PRELIMINARY OFFICIAL STATEMENT DATED JULY 29, 2026

NEW ISSUE – Book-Entry Only **Ratings: See "RATINGS."**

In the opinion of Norton Rose Fulbright US LLP, San Francisco, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance with certain covenants in the documents pertaining to the 2026B Bonds and requirements of the Internal Revenue Code of 1986, as described herein, interest on the 2026B Bonds is not included in the gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, interest on the 2026B Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax on individuals. Bond Counsel is also of the opinion that, under existing law, interest on the 2026B Bonds is exempt from personal income taxes of the State of California. See "TAX MATTERS" herein.

San Francisco Water Power Sewer
Services of the San Francisco Public Utilities Commission

$408,780,000*
PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO
WASTEWATER REVENUE BONDS, 2026 SERIES B (REFUNDING)

Dated: Date of Delivery **Due: As shown on inside cover page**

This cover page contains certain information for quick reference only. It is not intended to be a summary of the security or terms of this issue. Investors are instructed to read the entire Official Statement, including the appendices hereto, to obtain information essential to making an informed investment decision.

General. This Official Statement provides information regarding the above-captioned bonds (the "**2026B Bonds**") of the Public Utilities Commission of the City and County of San Francisco (the "**SFPUC**"). Capitalized terms not otherwise defined on this cover shall have the meanings ascribed to such terms herein.

Authority for Issuance. The SFPUC is issuing the 2026B Bonds pursuant to authority granted by the Charter of the City and County of San Francisco (the "**City**"). The 2026B Bonds will be issued under a supplemental indenture that supplements the Indenture, dated as of January 1, 2003 (as amended and supplemented, the "**Indenture**"), by and between the SFPUC and U.S. Bank Trust Company, National Association, as successor to U.S. Bank National Association, as trustee (the "**Trustee**"). See "SECURITY FOR THE BONDS." All bonds, notes and other obligations of the SFPUC issued and outstanding at any given time under the Indenture, including the 2026B Bonds, and Parity Loans as the context requires, are referred to collectively in this Official Statement as the "**Bonds**."

Purpose. The 2026B Bonds are being issued to refund all or a portion of certain of the SFPUC's outstanding Bonds and to pay the costs of issuance of the 2026B Bonds. See "PLAN OF FINANCE," "ESTIMATED SOURCES AND USES OF FUNDS" and "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – WASTEWATER ENTERPRISE CAPITAL PROGRAM."

Denominations and Interest. The 2026B Bonds will be available in denominations of $5,000 or any integral multiple thereof and will mature in the years and amounts and accrue interest from their date of delivery at the rates set forth on the inside cover page of this Official Statement. Interest on the 2026B Bonds is payable semiannually on April 1 and October 1 of each year, commencing on October 1, 2026. See "THE 2026B BONDS."

Book-Entry Only. The 2026B Bonds will be issued as fully registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("**DTC**"), New York, New York, and will be available to ultimate purchasers (the "**Beneficial Owners**") under the book-entry only system maintained by DTC. Beneficial Owners will not receive physical certificates representing their interests in the 2026B Bonds. The principal of, premium, if any, and interest on the 2026B Bonds are payable to DTC by the Trustee, and, so long as DTC is acting as securities depository for the 2026B Bonds, disbursements of such payments to DTC Participants are the responsibility of DTC and disbursements of such payments to the Beneficial Owners are the responsibility of DTC Participants. See "THE 2026B BONDS."

Redemption. The 2026B Bonds are subject to redemption prior to their stated maturities as described herein.* See "THE 2026B BONDS – Redemption."

Security. Under the Indenture, the SFPUC has irrevocably pledged the Net Revenues of the Wastewater Enterprise to the punctual payment of principal of, premium, if any, and interest on the Bonds, which consist of any parity revenue bonds, notes and other obligations issued under the Indenture, including the 2026B Bonds, and Parity Loans, subject to the allocation of funds provided in the Indenture. The 2026B Bonds are payable on a parity with certain Outstanding Bonds previously issued by the SFPUC under the Indenture and certain Parity Loans. No Reserve Account will be established for the 2026B Bonds. See "SECURITY FOR THE BONDS."

Limited Obligation. **The SFPUC is not obligated to pay the principal of, premium, if any, or interest on the Bonds from any source of funds other than Net Revenues of the Wastewater Enterprise. The SFPUC has no taxing power. The General Fund of the City is not liable for the payment of the principal of, premium, if any, or interest on the Bonds, and neither the credit nor the taxing power of the City is pledged to the payment of the principal of, premium, if any, or interest on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge, lien, or encumbrance upon, any of the property of the City or of the SFPUC or any of its income or receipts, except Net Revenues of the Wastewater Enterprise. See "SECURITY FOR THE BONDS."**

The 2026B Bonds are offered when, as and if issued by the SFPUC and received by the Underwriters, subject to the approval of validity by Norton Rose Fulbright US LLP, San Francisco, California, Bond Counsel to the SFPUC, and to certain other conditions. Certain matters will be passed upon for the SFPUC and the City by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Disclosure Counsel, and by the City Attorney of the City and County of San Francisco. Montague DeRose and Associates, LLC, Walnut Creek, California, and Backstrom McCarley Berry & Co., LLC, San Francisco, California, Co-Municipal Advisors to the SFPUC, assisted in the structuring of this financing. Certain matters will be passed upon for the Underwriters by Hawkins Delafield & Wood LLP, San Francisco, California. It is expected that the 2026B Bonds in fully registered form will be available for delivery in book-entry form through the facilities of DTC on or about August 13, 2026.*

J.P. Morgan **Ramirez & Co., Inc.**

Raymond James **TD Financial Products**

The date of this Official Statement is July __, 2026.

* Preliminary, subject to change.

MATURITY SCHEDULE*

Wastewater Revenue Bonds,
2026 Series B

$408,780,000 Serial Bonds

Maturity (October 1)	Principal Amount	Interest Rate	Yield†	CUSIP‡ Base Number 79768H
2026	$10,710,000			
2027	14,390,000			
2028	15,110,000			
2029	15,880,000			
2030	16,680,000			
2031	17,530,000			
2032	18,410,000			
2033	19,345,000			
2034	20,320,000			
2035	21,355,000			
2036	22,445,000			
2037	23,570,000			
2038	24,765,000			
2039	26,020,000			
2040	44,490,000			
2041	47,655,000			
2042	50,105,000			

* Preliminary, subject to change.
† Reoffering yields have been provided by the Underwriters. See "UNDERWRITING."
‡ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Global Services data base. Neither the SFPUC nor the Underwriters assume any responsibility for the accuracy of the CUSIP data.

GENERAL INFORMATION

No dealer, broker, salesperson or other person has been authorized by the SFPUC to give any information or to make any representation other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the SFPUC.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2026B Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. This Official Statement is not to be construed as a contract with the initial purchasers of the 2026B Bonds. Any statement made in this Official Statement involving any forecast or matter of estimates or opinion, whether or not expressly so stated, is intended solely as such and not as a representation of fact.

The information set forth herein other than that provided by the SFPUC, although obtained from sources which are believed to be reliable, is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the SFPUC or the City since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The City maintains a website at https://www.sf.gov/ and the SFPUC maintains a website at https://www.sfpuc.gov/. The City and the SFPUC also maintain social media accounts. In addition, certain information and reports found on other websites and other information and reports are referred to in this Official Statement. *The information and reports available on such websites, social media accounts and the other referenced information and reports, are not incorporated by reference into this Official Statement and should not be relied upon in making an investment in the 2026B Bonds.*

The issuance and sale of the 2026B Bonds have not been registered under the Securities Act of 1933 in reliance upon the exemption provided thereunder by Section 3(a)(2) for the issuance and sale of municipal securities.

This Official Statement is delivered for use in connection with the issuance, sale and delivery of the 2026B Bonds and may not be reproduced or used, in whole or in part, for any other purpose.

FORWARD-LOOKING STATEMENTS

CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND “FORWARD-LOOKING STATEMENTS.” ALL FORWARD-LOOKING STATEMENTS ARE PREDICTIONS AND ARE SUBJECT TO KNOWN AND UNKNOWN RISKS AND UNCERTAINTIES. NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED HEREIN WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, THE WORDS “ESTIMATE,” “PROJECT,” “ANTICIPATE,” “EXPECT,” “INTEND,” “BELIEVE” AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. GIVEN THEIR UNCERTAINTY, INVESTORS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON SUCH STATEMENTS.

SAN FRANCISCO PUBLIC UTILITIES COMMISSION

Joshua Arce, President
Stephen E. Leveroni, Vice President
Avni Jamdar, Commissioner
Kate H. Stacy, Commissioner
Meghan Thurlow, Commissioner

PUBLIC UTILITIES COMMISSION OFFICIALS

Dennis J. Herrera, General Manager*
Ronald P. Flynn, Deputy General Manager and Chief Operating Officer
Nancy L. Hom, Assistant General Manager, Business Services and Chief Financial Officer
Joel Prather, Assistant General Manager, Wastewater Enterprise
Jennifer S. Hopkins, Assistant General Manager, Professional Services Division and Chief Administrative Officer
Steven R. Ritchie, Assistant General Manager, Water Enterprise
Stephen D. Robinson, Assistant General Manager, Infrastructure Division

CITY AND COUNTY OF SAN FRANCISCO

MAYOR
Daniel Lurie

BOARD OF SUPERVISORS

Rafael Mandelman, District 8, President
Connie Chan, District 1
Chyanne Chen, District 11
Matt Dorsey, District 6
Alan Wong, District 4
Jackie Fielder, District 9
Bilal Mahmood, District 5
Myrna Melgar, District 7
Danny Sauter, District 3
Shamann Walton, District 10
Stephen Sherrill, District 2

CITY ATTORNEY
David Chiu

CITY TREASURER
José Cisneros

OTHER CITY AND COUNTY OFFICIALS
Greg Wagner, Controller
Carmen Chu, City Administrator

SPECIAL SERVICES

Bond Counsel
Norton Rose Fulbright US LLP
San Francisco, California

Disclosure Counsel
Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Trustee
U.S. Bank Trust Company, National Association
San Francisco, California

Co-Municipal Advisors
Montague DeRose and Associates, LLC
Walnut Creek, California

Backstrom McCarley Berry & Co., LLC
San Francisco, California

Verification Agent
Robert Thomas CPA, LLC
Minneapolis, Minnesota

* Dennis J. Herrera has announced he plans to retire in December 2026.

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OFFICIAL STATEMENT

$408,780,000[*]
Public Utilities Commission of the
City and County of San Francisco
Wastewater Revenue Bonds, 2026 Series B (Refunding)

INTRODUCTION

This Introduction is qualified in its entirety by reference to the more detailed information included and referred to elsewhere in this Official Statement. The offering of the hereinafter defined 2026B Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Introduction and not otherwise defined have the respective meanings assigned to them elsewhere in this Official Statement, including "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

General

This Official Statement, including the cover pages and Appendices hereto, is provided to furnish certain information in connection with the offering by the Public Utilities Commission of the City and County of San Francisco (the "**SFPUC**") of its Wastewater Revenue Bonds, 2026 Series B (Refunding) (the "**2026B Bonds**"). All bonds, notes and other obligations of the SFPUC issued and outstanding at any given time under the Indenture (as defined herein), including the 2026B Bonds and the Parity Loans (as defined herein) as the context requires, are referred to collectively in this Official Statement as the "**Bonds**."

Authority for Issuance

The SFPUC is issuing the 2026B Bonds pursuant to authority granted by the Charter (the "**Charter**") of the City and County of San Francisco (the "**City**").

