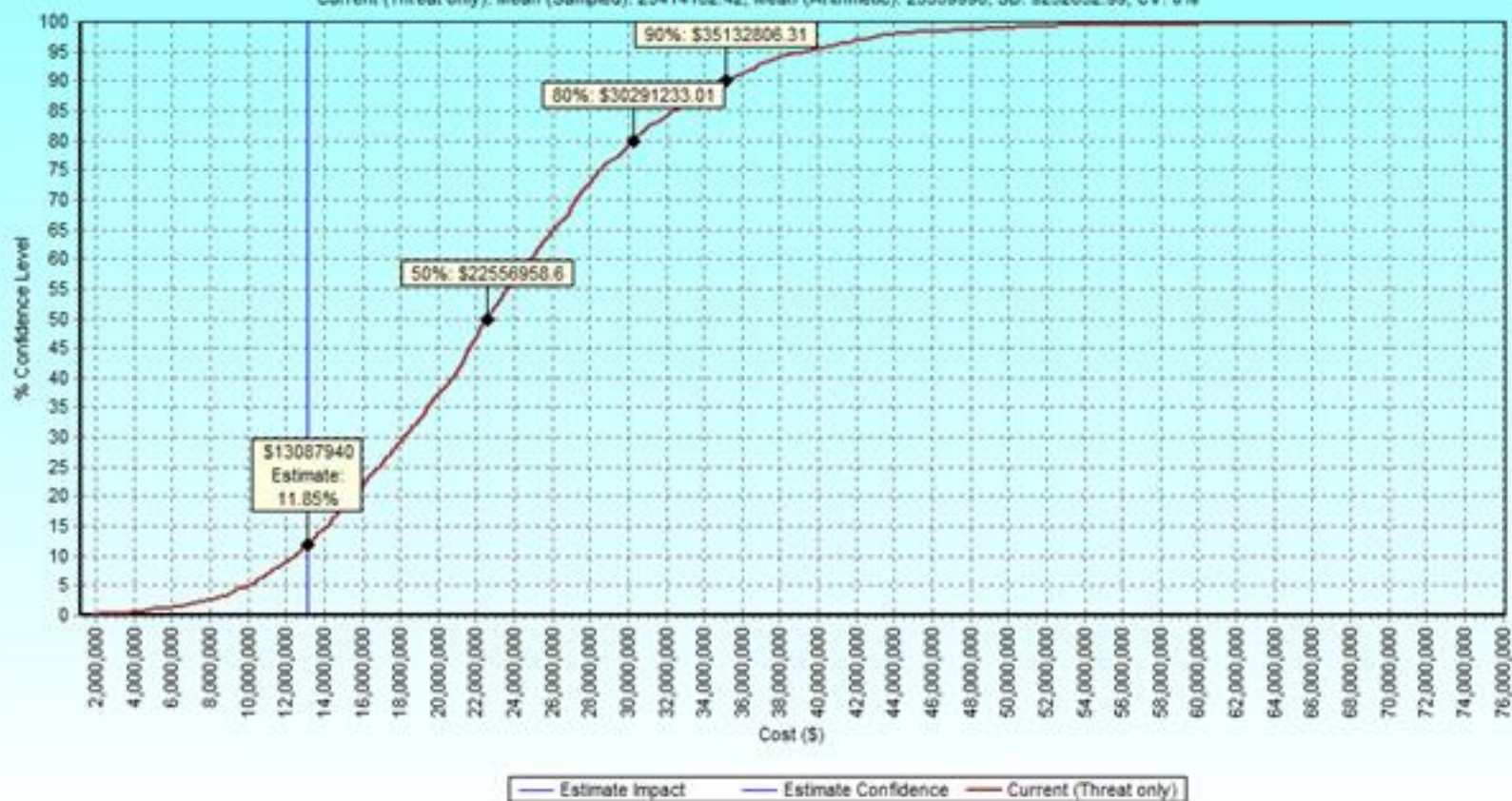
FORECASTED CHANGES	\$516,395,327
FORECASTED CHANGES+RISK80%	\$551,769,243



Cumulative Results for Cost Impact of WSIP on 17 Oct 2016

100 Slices, 2000 Iterations, Fixed Seed (1475859053).

Current (Threat only): Mean (Sampled): 23414162.42, Mean (Arithmetic): 23359996, SD: 9252652.99, CV: 0%