The 2026B Bonds will be issued under a Twentieth Supplemental Indenture, dated as of August 1, 2026 (the "**Twentieth Supplemental Indenture**"), by and between the SFPUC and U.S. Bank Trust Company, National Association, as successor to U.S. Bank National Association, as trustee (the "**Trustee**"). The Twentieth Supplemental Indenture supplements the Indenture, dated as of January 1, 2003 (the "**Original Indenture**" and, as amended and supplemented, including as supplemented by the Twentieth Supplemental Indenture, the "**Indenture**"), by and between the SFPUC and the Trustee.

The 2026B Bonds are being issued pursuant to Ordinance No. 181-23, adopted by the Board of Supervisors of the City (the "**Board of Supervisors**") on July 25, 2023 and Ordinance No. 125-24, adopted by the Board of Supervisors on June 11, 2024, and under a resolution adopted by the SFPUC governing body (the "**Commission**") on July 28, 2026.

See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – OBLIGATIONS PAYABLE FROM NET REVENUES – Authority for Issuance of Revenue Bonds and Other Obligations Payable from Net Revenues."

Purpose

The 2026B Bonds are being issued to (a) refund (i) all or a portion of the SFPUC's outstanding 2010B Bonds (as defined in Appendix A hereto); (ii) all or a portion of the SFPUC's outstanding 2013B Bonds (as defined in Appendix A hereto); (iii) all or a portion of the SFPUC's outstanding 2016A Bonds (as defined in Appendix A hereto); and (iv) all or a portion of the SFPUC's outstanding 2016B Bonds (as defined in Appendix A hereto); and (b) to pay the costs of issuance of the 2026B Bonds. See "PLAN OF FINANCE," "ESTIMATED SOURCES AND USES OF

[*] Preliminary, subject to change.

FUNDS" and "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – WASTEWATER ENTERPRISE CAPITAL PROGRAM."

The SFPUC and the Wastewater Enterprise

The SFPUC is a department of the City responsible for the maintenance, operation and development of three utility enterprises. See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – THE PUBLIC UTILITIES COMMISSION."

The Wastewater Enterprise provides sewage and stormwater collection, treatment and disposal services to residential, commercial and industrial customers in San Francisco, as well as three municipal sewer service providers that serve residents and businesses in northern San Mateo County. The Wastewater Enterprise's services are provided through (i) a combined sewer system that collects sewage and stormwater, (ii) two all-weather treatment plants and one wet-weather treatment facility and (iii) discharge outfalls to the San Francisco Bay and Pacific Ocean. See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – THE WASTEWATER ENTERPRISE."

The SFPUC's Water Enterprise (as defined in Appendix A hereto) delivers retail water services to San Francisco and wholesale water to users in three other Bay Area counties, and the SFPUC's Power Enterprise (as defined in Appendix A hereto) delivers power, mainly hydroelectric, for City government operations and to other users. See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – THE PUBLIC UTILITIES COMMISSION." **The revenues of the Water Enterprise and the Power Enterprise are not available for, and do not secure, payment of the principal of, premium, if any, or interest on the Bonds, including the 2026B Bonds**.

Security for the 2026B Bonds

Under the Indenture, the SFPUC has irrevocably pledged the Net Revenues (as defined herein) of the Wastewater Enterprise to the punctual payment of principal of, premium, if any, and interest on the Bonds, which consist of any parity revenue bonds, notes and obligations issued under the Indenture, including the 2026B Bonds, and Parity Loans, subject to the flow of funds contained in the Indenture. The 2026B Bonds and all other Bonds are secured by a parity lien on Net Revenues. Under the Indenture, Parity Loans are treated as "Bonds" for certain purposes and are therefore secured by a pledge of Net Revenues on a parity with the 2026B Bonds. See "SECURITY FOR THE BONDS" and "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

The Indenture defines "Net Revenues" as all "Revenues" less all "Operation and Maintenance Costs of the Enterprise" (each as defined herein). Revenues are generated principally from the sewer service charges to customers for the sanitary wastewater and stormwater collection, treatment and disposal services of the Wastewater Enterprise. Wastewater rates are set by the SFPUC, subject to rejection by resolution of the Board of Supervisors. See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – FINANCIAL OPERATIONS – Wastewater Enterprise Rate Setting" and "– Wastewater Enterprise Rates and Charges."

The SFPUC is not obligated to pay the principal of, premium, if any, or interest on the Bonds from any source of funds other than Net Revenues of the Wastewater Enterprise. The SFPUC has no taxing power. The General Fund of the City is not liable for the payment of the principal of, premium, if any, or interest on the Bonds, and neither the credit nor the taxing power of the City is pledged to the payment of the principal of, premium, if any, or interest on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the City or of the SFPUC or any of its income or receipts, except Net Revenues of the Wastewater Enterprise. See "SECURITY FOR THE BONDS."

No Reserve Account for 2026B Bonds

No Reserve Account will be established for the 2026B Bonds.

Parity Bonds and Other Indebtedness

Parity Bonds. The SFPUC has 19 series of outstanding parity revenue bonds, issued under the Indenture, in the aggregate principal amount of approximately $4.728 billion as of July 1, 2026. See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – OBLIGATIONS PAYABLE FROM NET REVENUES – Outstanding Parity Revenue Bonds."

The Indenture permits, upon the satisfaction of certain conditions, the issuance of additional bonds secured by a pledge of Net Revenues (the "**Additional Bonds**") on a parity with the Outstanding Bonds and the 2026B Bonds. See "SECURITY FOR THE BONDS – Additional Series of Bonds."

Parity Loans. Under the Indenture, the SFPUC may enter into loan agreements with the State of California (the "**State**") and any board, department or agency thereof, or the federal government and any board, department and agency thereof, to finance certain categories of projects relating to the facilities of the Wastewater Enterprise. These loans (referred to herein as the "**Parity Loans**") are payable from Net Revenues on a parity with the Bonds. In accordance with the Fifth Supplemental Indenture, dated as of September 14, 2017, Parity Loans are treated as "Bonds" for certain purposes under the Indenture. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

As of the date of this Official Statement, the SFPUC has entered into nine State Revolving Fund ("**SRF**") loans with the State for the Wastewater Enterprise. These SRF loans constitute "Parity Loans" under the Indenture. The maximum aggregate amount that may be disbursed under such existing SRF loans is approximately $570.5 million. The SFPUC plans to apply for additional SRF loans for the Wastewater Enterprise over the next several years. See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – OBLIGATIONS PAYABLE FROM NET REVENUES – Parity Loans" and "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

WIFIA Bonds. The SFPUC has issued three parity Bonds under the Indenture to evidence its repayment obligation to the United States Environmental Protection Agency (the "**USEPA**"), acting by and through the Administrator of the USEPA (the "**WIFIA Lender**"), under the WIFIA Loan Agreements (as defined and further described in Appendix A hereto). The WIFIA Lender has agreed to make (i) the BDFP WIFIA Loan (as defined and further described in Appendix A hereto) to the SFPUC in an amount not to exceed $699,242,023 to finance eligible costs of the Biosolids Digester Facilities Project (as defined in Appendix A hereto) plus certain eligible expenses, (ii) the STPI WIFIA Loan (as defined and further described in Appendix A hereto) to the SFPUC in an amount not to exceed $513,861,981 to finance eligible costs of the Southeast Treatment Plant Improvements Project (as defined in Appendix A hereto) plus certain eligible expenses, and (iii) up to five loans to the SFPUC in an aggregate amount not to exceed $791,337,456 to finance certain Wastewater Enterprise capital improvement projects, including the Project 1 WIFIA Loan (as defined and further described in Appendix A hereto), in an amount not to exceed $369,335,021. The WIFIA Bonds (as defined and further described in Appendix A hereto) are payable from and secured by a pledge of Net Revenues on a parity with the Bonds. As of the date of this Official Statement, the SFPUC has made three draws on the BDFP WIFIA Loan and the principal amount of the BDFP WIFIA Bond (as defined in Appendix A hereto) is approximately $699,242,023, two draws on the STPI WIFIA Loan and the principal amount of the STPI WIFIA Bond (as defined in Appendix A hereto) is approximately $513,861,981, and one draw on the Project 1 WIFIA Loan and the principal amount of the Project 1 WIFIA Bond (as defined in Appendix A hereto) is approximately $157,642,619. The BDFP WIFIA Loan and the STPI WIFIA Loan are fully drawn. The Project 1 WIFIA Loan Agreement provides that the full principal amount must be disbursed no later than one year following the expected substantial completion date for the Project 1 Projects (December 20, 2028). See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – OBLIGATIONS PAYABLE FROM NET REVENUES – Water Infrastructure Finance and Innovation Act Loans – *WIFIA Bonds*" and "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Risk Factors

Investment in the 2026B Bonds is subject to certain risks that should be considered, in addition to other matters set forth in this Official Statement, in evaluating an investment in the 2026B Bonds. For a general overview of certain risk factors, see "RISK FACTORS."

Continuing Disclosure

The SFPUC will covenant for the benefit of the Owners and Beneficial Owners of the 2026B Bonds to provide certain financial information and operating data regarding the Wastewater Enterprise not later than March 31 following the end of its Fiscal Year (presently June 30), beginning on March 31, 2027, with respect to the report for Fiscal Year 2025-26, and to provide notices of the occurrence of certain enumerated events. These covenants will be made to assist the Underwriters in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "**Rule**"). See "CONTINUING DISCLOSURE" and "APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Concurrent Financing

Concurrently with the issuance of the 2026B Bonds, the SFPUC intends to issue its Wastewater Revenue Bonds, 2026 Series A (Federally Taxable) (the "**2026A Bonds**") in the aggregate principal amount of $405,585,000* to (a) finance, on an interim basis, certain capital projects benefitting the Wastewater Enterprise, including the Biosolids Digester Facilities Project; (b) retire Commercial Paper Notes (as defined in Appendix A hereto) issued to finance, on an interim basis, certain capital projects benefitting the Wastewater Enterprise, including the Biosolids Digester Facilities Project; (c) pay capitalized interest on the 2026A Bonds; and (d) pay the costs of issuance of the 2026A Bonds. The 2026A Bonds will mature on October 1, 2031*. Although the 2026A Bonds will be secured by a pledge of Net Revenues of the Wastewater Enterprise, the SFPUC does not expect that Net Revenues will be sufficient to pay the principal of the 2026A Bonds at maturity. As such, the SFPUC intends to pay the principal of the 2026A Bonds from the proceeds of additional notes, revenue bonds or other revenue secured obligations (referred to herein as the "**Take-Out Obligations**") to be issued by the SFPUC on or prior to the maturity of the 2026A Bonds. If the SFPUC is unable to issue Take-Out Obligations, no assurance can be given that the SFPUC will have sufficient funds on hand to pay the principal of the 2026A Bonds on their maturity date.

The sale of the 2026B Bonds is not contingent on the sale or delivery of the 2026A Bonds, and the SFPUC may or may not proceed with the issuance of its 2026A Bonds depending on market conditions. **The 2026A Bonds are not being offered pursuant to this Official Statement.**

The Commission has approved a refinancing with Additional Bonds of a portion of certain City certificates of participation. The City's certificates of participation were previously executed and delivered to finance the Commission's headquarters building. The headquarters building benefits the Commission's Wastewater Enterprise, as well as its other enterprises. The SFPUC allocates such payment obligations internally among its three utility enterprises based on percentage usage, and the Wastewater Enterprise is responsible for 18.88% of such obligations, payable from Net Revenues on a basis subordinate to the payment of principal of and interest on the Bonds. As of July 1, 2026, the principal amount of such outstanding certificates of participation was $115,245,000 (of which the Wastewater Enterprise is responsible for $21,757,553 as of July 1, 2026). If also authorized by the Board of Supervisors, Additional Bonds could be issued in the near future to refinance the portion of such certificates of participation attributable to the space in such building utilized by the Wastewater Enterprise. The SFPUC may or may not proceed with the issuance of such Additional Bonds depending on market conditions.

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* Preliminary, subject to change.

Other Matters

Brief descriptions of the 2026B Bonds, the security and sources of payment for the 2026B Bonds, the SFPUC and the Wastewater Enterprise are provided herein. Such descriptions do not purport to be comprehensive or definitive. Definitions of certain capitalized terms used herein may be found in "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE." All references made to various documents herein are qualified in their entirety by reference to the forms thereof, all of which are available for inspection at the office of the SFPUC at:

San Francisco Public Utilities Commission
525 Golden Gate Avenue, 13th Floor
San Francisco, CA 94102
Attention: Chief Financial Officer and Assistant General Manager, Business Services
(415) 554-3155

THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE

Additional information relating to the SFPUC and the Wastewater Enterprise can be found in "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE" hereto.

PLAN OF FINANCE*

General

The 2026B Bonds are being issued to (a) refund (i) all or a portion of the SFPUC's outstanding 2010B Bonds; (ii) all or a portion of the SFPUC's outstanding 2013B Bonds; (iii) all or a portion of the SFPUC's outstanding 2016A Bonds; and (iv) all or a portion of the SFPUC's outstanding 2016B Bonds; and (b) to pay the costs of issuance of the 2026B Bonds. The 2010B Bonds, the 2013B Bonds, the 2016A Bonds, and the 2016B Bonds were issued to finance or refinance capital projects benefitting the Wastewater Enterprise. See "ESTIMATED SOURCES AND USES OF FUNDS" and "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – WASTEWATER ENTERPRISE CAPITAL PROGRAM" and "— THE WASTEWATER ENTERPRISE – The SFPUC's Environmental Commitment."

Refunded Bonds*

The following tables detail the 2010B Bonds to be refunded (the "**Refunded 2010B Bonds**"), the 2013B Bonds to be refunded (the "**Refunded 2013B Bonds**"), the 2016A Bonds to be refunded (the "**Refunded 2016A Bonds**"), and the 2016B Bonds to be refunded (the "**Refunded 2016B Bonds**" and, together with the Refunded 2010B Bonds, the Refunded 2013B Bonds, and the Refunded 2016A Bonds, the "**Refunded Bonds**") with proceeds of the 2026B Bonds. The Refunded 2010B Bonds are being redeemed pursuant to the Extraordinary Optional Redemption provisions of the First Supplemental Indenture, dated as of May 1, 2010, by and between the SFPUC and the Trustee. The Refunded 2013B Bonds, the Refunded 2016A Bonds, and the Refunded 2016B Bonds are each being refunded at a redemption price equal to 100% of the principal amount of such Refunded 2013B Bonds, Refunded 2016A Bonds, and Refunded 2016B Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium. The Refunded Bonds will only be determined by the SFPUC at the time that the SFPUC and the Underwriters execute a bond purchase contract for the 2026B Bonds. Until such time, the series, maturity dates, and principal amounts of the Refunded Bonds remain subject to change by the SFPUC.

* Preliminary, subject to change.

Public Utilities Commission of the City and County of San Francisco
Wastewater Revenue Bonds, 2010 Series B
(Federally Taxable – Build America Bonds – Direct Payment)

Maturity	Outstanding Principal Amount	Interest Rate	Principal Amount to be Refunded*	CUSIP (Base No. 79768H)†	Redemption Date
10/01/2026	$ 8,270,000	5.20%	$ 8,270,000	AE8	08/13/2026
10/01/2027	8,560,000	5.30	8,560,000	AF5	08/13/2026
10/01/2028	8,860,000	5.40	8,860,000	AG3	08/13/2026
10/01/2029	9,180,000	5.50	9,180,000	AH1	08/13/2026
10/01/2030	9,520,000	5.60	9,520,000	AJ7	08/13/2026
10/01/2035‡	53,280,000	5.75	53,280,000	AK4	08/13/2026
10/01/2040‡	64,315,000	5.82	64,315,000	AL2	08/13/2026
Total:	$161,985,000		$161,985,000		

Public Utilities Commission of the City and County of San Francisco
Wastewater Revenue Bonds, 2013 Series B

Maturity	Outstanding Principal Amount	Interest Rate	Principal Amount to be Refunded*	CUSIP (Base No. 79768H)†	Payment or Redemption Date
10/01/2042‡	$93,095,000	4.00%	$93,095,000	CG1	08/13/2026
Total:	$93,095,000		$93,095,000		

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* Preliminary, subject to change.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Global Services data base. Neither the SFPUC nor the Underwriters assume any responsibility for the accuracy of the CUSIP data.

‡ Term Bond.

Public Utilities Commission of the City and County of San Francisco
Wastewater Revenue Bonds, 2016 Series A (Green Bonds)

Maturity	Outstanding Principal Amount	Interest Rate	Principal Amount to be Refunded*	CUSIP (Base No. 79768H)†	Payment or Redemption Date
10/01/2026	$ 6,365,000	5.00%	$ 6,365,000	CL0	08/13/2026
10/01/2027	6,690,000	5.00	6,690,000	CM8	08/13/2026
10/01/2028	7,035,000	5.00	7,035,000	CN6	08/13/2026
10/01/2029	7,395,000	5.00	7,395,000	CP1	08/13/2026
10/01/2030	7,775,000	5.00	7,775,000	CQ9	08/13/2026
10/01/2031	8,170,000	5.00	8,170,000	CR7	08/13/2026
10/01/2032	8,590,000	5.00	8,590,000	CS5	08/13/2026
10/01/2033	9,030,000	5.00	9,030,000	CT3	08/13/2026
10/01/2034	9,495,000	5.00	9,495,000	CU0	08/13/2026
10/01/2035	9,980,000	5.00	9,980,000	CV8	08/13/2026
10/01/2036	10,495,000	5.00	10,495,000	CW6	08/13/2026
10/01/2037	10,975,000	4.00	10,975,000	CX4	08/13/2026
10/01/2038	11,425,000	4.00	11,425,000	CY2	08/13/2026
10/01/2039	11,890,000	4.00	11,890,000	CZ9	08/13/2026
10/01/2040	12,375,000	4.00	12,375,000	DA3	08/13/2026
10/01/2042‡	26,285,000	4.00	26,285,000	DC9	08/13/2026
10/01/2046‡	59,320,000	4.00	59,320,000	DB1	08/13/2026
Total:	$223,290,000		$223,290,000		

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‡ Term Bond.

Public Utilities Commission of the City and County of San Francisco
Wastewater Revenue Bonds, 2016 Series B

Maturity	Outstanding Principal Amount	Interest Rate	Principal Amount to be Refunded*	CUSIP (Base No. 79768H)†	Payment or Redemption Date
10/01/2026	$ 1,795,000	5.00%	$ 1,795,000	DG0	08/13/2026
10/01/2027	1,885,000	5.00	1,885,000	DH8	08/13/2026
10/01/2028	1,980,000	5.00	1,980,000	DJ4	08/13/2026
10/01/2029	2,085,000	5.00	2,085,000	DK1	08/13/2026
10/01/2030	2,190,000	5.00	2,190,000	DL9	08/13/2026
10/01/2031	2,305,000	5.00	2,305,000	DM7	08/13/2026
10/01/2032	2,420,000	5.00	2,420,000	DN5	08/13/2026
10/01/2033	2,545,000	5.00	2,545,000	DP0	08/13/2026
10/01/2034	2,675,000	5.00	2,675,000	DQ8	08/13/2026
10/01/2035	2,815,000	5.00	2,815,000	DR6	08/13/2026
10/01/2036	2,960,000	5.00	2,960,000	DS4	08/13/2026
10/01/2037	3,095,000	4.00	3,095,000	DT2	08/13/2026
10/01/2038	3,220,000	4.00	3,220,000	DU9	08/13/2026
10/01/2039	3,350,000	4.00	3,350,000	DV7	08/13/2026
10/01/2040	3,490,000	4.00	3,490,000	DW5	08/13/2026
10/01/2042‡	7,410,000	4.00	7,410,000	DY1	08/13/2026
10/01/2046‡	16,725,000	4.00	16,725,000	DX3	08/13/2026
Total:	$62,945,000		$62,945,000		

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‡ Term Bond.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the 2026B Bonds are expected to be applied as follows:

Sources of Funds	
Principal Amount of 2026B Bonds	
[Net Original Issue Premium]	
2010 Series B Reserve Account Release	
Total Sources	
Uses of Funds	
Redemption of Refunded Bonds	
Underwriters' Discount	
Costs of Issuance(1)	
Total Uses	

(1) The costs of issuance include amounts for legal fees, Trustee fees, municipal advisor fees, Verification Agent fees, rating agency fees, printing costs, and other costs relating to the issuance of the 2026B Bonds.

THE 2026B BONDS

General

The 2026B Bonds will be dated as of their date of delivery and will accrue interest from their date of delivery at the rates per annum set forth on the inside cover page of this Official Statement. Interest on the 2026B Bonds will be calculated based on a 360-day year composed of twelve 30-day months. Interest on the 2026B Bonds is payable on April 1 and October 1 each year, commencing October 1, 2026. The 2026B Bonds will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. The 2026B Bonds will be issued in fully registered form in denominations of $5,000 or any integral multiple of $5,000. Under the Indenture, the record date with respect to the payment of principal of and interest on the 2026B Bonds is the 15th day of the month immediately preceding an interest payment date, whether such day is a Business Day.

Securities Depository and Book-Entry System

The 2026B Bonds will be issued in fully registered form, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("**DTC**"), New York, New York, as the Owner of the 2026B Bonds. So long as DTC, or its nominee, Cede & Co., is the Owner of the 2026B Bonds, all payments on the 2026B Bonds will be made directly to DTC. Disbursement of such payments to the DTC Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners of the 2026B Bonds will be the responsibility of the DTC Participants. See "APPENDIX F – SECURITIES DEPOSITORY AND THE BOOK-ENTRY SYSTEM."

Redemption*

Optional Redemption of 2026B Bonds. The 2026B Bonds maturing on and after October 1, 20__, are subject to redemption prior to their stated maturity, at the option of the SFPUC, from and to the extent of any source of available funds, as a whole or in part, on any date on or after ________ 1, 20__, at a redemption price equal to 100% of the principal amount of the 2026B Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium. If 2026B Bonds are to be optionally redeemed in part, the SFPUC shall direct the maturities, or portions thereof, to be redeemed, and, if less than all of the 2026B Bonds of a particular maturity are to be redeemed, the 2026B Bonds shall be redeemed by lot within any such maturity.

* Preliminary, subject to change.

Selection of 2026B Bonds for Redemption. Whenever less than all of the 2026B Bonds of any one maturity and tenor are called for redemption and such 2026B Bonds are redeemable by lot, the Trustee will select the 2026B Bonds of such maturity and tenor to be redeemed from the Outstanding 2026B Bonds of such maturity and tenor, by lot or by any other manner which the Trustee deems fair and equitable. For purposes of such selection, 2026B Bonds will be deemed to be made up of $5,000 portions of principal and any such portion may be redeemed separately.

Notice of Redemption for 2026B Bonds. Notice of redemption will be mailed by the Trustee at least 30 days but not more than 60 days prior to the redemption date to DTC (so long as the DTC Book-Entry System is used). The actual receipt by the owner of any 2026B Bonds of notice of such redemption is not a condition precedent to redemption, and failure to receive a redemption notice or any defect in a redemption notice will not affect the validity of the proceedings for the redemption of such 2026B Bonds or the cessation of the accrual of interest on the date fixed for such redemption. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – GENERAL REDEMPTION PROVISIONS – Notice of Redemption" and "APPENDIX F – SECURITIES DEPOSITORY AND THE BOOK-ENTRY SYSTEM."