Calaveras Dam, San Francisco, CA

April 2012 - April 2016

Presentation to Revenue Bond Oversight Committee

Wastewater Bond Sale Results



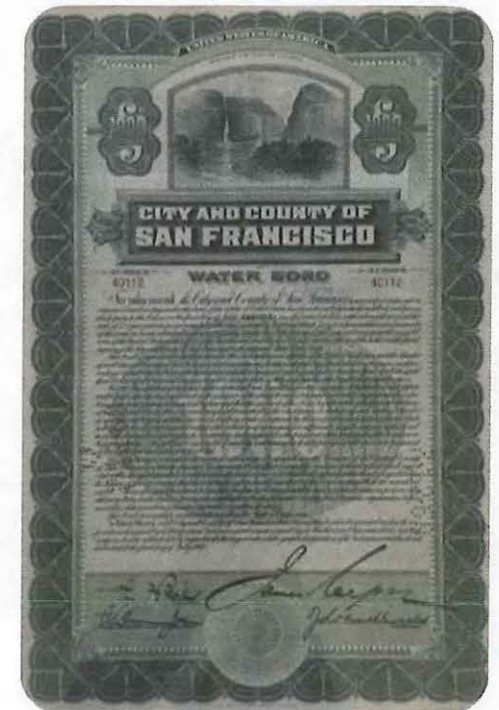
San Francisco
**Water
Power
Sewer**

November 7, 2016
Richard Morales
Debt Manager



Wastewater Revenue Bond Sale

- Par amount \$308.4M
 - Series A \$240.5M (green bonds)
→ Funds SSIP Projects
 - Series B \$67.8M
→ Funds local R&R
- Borrowing term
 - Final maturity 30 years
 - Average 21 years
- Sale date May 10, 2016





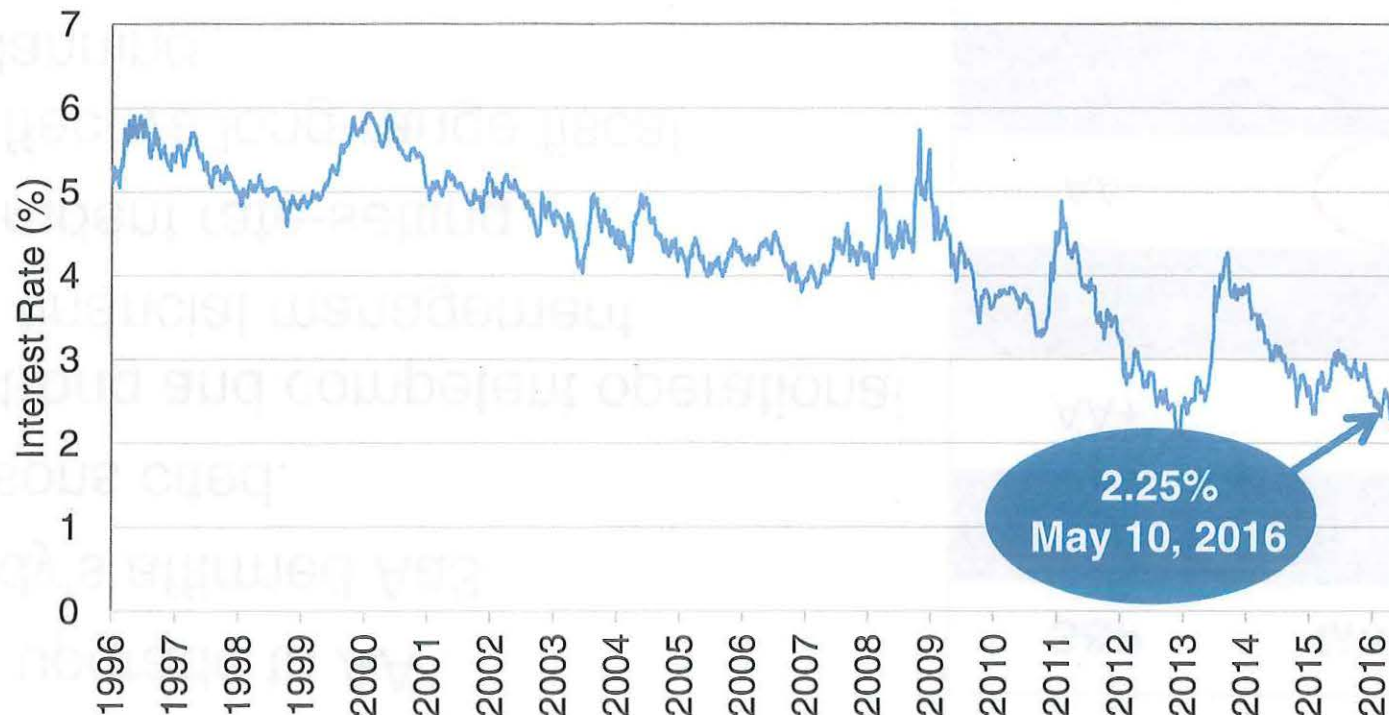
Wastewater Credit Ratings

- S&P upgrade to AA
- Moody's affirmed Aa3
- Reasons cited:
 - Strong and competent operational & financial management
 - Prudent rate-setting
 - Effective long-range fiscal planning
- First SFPUC upgrade in 6 years
- Upgrade lowers debt service
 - \$1M for every \$100M in bonds