Rescission of Notice of Redemption for 2026B Bonds. The SFPUC may, at its option, on or prior to the date fixed for redemption in any notice of redemption of 2026B Bonds, rescind and cancel such notice of redemption by written request to the Trustee and the Trustee will mail notice of such cancellation to the recipients of the notice of redemption being cancelled.

Effect of Redemption for 2026B Bonds. When notice of redemption has been duly given as described above, and moneys for payment of the redemption price are held by the Trustee, the 2026B Bonds so called for redemption will, on the redemption date designated in such notice, become due and payable at the redemption price specified in such notice; and from and after the date so designated, interest on the 2026B Bonds so called for redemption will cease to accrue, those 2026B Bonds will cease to be entitled to any benefit or security under the Indenture, and the Owners of those 2026B Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof. The Trustee will, upon surrender for payment of any of said 2026B Bonds, pay such 2026B Bonds at the redemption price, together with accrued interest thereon. All 2026B Bonds redeemed will be cancelled upon surrender and no 2026B Bonds will be issued in place thereof.

Defeasance

The obligations of the SFPUC and the pledge, lien, covenants and agreements of the SFPUC made or provided for in the Indenture as to any 2026B Bonds will be fully discharged and satisfied and will no longer be deemed outstanding thereunder if certain conditions set forth in the Indenture are satisfied. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – DEFEASANCE."

SECURITY FOR THE BONDS

Pledge of Net Revenues

General. Under the Indenture, the SFPUC has irrevocably pledged the Net Revenues of the Wastewater Enterprise to the punctual payment of principal of, premium, if any, and interest on the Bonds, which consist of any parity revenue bonds, notes and obligations issued under the Indenture, including the 2026B Bonds, and Parity Loans. This pledge is subject to the flow of funds contained in the Indenture, as described below. See "– Flow of Funds."

The facilities comprising the Wastewater Enterprise have not been pledged or mortgaged and do not otherwise secure payment of the Bonds.

Pursuant to Section 5451 of the California Government Code, the pledge of, lien on and security interest in Net Revenues and certain other funds granted by the Indenture is valid and binding in accordance with the terms thereof from the time of issuance of the 2026B Bonds; the Net Revenues and such other funds will be immediately subject to such pledge; and such pledge will constitute a lien and security interest which will immediately attach to such Net Revenues and other funds and will be effective, binding and enforceable against the SFPUC, its successors, purchasers of the Net Revenues, creditors, and all others asserting rights therein to the extent set forth and in accordance with the terms of the Indenture irrespective of whether those parties have notice of such pledge and without the need for any physical delivery, recordation, filing or other further act. Such pledge, lien and security interest are not subject to the provisions of Article 9 of the California Uniform Commercial Code.

For definitions of capitalized terms used herein and not otherwise defined, see "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – THE INDENTURE – DEFINITIONS; EQUAL SECURITY: CERTIFICATES AND OPINIONS."

Limited Obligation. THE SFPUC IS NOT OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS EXCEPT FROM NET REVENUES OF THE WASTEWATER ENTERPRISE. THE SFPUC HAS NO TAXING POWER. THE GENERAL FUND OF THE CITY IS NOT LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE CITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN, OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE CITY OR OF THE SFPUC OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT NET REVENUES OF THE WASTEWATER ENTERPRISE.

Wastewater Enterprise. The Indenture defines "**Enterprise**" (referred to in this Official Statement as the "**Wastewater Enterprise**") as the whole and each and every part of the municipal sanitary waste and stormwater collection, treatment and disposal system and auxiliary or related facilities of the SFPUC, including all of the presently existing system of the SFPUC for the collection, treatment and disposal of sanitary waste and stormwater and all future additions, betterments, and extensions to the system or any part thereof.

Net Revenues. The Indenture defines "**Net Revenues**" as all Revenues, less all Operation and Maintenance Costs of the Wastewater Enterprise.

The Indenture defines "**Revenues**" as all gross revenues of the Wastewater Enterprise, including all charges received for and all other income and receipts derived by the SFPUC from the operation of the Wastewater Enterprise, or arising from the Wastewater Enterprise, including connection and installation charges, but excluding:

(a) any money received by or for the account of the SFPUC from the levy or collection of taxes;

(b) moneys received from the State of California and the United States of America and required to be deposited in restricted funds;

(c) refundable deposits made to establish credit;

(d) advances and contributions made to the SFPUC to be applied to construction;

(e) moneys received constituting casualty insurance proceeds with respect to all or any part of the Wastewater Enterprise (which shall be received and disposed of pursuant to the Indenture) and moneys received constituting other insurance proceeds;

(f) moneys received from the sale or disposition of all or any part of the Wastewater Enterprise (which shall be received and disposed of pursuant to the Indenture);

(g) moneys received upon the taking by or under the threat of eminent domain of all or any part of the Wastewater Enterprise (which moneys shall be received and disposed of pursuant to the Indenture);

(h) proceeds from Bonds issued by the SFPUC or proceeds from loans or other indebtedness obtained by the SFPUC; and

(i) moneys or securities received by the SFPUC as gifts or grants the use of which is restricted by the donor or grantor.

The term "**Revenues**" also includes (i) all interest or other income (excluding profits or losses from the sale or disposition of Permitted Investments or other securities owned by or on behalf of the SFPUC) derived from the deposit or investment of any moneys in any fund or account established under the Indenture (excluding any Rebate Fund and any escrow fund pledged for the payment of defeased bonds) or in any fund or account of the Wastewater Enterprise and legally available to pay Debt Service, and (ii) any other moneys, proceeds and other amounts that the SFPUC determines should be "Revenues" under the Indenture.

The Indenture defines "**Operation and Maintenance Costs of the Enterprise**" (referred to in this Official Statement as the "**Operation and Maintenance Costs of the Wastewater Enterprise**") as the reasonable and necessary costs of operating and maintaining the Wastewater Enterprise, calculated on the basis of generally accepted accounting principles, including (among other things) salaries and wages, fees for services, costs of materials, supplies and fuel, reasonable expenses of management, legal fees, accounting fees, repairs and other expenses necessary to maintain and preserve the Wastewater Enterprise in good repair and working order, and reasonable amounts for administration, overhead, insurance, taxes (if any), and the payment of pension charges and proportionate payments to such compensation and other insurance or outside reserve funds as the SFPUC may establish or the Board of Supervisors may require with respect to employees of the SFPUC, as provided in the Charter.

However, the term "Operation and Maintenance Costs of the Wastewater Enterprise" excludes in all cases (a) depreciation and obsolescence charges or reserves therefor, (b) amortization of intangibles or other bookkeeping entries of a similar nature, (c) costs of capital additions, replacements, betterments, extensions or improvements to the Wastewater Enterprise, which under generally accepted accounting principles are chargeable to a capital account or to a reserve for depreciation, (d) charges for the payment of principal of and interest on any revenue bonds or other indebtedness issued before or after the date of the Indenture for Wastewater Enterprise purposes and (e) such costs as are scheduled to be paid by the SFPUC from moneys other than Revenues, such moneys to be clearly available for such purpose.

Flow of Funds

The Indenture provides that all Revenues must be paid into the Revenue Fund, which must be maintained in the City treasury. Moneys in the Revenue Fund, including earnings thereon, are required by the Indenture to be applied for the following purposes and only in the following order of priority:

(a) payment of Operation and Maintenance Costs of the Wastewater Enterprise;

(b) payment of Bonds, Parity Loans, Policy Costs and amounts due as reimbursement under any Letter of Credit Agreement, as provided in the Indenture; and

(c) any other lawful purpose of the SFPUC.

Net Revenues deposited in the Revenue Fund, as described in (b) above, will be applied to pay interest and principal on the Bonds (which include Parity Loans) and to make deposits to the Bond Reserve Fund if the amounts therein are less than the Required Reserve. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

The Indenture defines "**Refundable Credits**" as (a) with respect to a Series of Bonds issued as Build America Bonds under Section 54AA of Internal Revenue Code of 1986 (the "**Code**"), the amounts which are payable by the federal government under Section 6431 of the Code, which the SFPUC has elected to receive under Section 54AA(g)(1) of the Code, and (b) with respect to a Series of Bonds issued as Build America Bonds under any other provision of the Code that creates a substantially similar direct-pay subsidy program, the amounts which are payable by the federal government under the applicable provisions of the Code, which the SFPUC has elected to receive under the applicable provisions of the Code.

The Indenture defines "**Build America Bonds**" as any bonds or other obligations issued as Build America Bonds under Section 54AA of the Code, or under any other provision of the Code that creates a substantially similar direct-pay subsidy program.

The Indenture provides that all of the Refundable Credits received by the SFPUC shall be deposited immediately upon receipt in the Interest Fund, and such Refundable Credits are irrevocably pledged to the punctual payment of the interest on the Bonds issued as Build America Bonds, and the Refundable Credits shall not be used for any other purpose while any of the Bonds issued as Build America Bonds remain Outstanding. The 2010B Bonds are the only outstanding Build America Bonds of the Wastewater Enterprise, and are proposed to be refunded in whole or in part by the 2026B Bonds. See "PLAN OF FINANCE."

Rate Covenants

Sufficiency of Revenues. The SFPUC has covenanted in the Indenture that it will, to the fullest extent permitted by law, establish, fix and prescribe prior to the commencement of each Fiscal Year, rates, fees and charges in connection with the sanitary waste and stormwater collection, treatment and disposal services and facilities furnished by the Wastewater Enterprise so as to yield Revenues at least sufficient, after making reasonable allowances for contingencies and error in the estimates, to pay the following amounts:

(a) the interest on and principal of the Bonds (which include Parity Loans) as they become due and payable (but not including any interest for which moneys have been deposited in the Interest Fund from the proceeds of any Series of Bonds or from any other source);

(b) all other payments required for compliance with the terms of the Indenture and of any Supplemental Indenture providing for the issuance of Additional Bonds pursuant to the Indenture;

(c) all other payments to meet any other obligations of the SFPUC which are charges, liens or encumbrances upon, or payable from, Revenues; and

(d) all current Operation and Maintenance Costs of the Wastewater Enterprise (but not including such Operation and Maintenance Costs of the Wastewater Enterprise as are scheduled to be paid by the SFPUC from moneys other than Revenues, such moneys to be clearly available for such purpose).

Debt Service Coverage. In addition to the requirements set forth under "– *Sufficiency of Revenues*" above, the Indenture provides that the SFPUC will, to the fullest extent permitted by law, establish, fix, and prescribe, prior to the commencement of each Fiscal Year, rates, fees and charges in connection with the sanitary waste and stormwater collection, treatment and disposal services and facilities furnished by the Wastewater Enterprise, which are reasonably expected to be at least sufficient to yield during such Fiscal Year Net Revenues (together with any fund balances of the SFPUC which are available for payment of Debt Service, but excluding the Bond Reserve Fund), equal to 1.25 times the Annual Debt Service payable in such Fiscal Year.

The SFPUC may make adjustments from time to time in such rates, fees and charges and may make such classification thereof as it deems necessary, but is obligated not to reduce such rates, fees and charges below those in effect unless the Revenues resulting after such reduced rates are put into effect will at all times be sufficient to meet the requirements described in this section, "Rate Covenants."

The failure to yield the amount of Revenues as described under "– *Sufficiency of Revenues*" above, or the failure of Net Revenues to equal 1.25 times Annual Debt Service as set forth in the first paragraph under this "– *Debt Service Coverage*" subsection at the end of a Fiscal Year, will not constitute a default or an Event of Default under the Indenture so long as the SFPUC has complied with its obligations described under "– *Sufficiency of Revenues*" above and the first paragraph under this "– *Debt Service Coverage*" subsection at the commencement of the succeeding Fiscal Year.

"**Annual Debt Service**" is defined in the Indenture as the sum of principal and interest on all Outstanding Bonds (including Parity Loans) as computed for the twelve-month period ending June 30 to which reference is made, and calculated by the SFPUC using the following assumptions:

(a) in determining the principal amount due for such twelve-month period ending June 30, payment will (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with the amortization schedule established for such debt, including any Minimum Sinking Fund Account Payments or any scheduled redemption or payment of Bonds on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value will be deemed a principal payment and interest that is compounded and paid as Accreted Value will be deemed due on the scheduled redemption or Payment Date of such Capital Appreciation Bond, but excluding Excluded Principal.

(b) if any Outstanding Bonds constitute Variable Rate Indebtedness, the interest rate will, as of the date of calculation, be: (i) the greater of (a) the average SIFMA rate over the past 3 years times 150% or (b) 4 percent or (ii) if, designated in writing by the SFPUC in the Supplemental Indenture authorizing such Bonds (which the SFPUC must certify, in the case of obligations interest on which is not excluded from gross income for federal income tax purposes under the Code), a fixed rate of interest reasonably determined by the SFPUC for obligations with similar duration, which interest rate has been certified by a Qualified Financial Advisor as reasonable concurrent with the execution and delivery of such Supplemental Indenture.

(c) if Defeasance Obligations have been deposited with and are held by the Trustee or another fiduciary to be used to pay principal and/or interest on specified Bonds, or any amounts have been deposited in the Interest Fund from the proceeds of any Series of Bonds or from any other source to pay interest on such Bonds, then the principal and/or interest to be paid from such Defeasance Obligations or from the earnings thereon, or from such amounts in the Interest Fund, shall be disregarded and not included in calculating Annual Debt Service.

(d) in determining the amount of interest coming due during any twelve-month period ending June 30 on any Series of Bonds that are issued as Build America Bonds or obligations issued under any future program similar to Build America Bonds, amounts equal to the Refundable Credits the SFPUC is scheduled to receive during each twelve-month period ending June 30 will be deducted from such interest.

"**Excluded Principal**" means each payment of principal of Bonds with a remaining term, on the date of calculation, of not greater than 60 months that the SFPUC intends to pay from the proceeds of Bonds or Parity Loans, other bonds, notes or other obligations of the SFPUC or moneys other than Net Revenues.

The SFPUC has determined that principal of the 2024A Bonds qualifies as Excluded Principal under the Indenture. As a result of this determination, the principal of the 2024A Bonds will be excluded from the calculation of Annual Debt Service for purposes of the rate covenant described above and the requirements for issuing Additional Bonds under the Indenture. See " – *Debt Service Coverage*," " – Additional Series of Bonds – *Indenture Requirements*," and "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Pursuant to federal sequestration legislation passed by Congress in 2011 and 2013, federal subsidy payments for direct-pay bonds, including Build America Bonds, have been reduced (by formula) from the original funding subsidy level of 35% of interest costs. The current sequestration reduction rate of the federal subsidy payment for Build America Bonds is 5.7% (or a net subsidy level of 33.005% of interest costs on Build America Bonds), which rate will remain in effect through September 30, 2031, unless changed by legislation. Refundable Credits sought by the SFPUC for its Build America Bonds have been and are expected to be reduced by this percentage. This reduction has increased, and will continue to increase, the SFPUC's net interest cost. In Fiscal Years 2023-24 and 2024-25, the SFPUC received approximately $3.4 million and $1.6 million, respectively, in Refundable Credits for the Wastewater Enterprise, representing approximately 0.8% and 0.3%, respectively, of total revenues in such years. Additionally, Congress may take action to terminate, extend, or otherwise modify reductions in federal subsidy payments due to sequestration at any time. The SFPUC can give no assurance regarding the level of future federal subsidy payments or any changes in the sequestration rate. The 2010B Bonds are the only outstanding Bonds of the Wastewater Enterprise for which the SFPUC receives federal subsidy payments, and are proposed to be refunded in whole or in part by the 2026B Bonds. See "PLAN OF FINANCE."

No Reserve Account for 2026B Bonds

The Indenture requires that the Bond Reserve Fund be established with the Trustee and funded in an amount equal to the "**Required Reserve**," if any, applicable to each series of Bonds. If the Required Reserve for a Series of Bonds is greater than zero, the Indenture requires the establishment of a bond reserve account (each, a "**Reserve Account**") within the Bond Reserve Fund for such Series of Bonds, and requires the deposit in that bond reserve account of an amount equal to the Required Reserve for the related Series of Bonds.

The Twentieth Supplemental Indenture does not require the establishment of a Reserve Account for the respective 2026B Bonds. The Reserve Account established for the 2010B Bonds does not secure the 2026B Bonds, and will be closed or down-sized if the 2010B Bonds are refunded in whole or in part. No Reserve Account has been established for any other series of Outstanding Bonds. See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – OBLIGATIONS PAYABLE FROM NET REVENUES – Outstanding Parity Revenue Bonds."

Additional Series of Bonds

The Charter and the Indenture authorize the issuance of Additional Bonds payable from Net Revenues on a parity with Outstanding Bonds and the 2026B Bonds, upon satisfaction of the conditions set forth therein.

The SFPUC expects to issue Additional Bonds, which may include Bonds evidencing obligations to repay the WIFIA Lender in connection with additional WIFIA loans, and enter into additional Parity Loans to finance the costs of additional improvements included in the Sewer System Improvement Program (the "**SSIP**"), and other portions of the Wastewater Enterprise's capital program. See "RISK FACTORS – Costs of Capital Program Projects; Timely Completion of Capital Program Projects" and "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – FINANCING PLAN FOR WASTEWATER ENTERPRISE CAPITAL PROGRAM."

Charter Requirements. Under the Charter, the SFPUC may issue revenue bonds (including Additional Bonds) relating to the Wastewater Enterprise without voter approval in the following circumstances, among others:

(a) to issue revenue bonds (including Additional Bonds) approved by an affirmative vote of two-thirds of the members of the Board of Supervisors for the purpose of reconstructing, replacing, expanding, repairing or improving the Wastewater Enterprise or for any other lawful purpose of the Wastewater Enterprise, including the refunding of existing obligations;

(b) to issue bonds (including Additional Bonds) approved by an affirmative vote of three-fourths of the members of the Board of Supervisors if the bonds are to finance buildings, fixtures or equipment which are deemed necessary by the Board of Supervisors to comply with an order of a duly constituted state or federal authority having jurisdiction over the Wastewater Enterprise; and

(c) to issue refunding bonds which are expected to result in net debt service savings to the City on a present value basis, calculated as provided by ordinance.

The Charter also generally authorizes the SFPUC to issue revenue bonds upon the approval of a majority of the voters voting on the proposition at a general or special election.

Notwithstanding any other provision of the Charter or of any ordinance of the City, the Board of Supervisors may, in connection with the issuance of additional bonds as described under paragraph (a) above, take any and all actions necessary to authorize, issue and repay such bonds, including, but not limited to, modifying schedules of rates and charges to provide for the payment and retirement of such bonds, subject to the following conditions:

(a) Certification by an independent engineer retained by the SFPUC that:

(1) the projects to be financed by the additional bonds, including the prioritization, cost estimates and scheduling, meet utility standards; and

(2) that estimated net revenue after payment of operating and maintenance expenses will be sufficient to meet debt service coverage and other indenture or resolution requirements, including debt service on the bonds to be issued, and estimated repair and replacement costs.

(b) Certification by the City Planning Department that facilities under the jurisdiction of the SFPUC funded with such bonds will comply with applicable requirements of the California Environmental Quality Act ("**CEQA**").

Indenture Requirements. The Indenture provides that Additional Bonds secured on a parity with the Bonds may be issued for any lawful purpose if no Event of Default has occurred and is continuing under the Indenture or any Supplemental Indenture and no event has occurred which, but for the passage of time or the giving of notice, would constitute an Event of Default under the Indenture or any Supplemental Indenture. Prior to the issuance of such Additional Bonds, the SFPUC is required to file with the Trustee, among other documents, the following:

(a) a Certificate of the SFPUC setting forth for each of the next three Fiscal Years estimates of (A) Revenues, (B) Operation and Maintenance Costs of the Enterprise and (C) Net Revenues; and

(b) a Certificate of the SFPUC demonstrating that (1) the ratio of (A) Net Revenues for the most recent Fiscal Year for which audited financial statements are available, or any consecutive twelve calendar month period during the eighteen calendar month period prior to the issuance of such additional Series of Bonds, to (B) Annual Debt Service for the current Fiscal Year, calculated as of the date of sale of, and including such additional Series of Bonds, will not be less than 1.25:1; or (2) the ratio of (A) Net Revenues projected by the SFPUC for each of the next three Fiscal Years as determined in the Indenture, and including in such projections amounts projected to be received from any adopted rate increases and fund balances of the SFPUC which are projected to be available for the payment of Debt Service (but excluding the Bond Reserve Fund), to (B) Annual Debt Service in each of such three Fiscal Years, calculated as of the date of sale of and including such additional Series of Bonds, will not be less than 1.25:1 in each of such Fiscal Years.

See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – THE INDENTURE – DEFINITIONS; EQUAL SECURITY: CERTIFICATES AND OPINIONS" and "– ISSUANCE OF ADDITIONAL SERIES OF BONDS."

The Indenture provides the SFPUC with flexibility as to the nature and terms of any Additional Bonds issued with a lien and charge on Net Revenues on a parity with the Outstanding Bonds. Such Additional Bonds may: mature over any period of time; bear interest at a fixed, variable or zero rate; be in any denominations; be in any form (including registered, coupon or book-entry); include or exclude redemption provisions; be subject to optional or mandatory tender for purchase; be sold at such price or prices; be further secured by any separate and additional security; and otherwise include such additional terms and provisions as the SFPUC may determine, consistent with the Indenture and applicable provisions of the Charter.

Additional Parity Loans

Pursuant to the Charter, the SFPUC can incur indebtedness, including additional State and federal loans, without voter approval, but subject to Board of Supervisors' approval. In addition, the Indenture permits the SFPUC to enter into Parity Loans or loans on a subordinated lien basis relative to the Bonds, as determined by the SFPUC.

Under the Indenture, the SFPUC may only enter into additional Parity Loans if no Event of Default has occurred and is continuing under the Indenture or any Supplemental Indenture (and no event has occurred which, but for the passage of time or the giving of notice, would constitute an Event of Default under the Indenture or any Supplemental Indenture).

In addition, in connection with the execution and delivery of such Parity Loans, the SFPUC is required to deliver a Certificate to the Trustee setting forth, for each of the next three Fiscal Years after the delivery of the Parity Loans:

(a) the Revenues and Operation and Maintenance Costs of the Wastewater Enterprise and Net Revenues; and

(b) the Annual Debt Service assuming delivery of the Parity Loans;

demonstrating that the estimated Net Revenues (together with any fund balances of the SFPUC which are available for Debt Service, but excluding the Bond Reserve Fund), in each of such three Fiscal Years is at least equal to 1.25 times the Annual Debt Service.

Pursuant to the SRF loan program (the "**SRF Loan Program**"), the SFPUC has entered into nine SRF loans that fund certain capital projects of the Wastewater Enterprise with a maximum principal amount authorized to be disbursed thereunder of approximately $570.5 million. The SFPUC plans to apply for additional SRF loans over the next several years to obtain long-term financing for a portion of the SSIP. However, the SFPUC can give no assurance that it will receive additional SRF loans. The nine SRF loans constitute "Parity Loans" under the Indenture. The SFPUC may also enter into additional WIFIA loans constituting "Parity Loans." See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – OBLIGATIONS PAYABLE FROM NET REVENUES – Parity Loans" and "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Refunding Bonds

City Charter Requirements. The Charter allows refunding bonds to be issued without voter approval if such refunding results in net debt service savings on a present value basis, calculated as provided by ordinance. The Charter also allows refunding bonds to be issued without voter approval and without satisfying such net debt service savings requirement when approved by a vote of two-thirds of the members of the Board of Supervisors.