S&P	Moody's
AAA	Aaa
AA+	Aa1
AA	Aa2
AA-	Aa3
A+	A1
A	A2
A-	A3

Favorable Market Conditions

20-year AAA MMD Rate
January 1996 - May 2016



- 20-year AAA MMD rate on May 10 was 2.25%
- Since 1996, 20-year AAA MMD rate has been below 2.25% 29 days (or 0.6% of the time)



Successful Sale

- Strong response from multiple bidders
- Top 3 bids from each series

Series A		
	Firm	TIC
1	JP Morgan	3.213%
2	Morgan Stanley	3.220
3	Citigroup	3.228

Series B		
	Firm	TIC
1	JP Morgan	3.213%
2	Morgan Stanley	3.215
3	BAML	3.220

- Lowest TIC of any past SFPUC bond sales
- 23 investors; 3 investors with orders of \$40M+



Green Bonds Certification

- Designation used to fund environmentally beneficial projects
 - New sector in municipal bond market
 - 2015 Power Bonds sale—funded HH generation projects
 - Does not provide better pricing—could change as market/investor demand grows
- First Green Bonds with “Climate Bonds Initiative” certification under new standards for water/wastewater projects
 - Certifies projects that help meet climate change adaptation/mitigation
 - Received independent, expert opinion that SSIP meets new standards
 - Provides investors with science-based criteria for purchasing Green Bonds
- Establishes SFPUC as a leader in fast-growing Green Bonds sector



Considerable Press Coverage

Significant press coverage: Reuters, Bond Buyer, GWI, Ceres Press Release, Cities Today, SF Daily Journal, The White House

“There is great demand for environmentally related securities...to finance critical projects for combatting climate change. The [SFPUC’s bonds]...are a step toward meeting this market need.” John Chiang, California State Treasurer, Ceres

*“San Francisco PUC is showing leadership by example to the US municipal bond market with the forthcoming issuance of a certified water bond...They are to be congratulated.”
- Justine Leigh-Bell, Climate Bonds Initiative, Bond Buyer*

Questions



considerable press coverage



San Francisco
Water
Power
Sewer

Water Revenue Refunding Bonds Sale Results

November 7, 2016
Richard Morales
Debt Manager



Water Revenue Refunding Bonds

- Par amount \$893.8M
- Average borrowing term 13.3 years
- Sale date October 6, 2016
- Refunded outstanding WSIP and Non-WSIP Bonds

Water Credit Ratings

- Ratings Affirmed:
 - S&P AA-
 - Moody's Aa3
- Reasons cited:
 - Strong and competent operational & financial management
 - Prudent rate-setting
 - Effective long-range fiscal planning
- Low debt service coverage cited as credit weakness

S&P	Moody's
AAA	Aaa
AA+	Aa1
AA	Aa2
AA-	Aa3
A+	A1
A	A2
A-	A3



Marketing the Bonds

- Local media campaign
 - Digital—SFGate, Bloomberg, Yahoo Finance
 - Radio—KCBS, Sing Tao Chinese Radio
- Institutional investor outreach
 - Online investor presentation
 - In-person meetings
 - One-on-one calls

Historically Low Rates



- 25-Year MMD* rate on Oct 6th was 2.40%
- Since 1990, 25-year MMD rate has been below 2.40% just 1.5% of the time

*Municipal bond market index



Pricing the Bonds

- Rising U.S. treasury yields
 - Historically high levels of supply
 - Weekly issuance volume largest since 2010
 - Two-day pricing period
 - Oct 5th—retail order period
 - \$154M orders 188 investors
 - Oct 6th—institutional order period
 - \$1B+ orders 30 investors
 - True Interest Cost (TIC)—2.85%
-



Debt Service Savings

- Gross savings: \$136M
- Net PV savings: \$107M
- Percent savings: 11.52%
- Benefits both Retail and Wholesale Customers

Questions