Indenture Requirements. The Indenture provides that Additional Bonds may be issued to refund any Bonds without meeting the test for the issuance of Additional Bonds described above, if the SFPUC delivers to the Trustee (among other documents) a certificate of a Qualified Financial Advisor to the effect that after giving effect to the application of the proceeds of the additional Series of Bonds, either (i) Annual Debt Service will not be increased in any Fiscal Year (excluding Debt Service on the Outstanding Bonds to be refunded) in an amount in excess of 5% or (ii) the Average Annual Debt Service for the Bonds of such additional Series will be equal to or less than the Average Annual Debt Service on the Bonds to be refunded (during the period from the issuance of the additional Series to the last maturity date of the Outstanding Bonds to be refunded).

For purposes of calculating the Average Annual Debt Service under the Indenture, if any of the Outstanding Series of Bonds constitute Balloon Indebtedness or if Bonds then proposed to be issued would constitute Balloon Indebtedness, then, for purposes of determining Average Annual Debt Service, such Bonds the principal of which the Commission has not specified as Excluded Principal will be amortized for a period specified by the Commission (but no longer than forty (40) years from the date of the issuance of the Bonds to which such Balloon Indebtedness relates) on a substantially level debt service basis or other amortization basis designated by the Commission, calculated based on a fixed rate equal to the rate at which the Commission could borrow for such period, as certified by a Qualified Financial Advisor.

"Balloon Indebtedness" means a Series of Bonds 25% or more of the principal of which matures on the same date and is not required by the documents governing such Bonds to be amortized by payment or redemption prior to such date. The 2026A Bonds constitute Balloon Indebtedness under the Indenture but have not been specified as Excluded Principal. However, the principal of the 2024A Bonds has been designated as Excluded Principal. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Subordinate Obligations; Obligations Not Payable from Revenues

The Indenture permits the SFPUC to authorize and issue bonds, notes, warrants, certificates or other obligations or evidences of indebtedness, the principal of or interest on which would be payable either (i) from Net Revenues after and subordinate to the payment from Net Revenues of the principal of and interest on the Bonds, or (ii) from moneys which are not Revenues. The SFPUC may issue bonds or incur other indebtedness secured by a pledge of Net Revenues on a basis subordinate to the pledge thereof securing the Bonds without limitation.

Investments

The Indenture provides that moneys in all funds and accounts held by the Trustee under the Indenture shall be invested upon receipt in Permitted Investments as directed by the SFPUC, and all funds and accounts held by the City Treasurer (the "**City Treasurer**") shall be invested in Legal Investments. "**Legal Investments**" means any bonds, notes, certificates of indebtedness, bills, acceptances or other securities in which the City Treasurer may legally invest the SFPUC's funds. For information regarding the investment of moneys held in the various funds and accounts of the SFPUC, see "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – FINANCIAL OPERATIONS – Investment of SFPUC Funds."

DEBT SERVICE REQUIREMENTS

Set forth in the following table are debt service requirements for the Outstanding Bonds, the 2026B Bonds, and the 2026A Bonds, assuming no early redemptions.

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DEBT SERVICE REQUIREMENTS ON OUTSTANDING BONDS, 2026A BONDS AND 2026B BONDS

Fiscal Year (ending June 30)	Outstanding Parity Revenue Bonds(1)(2)(3)	Parity Loans(4)	2026B Bonds Interest	2026B Bonds Principal	2026A Bonds Interest	2026A Bonds Principal(5)	Total Bond Debt Service	Total Debt Service including Parity Loans(5)
2027	$229,219,331	$15,933,367						
2028	252,921,548	15,933,367						
2029	252,767,185	15,933,367						
2030	252,607,760	15,933,367						
2031	252,434,125	15,933,367						
2032	247,578,521	15,933,367						
2033	242,785,787	15,933,367						
2034	242,587,349	15,933,367						
2035	242,382,869	15,933,367						
2036	242,170,604	15,933,367						
2037	209,723,090	15,933,367						
2038	209,418,554	15,933,367						
2039	209,177,057	15,933,367						
2040	208,927,398	15,933,367						
2041	208,667,361	15,933,367						
2042	203,833,593	15,933,367						
2043	203,839,736	15,933,367						
2044	205,794,678	15,933,367						
2045	205,769,567	15,933,367						
2046	203,186,589	15,933,367						
2047	200,554,546	15,933,367						
2048	200,564,874	15,933,367						
2049	202,623,856	13,908,068						
2050	203,545,870	13,908,068						
2051	205,234,184	12,193,594						
2052	205,528,588	11,928,516						
2053	179,372,881	11,928,516						
2054	179,387,487	11,928,516						
2055	185,882,765	5,341,007						
2056	120,642,458	5,341,007						
2057	121,833,103	--						
2058	122,941,552	--						
2059	124,143,804	--						
2060	59,891,782	--						
2061	60,053,075	--						
2062	49,608,281	--						
TOTAL(6)	$6,947,601,808	$437,011,368						

(1) Comprised of debt service relating to the outstanding 2010B Bonds, 2013B Bonds, 2016A Bonds, 2016B Bonds, 2018A Bonds, 2018B Bonds, 2021A Bonds, 2021B Bonds, 2022B Bonds, BDFP WIFIA Bond (relating to the fully-drawn BDFP WIFIA Loan), STPI WIFIA Bond (relating to the fully-drawn STPI WIFIA Loan), Project 1 WIFIA Bond (relating to one draw on the Project 1 WIFIA Loan as of the date of this Official Statement), 2023A Bonds, 2023B Bonds, 2023C Bonds, 2024A Bonds, 2024B Bonds, 2024C Bonds, and 2024D Bonds. Assumes 2023C Bonds bear interest at a rate of 4% per annum after the Initial Term Rate Period (as defined in the Fifteenth Supplemental Indenture). Does not include debt service relating to any Parity Loans, subordinate Commercial Paper Notes or Revolving Notes. See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – OBLIGATIONS PAYABLE FROM NET REVENUES – Outstanding Parity Revenue Bonds," "– Parity Loans," "– Water Infrastructure Finance and Innovation Act Loans" and "– Subordinate Debt and Interim Funding Program."

(2) Calculation of interest due on outstanding parity revenue bonds shown without an offset for Refundable Credits.

(3) Net of capitalized interest payments.

(4) Includes SRF loans for Lake Merced Green Infrastructure Project, Southeast Treatment Plant Primary/Secondary Clarifier Upgrade Project, Southeast Treatment Plant 521/522 and Disinfection Upgrade Project, North Point Facility Outfall Rehabilitation Project, OSP Digester Gas Utilization Upgrade, Southeast Treatment Plant New Headworks Replacement Project, and Southeast Treatment Plant Biosolids Digester Facilities Project for which payment schedules have been established. See "– Parity Loans." Does not include debt service relating to Parity Loans for which a payment schedule has not been established.

(5) The SFPUC does not expect that Net Revenues will be sufficient to pay the principal of the 2026A Bonds at maturity. As such, the SFPUC intends to pay the principal of the 2026A Bonds from the proceeds of Take-Out Obligations to be issued by the SFPUC on or prior to the maturity of the 2026A Bonds. See "INTRODUCTION – Concurrent Financing."

(6) Totals may not add due to independent rounding.

RISK FACTORS

This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the 2026B Bonds. This section is not meant to be a comprehensive or definitive discussion of all of the risks associated with an investment in the 2026B Bonds. The order in which this information is presented does not necessarily reflect the relative importance of various risks or the probability of their occurrence.

Potential investors in the 2026B Bonds are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market price and/or in the marketability of the 2026B Bonds or adversely affect the ability of the SFPUC to make timely payments of principal of or interest on the 2026B Bonds. There can be no assurance that other risk factors not discussed herein will not become material in the future and the SFPUC has not undertaken to update investors about the emergence of the risk factors in the future.

General

The ability of the SFPUC to comply with its covenants under the Indenture and to generate Net Revenues sufficient to pay principal of and interest on the Bonds may be adversely affected by actions and events outside of the control of the SFPUC and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or persons obligated to pay fees and charges. Among other matters, general and local economic conditions and changes in law and government regulations could adversely affect the amount of Net Revenues realized by the SFPUC or significantly raise the cost of operating the Wastewater Enterprise.

In addition, the realization of future Net Revenues is subject to, among other things, the capabilities of management of the SFPUC, the ability of the SFPUC to provide service to its retail and wholesale customers, the ability of the SFPUC to establish, maintain and collect charges from its customers and the ability of the SFPUC to establish, fix and prescribe rates and charges sufficient to pay for Operation and Maintenance Costs of the Wastewater Enterprise, the Bonds and other obligations payable from Net Revenues. See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – OBLIGATIONS PAYABLE FROM NET REVENUES" and "– FINANCIAL OPERATIONS."

Bond Payment Risks

Limited Obligation. If the SFPUC defaults on its obligations to make debt service payments on the Bonds, the Trustee has the right under the Indenture to accelerate the total unpaid principal amount of the Bonds. However, in the event of a default and such acceleration, there can be no assurance that the SFPUC, and correspondingly the Trustee, will have sufficient moneys available for payment of the Bonds.

The SFPUC is not obligated to pay the principal of, premium, if any, or interest on the Bonds except from Net Revenues. The SFPUC has no taxing power. The General Fund of the City is not liable for the payment of the principal of, premium, if any, or interest on the Bonds, and neither the credit nor the taxing power of the City is pledged to the payment of the principal of, premium, if any, or interest on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the City or of the SFPUC or any of its income or receipts, except Net Revenues of the Wastewater Enterprise. See "SECURITY FOR THE BONDS."

No Bond Reserve Account. No Reserve Account has been established for the 2026B Bonds. The Reserve Accounts established with respect to other Series of Bonds do not secure the 2026B Bonds. See "SECURITY FOR THE BONDS – No Reserve Account for 2026B Bonds."

Limitations on Remedies. The remedies available to the owners of the Bonds upon the occurrence of an event of default under the Indenture in many respects depend upon judicial actions which are themselves often subject to discretion and delay and could prove both expensive and time consuming to obtain. In addition to the limitations on remedies contained in the Indenture, the rights and obligations under the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against charter cities and counties in California.

The opinion to be delivered by Bond Counsel, concurrently with the issuance of the 2026B Bonds, that the 2026B Bonds constitute valid and binding, limited obligations of the SFPUC, and the Indenture constitutes a valid and binding obligation of the SFPUC, will also be subject to such limitations. The various other legal opinions to be delivered concurrently with the issuance of the 2026B Bonds will be similarly qualified. See "APPENDIX D – PROPOSED FORM OF OPINION OF BOND COUNSEL."

If the SFPUC fails to comply with its covenants under the Indenture or to pay principal of or interest on the Bonds, there can be no assurance that the available legal remedies will be adequate to protect the interests of the holders of the Bonds.

Risks Related to Wastewater Enterprise Facilities and Operations

The operation of the Wastewater Enterprise, and the physical condition of the Wastewater Enterprise facilities, are subject to a number of risk factors that could adversely affect the reliability of the SFPUC to provide sewage and stormwater collection and treatment services, or that could increase the operating expenses of the Wastewater Enterprise. Prolonged damage to the Wastewater Enterprise facilities could interrupt the ability of the SFPUC to realize Net Revenues sufficient to pay principal of and interest on the Bonds, or require the SFPUC to increase expenditures for repairs significantly enough to adversely impact the SFPUC's ability to pay the principal of or interest on the Bonds. These factors could include, among others, the following:

Aging Facilities. Certain Wastewater Enterprise facilities are near the end of their useful life. Aging assets may result in decreased reliability due to potential sewer line breakage and unplanned facility outages and place a greater maintenance burden on Wastewater Enterprise operations. See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – THE WASTEWATER ENTERPRISE – Combined Sewage and Stormwater System." Aging facilities, if left unaddressed, could potentially result in increasing system failures, sinkholes in the street, reduced system reliability, regulatory violations and possibly risks to public health and safety and the environment.

The SFPUC uses a risk-based approach to improve collection system facilities. The capital program is intended to help increase system reliability through equipment and facility improvement including, among other things, increasing sewer inspections and condition assessments in order to prioritize areas of pipeline improvements more effectively. The number of targeted replacement pipe miles will vary in the future based on a number of factors, such as shifting focus towards asset renewal and extending service life through an application of various techniques (including but not limited to trenchless spot lining, limited spot dig-up repairs, whole asset lining, and other industry best practices), considering the affordability and deliverability of full sewer replacement projects and of the Wastewater Enterprise's entire capital program. See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – THE WASTEWATER ENTERPRISE – Combined Sewage and Stormwater System – *Sewer Lines*." In addition to the collection system, other types of facilities, such as treatment plants, pump stations, force mains, transport/storage boxes, and outfalls also face potential reliability issues due to age. See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – WASTEWATER ENTERPRISE CAPITAL PROGRAM – Sewer System Improvement Program."

Aging facilities are also among the allegations in the SFPUC's pending litigation filed by the USEPA and the Regional Water Quality Control Board. See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – REGULATORY MATTERS – Federal and State Clean Water Act Permits."

Limited Redundancy. Many critical Wastewater Enterprise facilities must remain constantly operational to collect and treat sewage and stormwater flows and meet relevant regulatory requirements. See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE

WASTEWATER ENTERPRISE – REGULATORY MATTERS.” Certain of these Wastewater Enterprise facilities and systems are aging and have limited redundancy. See “– *Aging Facilities*.” In addition, the Oceanside Treatment Plant and the other facilities in the Westside Watersheds are not interconnected with the Southeast Treatment Plant, the North Point Facility or the other facilities in the Bayside Watersheds (each as defined in Appendix A hereto). See “APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – THE WASTEWATER ENTERPRISE – Wastewater Treatment.” This limited redundancy in facilities and systems constrains the SFPUC’s ability to take components of the system out of service for maintenance and repairs, or to provide backup treatment and other facilities in the event of an unplanned outage. For example, work at the Southeast Treatment Plant is being performed while the plant is operating, requiring coordination of facility and systems shutdowns with construction plans. During dry weather, however, the collection system does have excess storage capacity due to the transport/storage structures which can provide up to 200 million gallons worth of capacity and help facilitate treatment flexibility when needed. The SFPUC’s capital program is adding some redundancy where feasible, including power supply redundancy for the treatment facilities and pump stations, and rehabilitation and addition of redundant pumps at some major pump stations.

Seismic Hazards. The San Francisco Bay Area, consisting of the nine counties contiguous to the Bay: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma Counties (the “**Bay Area**”) is in a seismically active region. The San Andreas Fault lies immediately west of San Francisco, and the Hayward Fault is approximately 15 miles to the east of San Francisco. A third major fault, the Calaveras Fault, is a branch of the Hayward Fault and lies east of the Hayward Fault.

During the past 150 years, the Bay Area has experienced several major and numerous minor earthquakes. The largest was the 1906 San Francisco earthquake along the San Andreas Fault with an estimated magnitude of 8.2 on the Richter scale. The 1868 Hayward earthquake along the Hayward Fault had an estimated magnitude of between 6.8 and 7.0 on the Richter scale. The 1989 Loma Prieta earthquake along the San Andreas Fault had an estimated magnitude of 6.9 on the Richter scale. The most recent significant earthquake was the 2014 South Napa earthquake on the West Napa Fault, the northern extension of the Calaveras Fault, which had a magnitude of 6.0 on the Richter scale and an epicenter near the city of Napa, approximately 50 miles north of San Francisco. According to United States Geological Survey findings, a significant earthquake along these or other faults is probable during the repayment period of the Bonds. A significant earthquake that impacts San Francisco could adversely affect the ability of Wastewater Enterprise customers to pay for service and the capital and operating expenses of the Wastewater Enterprise.

Older facilities may have an increased risk of failure in the event of an earthquake. The capital program includes recently completed, planned and proposed improvements to such older facilities for the purpose of improving seismic reliability.

With certain minor exceptions, the SFPUC does not maintain commercial earthquake insurance coverage for the facilities. See “APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – FINANCIAL OPERATIONS – Risk Management and Insurance.”

Natural and Man-Made Disasters. Natural disasters such as earthquakes, landslides and fires, and man-made disasters or accidents, could interrupt operation of the Wastewater Enterprise, resulting in liability claims against the Wastewater Enterprise, or otherwise adversely impacting the ability of the Wastewater Enterprise to provide services and/or collect Revenues. See also “– Risks Related to Financial Operations – *Decrease in Water Sales Volumes*.”

Casualty Losses. The SFPUC’s risk management program includes both self-insured and insured coverages; however, the program does not provide coverage for every conceivable risk of loss. Damage attributable to seismic events and environmental pollution are excluded. In situations where the SFPUC has not purchased commercial coverage, the Wastewater Enterprise has a “self-retention” program that it administers and retains budgeted resources internally to provide coverage for loss liabilities. See also “APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – FINANCIAL OPERATIONS – Risk Management and Insurance.” The SFPUC is not required to either insure against or self-insure against every potential risk of loss, and there is a risk that damage or destruction of property and equipment comprising the Wastewater Enterprise could occur for which no insurance or self-insurance funds will be available. There can be no assurance that insurance providers will pay claims under any policies promptly, or at all, should a claim be made under such policies in connection with property loss or damage. It is possible that an insurance provider will refuse to pay a claim, especially if it is substantial, and force the SFPUC to sue to collect on or settle the insurance claim. Further, there can be no assurances that any insurance proceeds will be sufficient to rebuild or replace any damaged property.

Insurance Coverage. The SFPUC believes it maintains a comprehensive risk management program. See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – FINANCIAL OPERATIONS – Risk Management and Insurance." However, like other utilities, the SFPUC is susceptible to fluctuations in the insurance market. Any adverse impacts to the insurance market relating to wildfires or other natural disasters could lead to higher costs or prohibitively expensive coverage, or limited or unavailable coverage for certain types of risk, which may have an adverse effect on the SFPUC's financial condition.

Climate Change. The City and the SFPUC have taken actions aimed at mitigating climate risk. See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – THE WASTEWATER ENTERPRISE – Climate Change." The effect of climate change on future storms, sea level rise, and rising tides, however, may be significant. Projected levels for sea level rise and rising tides are expected to result in a backflow (or inflow) of San Francisco Bay water into the sewer system at the lowest weir elevation and increased infiltration due to higher groundwater in coastal areas, and may adversely impact the viability of the gravity-based sewer lines. Climate change is also expected to lead to more powerful storms that may exceed the capacity of the SFPUC's combined sewer system and cause damage to the Wastewater Enterprise's facilities. The costs of remedying any such damage could be substantial. Further, flooding damage could expose the SFPUC to litigation and other legal risks, which could cause the SFPUC to incur significant costs related to such legal claims or proceedings. See also "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – THE WASTEWATER ENTERPRISE – System Capacity" and "– Climate Change."

In San Francisco, during severe storm events, properties in low-lying areas with structures built on or near land that was originally channels or bays may experience surface flooding or backups through their building's internal plumbing fixtures. In the last 10 years, severe rainstorms caused flooding in certain low-lying areas and resulted in some property damage in 2017, 2021, the end of 2022 and the beginning of 2023. The storm events at the end of 2022 and the beginning of 2023 have given rise to over 100 claims and seven individual lawsuits with private property-owner plaintiffs. The SFPUC answered two lawsuits covering a majority of the plaintiffs on December 19, 2023. The SFPUC is vigorously defending all of these lawsuits. At this time, the SFPUC cannot estimate the costs associated with defending and/or resolving the flooding plaintiffs' allegations. See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – THE WASTEWATER ENTERPRISE – System Capacity."

Additionally, climate change may cause more frequent and severe drought conditions, resulting in decreases in water sales volumes. See "RISK FACTORS – Risks Relating to Financial Operations – *Decrease in Water Sales Volumes*."

Safety and Security. The occurrence of military conflicts and terrorist activities, including the targeting of utility infrastructure, may adversely impact the operations of the SFPUC, including the Wastewater Enterprise, and/or the finances of the SFPUC. The SFPUC continually plans and prepares for emergency situations. However, there can be no assurance that any existing or additional safety and security measures will prove adequate in the event that military conflicts or terrorist activities are directed against the assets of the Wastewater Enterprise or that costs of security measures will not be greater than presently anticipated.

Cybersecurity. Cybersecurity breaches could damage the SFPUC's information security systems and cause disruption to the SFPUC's operations and the provision of SFPUC services. The costs of remedying any such damage or protecting against future attacks could be substantial. Further, cybersecurity breaches could expose the SFPUC to litigation and other legal risks, which could cause the SFPUC to incur significant costs related to such legal claims or proceedings. For more information regarding the SFPUC's cybersecurity measures, see "APPENDIX A – THE

PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – THE WASTEWATER ENTERPRISE – Cybersecurity."

Statutory and Regulatory Compliance. The operation of the Wastewater Enterprise is subject to a variety of federal and State statutory and regulatory requirements concerning matters such as asset management, water quality, discharge requirements and biosolids management. Significant fines and penalties, as well as orders requiring capital improvement plans and projects, could result should the SFPUC fail to comply with applicable laws, regulations, permits, and orders. Claims could also be made by private parties. Changes in the scope and standards for public agency wastewater systems such as the Wastewater Enterprise, including changes requiring standards higher than those currently required for compliance, may also lead to new or revised permit requirements or administrative orders issued by federal or State regulators. Such regulatory actions could also require significant capital expenditures to achieve statutory and regulatory compliance, which may impact the SFPUC's capital improvement plans, projects and priorities for the Wastewater Enterprise. Compliance with increased regulatory requirements or enforcement orders could impose substantial additional operating expenses on the Wastewater Enterprise. See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – REGULATORY MATTERS."

Labor Actions. A work stoppage or other labor action could limit the SFPUC's ability to operate the Wastewater Enterprise and adversely impact Revenues. See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – THE PUBLIC UTILITIES COMMISSION – Employee Relations – *San Francisco*."

Construction Related Risks

General. Construction projects in the Wastewater Enterprise's capital program are subject to ordinary construction risks and delays applicable to projects of their kind, including but not limited to (i) inclement weather affecting contractor performance and timeliness of completion, which could affect the costs and availability of, or delivery schedule for, equipment, components, materials, labor or subcontractors; (ii) contractor claims or nonperformance; (iii) failure of contractors to execute within contract price; (iv) work stoppages or slowdowns; (v) failure of contractors to meet schedule terms; (vi) supply chain issues; (vii) errors or omissions in contract documents requiring change orders; (viii) the occurrence of a major seismic event or other natural disasters; (ix) delays in obtaining necessary permits; or (x) unanticipated project site conditions, including the discovery of hazardous materials on the site, historic or culturally significant artifacts, or other issues regarding compliance with applicable environmental standards, and other natural hazards encountered during construction. In addition, given the limited redundancy of certain Wastewater Enterprise facilities and systems, such systems must remain operational during construction, which could affect construction schedules or budgets. See "– Risks Related to Wastewater Enterprise Facilities and Operations."

In addition, the SFPUC expects numerous large construction projects to be scheduled in the region simultaneously, which could potentially limit contractor resources available to the SFPUC during bidding or construction phases. Further, the number of available bidders for highly specialized work (e.g., tunneling in an urban environment) is limited. The SFPUC conducts regular contractor outreach and expects to continue to work closely with potential contractors to attempt to mitigate such impacts.

Furthermore, much of the construction work for the Wastewater Enterprise's capital program is occurring at a single physical location, the Southeast Treatment Plant. The phasing staging, materials and/or equipment laydown areas, parking, truck routes, security, and operating needs are being clearly defined for the plant and each individual project by the SFPUC, with consideration of multiple project interfaces. The Southeast Treatment Plant will remain in operation while these projects are being implemented. Currently logistics planning is identifying on and off site parking, construction laydown and staging areas, truck routing for regular operations and construction and the overall facility and equipment shut-down schedule required to maintain permit compliance and complete capital program projects.

Any of the factors described above may lead to material increases in construction costs or delays. Materially increased construction costs or delays for any reason in connection with the Wastewater Enterprise's capital program could impact the Wastewater Enterprise's financial condition in general and the implementation of its capital programs in particular.

See also "– Risks Relating to Financial Operations – *Cost of Capital Program Projects; Timely Completion of Capital Program Projects*."

Land Acquisition. Certain of the Wastewater Enterprise's capital projects will require the SFPUC to acquire land in and around its facilities in San Francisco. For example, the Southeast Treatment Plant is located in a densely urban environment with industrial and residential buildings – as such, securing space around the Southeast Treatment Plant will be critical. A right-of-way manager has been hired to manage land issues because many parcels require long lead times to gain site control. Property is challenging to acquire or lease in the Bay Area generally and in San Francisco in particular. Real estate prices in San Francisco and throughout the Bay Area can be volatile and have in general been increasing during recent years. The approved project budgets currently include estimated costs related to future land purchases required for the expansion of the Southeast Treatment Plant and potential land leases for construction staging areas. At present, the SFPUC cannot predict the final cost of such acquisitions and leases; but it is possible that such costs may exceed budgeted amounts.

Risks Relating to Financial Operations

Limitations on Rate Setting and Challenge to Established Rates. The generation of Revenues sufficient to satisfy the requirements of the Indenture and to pay the principal of and interest on the Bonds will require the SFPUC to raise wastewater rates payable by its customers. The increase of wastewater rates is subject to various substantive and procedural requirements and limitations. See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – CONSTITUTIONAL, STATUTORY AND CHARTER LIMITATIONS."

On December 12, 2023, the City was served with a purported class action lawsuit challenging the compliance of the rates charged by the Wastewater Enterprise with the requirements of Proposition 218. See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – CONSTITUTIONAL, STATUTORY AND CHARTER LIMITATIONS – State Law Limitations – *Proposition 218*" and "*– Proposition 218 Litigation*."

Decrease in Water Sales Volumes. Under the SFPUC's current rate structure, customers' sewer service charges are comprised of a fixed monthly service charge, a variable sanitary sewer component and a stormwater component based on property size and/or parcel characteristics. The variable sanitary sewer component is based on the assumed percentage of metered water usage discharged into the sewer system, or "flow factor." As a result, water deliveries at lower levels would result in lower Revenues of the Wastewater Enterprise. Reduced water deliveries could result from, among other circumstances, changes in the local economy, reduced water supply, drought response actions, conservation measures or damage to storage, transportation, treatment or delivery systems of the SFPUC's Water Enterprise. See "– Risks Related to Wastewater Enterprise Facilities and Operations – *Seismic Hazards*," "– *Natural and Man-Made Disasters*" and "– *Climate Change*," and "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – FINANCIAL OPERATIONS – Wastewater Enterprise Rates and Charges – *Current Wastewater Rates and Charges*."

Increased Operating and Maintenance Expenses. There can be no assurance that the Operating and Maintenance Expenses of the SFPUC, such as wages and salaries, pension and other benefits, and purchased power costs, will not increase, perhaps substantially. See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – FINANCIAL OPERATIONS – Operating and Maintenance Expenses."

WIFIA Loan Agreements. Disbursements under the WIFIA Loan Agreements are subject to various conditions. See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – OBLIGATIONS PAYABLE FROM NET REVENUES – Water Infrastructure Finance and Innovation Act Loans – Conditions to Disbursements under WIFIA Loan Agreements." If the SFPUC is unable to make draws under the WIFIA Loan Agreements to finance eligible costs of the Biosolids Digester Facilities Project, the Southeast Treatment Plant Improvements Project or the Project 1

Projects, as applicable, the SFPUC may need to issue additional notes, revenue bonds or other revenue secured obligations to pay for such project costs. There can be no assurance that the SFPUC will be able to issue such obligations or that the issuance of such obligations will not result in higher borrowing costs. See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – OBLIGATIONS PAYABLE FROM NET REVENUES – Water Infrastructure Finance and Innovation Act Loans."

Interim Funding Program Facilities

<u>Commercial Paper Notes</u>. The bank credit facilities supporting the Commercial Paper Notes are subject to early termination upon the occurrence of certain events, including the failure of the SFPUC to make certain payments, the occurrence of certain bankruptcy or insolvency-related events, the reduction below specified levels or the withdrawal or suspension of ratings on certain obligations of the SFPUC payable from Net Revenues or certain other specified events of default. Upon the occurrence of such termination, one or more of the following would likely occur: (a) the SFPUC would be prohibited from issuing additional notes supported by such credit facilities; (b) any outstanding reimbursement obligation of the SFPUC to the bank providing such facility for draws made for the payment of principal of or interest on Commercial Paper Notes could bear interest at rates higher than the rates borne by the Commercial Paper Notes; and (c) any such outstanding reimbursement obligation of the SFPUC could be accelerated and become immediately due and payable. The Commercial Paper Notes and any reimbursement obligations are payable from Net Revenues on a basis subordinate to the Bonds.

<u>Revolving Notes</u>. The commitment of the bank to make advances under the U.S. Bank Credit Facility (as defined in Appendix A hereto) (the repayment obligation of the SFPUC for which are evidenced by the Revolving Notes (as defined in Appendix A hereto)) may be terminated by the bank upon the occurrence of certain events, including the failure of the SFPUC to make certain payments, the occurrence of certain bankruptcy or insolvency-related events, the reduction below specified levels or the withdrawal or suspension of ratings on certain obligations of the SFPUC payable from Net Revenues or certain other specified events of default. Upon such an event of default, (a) the outstanding repayment obligation of the SFPUC evidenced by the Revolving Notes would bear interest at substantially increased interest rates and (b) the bank could declare all amounts outstanding under the Revolving Notes to be immediately due and payable. The Revolving Notes and any payment obligations thereunder are payable from Net Revenues on a basis subordinate to the Bonds.

See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – OBLIGATIONS PAYABLE FROM NET REVENUES – Subordinate Debt and Interim Funding Program."

Excluded Principal and Balloon Indebtedness. The SFPUC may treat debt service on certain Bonds as "Excluded Principal" or "Balloon Indebtedness." See "SECURITY FOR THE BONDS – Rate Covenants – *Debt Service Coverage*." If the SFPUC is unable to pay the principal of such Bonds from the proceeds of additional notes, revenue bonds or other obligations, Net Revenues may not be sufficient to pay debt service on the 2026B Bonds. The SFPUC expects to issue the 2026A Bonds as Balloon Indebtedness. See "INTRODUCTION – Concurrent Financing."

Cost of Capital Program Projects; Timely Completion of Capital Program Projects. The completion of various capital program projects could be delayed and the overall cost of such projects could increase for a variety of reasons, including, but not limited to, actions by State or federal regulatory agencies, voter initiatives, legal challenges on environmental or other grounds, prolonged contractor disputes, changes in price of commodities or labor, unanticipated geologic, soil, hydrologic or hydraulic conditions, the occurrence of an earthquake or other natural disaster, or the occurrence of a worldwide health concern such as the COVID-19 pandemic. See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – WASTEWATER ENTERPRISE CAPITAL PROGRAM."

The SFPUC intends to finance the continued development and implementation of capital program projects using proceeds of certain Outstanding Bonds (including draws under the existing WIFIA Loan Agreements) and draws under the existing SRF loan documents, as well as through the issuance of Additional Bonds and Parity Loans (such as additional SRF loans or WIFIA loans). If capital program projects are completed at the cost and on the schedule presently under consideration by the SFPUC, the cost of such projects will require a significant planned increase in the amount of debt payable from Revenues, which will result in significant planned rate increases. Correspondingly, debt service coverage for the Bonds will also be significantly lower than it is currently. Were capital program projects delayed or the cost of capital program projects to increase without an offsetting reduction in the program scope, the SFPUC would be required either to incur more debt payable from Revenues or to cash fund those costs from Revenues. Either option would likely increase rates payable by SFPUC customers to levels higher than presently anticipated by the SFPUC, and could result in lower debt service coverage ratios than presently anticipated by the SFPUC. See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – FINANCING PLAN FOR WASTEWATER ENTERPRISE CAPITAL PROGRAM" and "— OBLIGATIONS PAYABLE FROM NET REVENUES – Water Infrastructure Finance and Innovation Act Loans."

Over the next several years the SFPUC expects to issue Additional Bonds and Parity Loans to fund development and implementation of Wastewater Enterprise capital projects. The issuance by the SFPUC of such debt is subject to various approval requirements. See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – OBLIGATIONS PAYABLE FROM NET REVENUES."

The ability of the SFPUC to issue Additional Bonds and Parity Loans to finance the development and implementation of capital program projects may also be adversely affected by any adverse change in the financial position of the SFPUC or by general market conditions. There can be no assurance that the SFPUC will be able to issue Additional Bonds or Parity Loans in an aggregate amount sufficient to finance all of the costs of completing the capital program projects.

Inverse Condemnation. Under the doctrine of inverse condemnation (a legal concept that entitles property owners to just compensation if their private property is damaged by a public use), California courts have imposed liability on public agencies in legal actions brought by private property holders for damages caused by such public agencies' infrastructure. In *City of Oroville v. Superior Court of Butte County*, 7 Cal. 5th 1091 (2019), however, the California Supreme Court held that damage to private property must be substantially caused by an inherent risk presented by the deliberate design, construction or maintenance of the public improvement. Thus, if the inherent risks associated with the SFPUC's facilities, including wastewater and stormwater collection facilities (other than flood control projects), as deliberately designed, constructed or maintained, are determined to be the substantial cause of damage to private property from flooding, sewage back-up or otherwise, and the doctrine of inverse condemnation applies, the SFPUC could be liable for direct and indirect property damage to private parties and such liability, in the aggregate, could be substantial. In addition to such claims for property damage, the SFPUC could also be liable for punitive damages and other damages under other theories of liability, including if the SFPUC were found to have acted unreasonably or to have been negligent, which liability, in the aggregate, could be substantial.

Bankruptcy Risk

The SFPUC, being an enterprise department of the City, likely cannot itself file for bankruptcy. While an involuntary bankruptcy petition cannot be filed against the City, the City is only authorized to file for bankruptcy under certain circumstances. Should the City file for bankruptcy, there could be adverse effects on the holders of the 2026B Bonds.

To the extent that Revenues are "special revenues" under the United States Bankruptcy Code (the "**Bankruptcy Code**"), the Revenues collected after the date of the bankruptcy filing should be subject to the lien of the Indenture. If any or all of the Revenues are determined not to be "special revenues," then any such amounts collected after the commencement of the bankruptcy case will likely not be subject to the lien of the Indenture. "Special revenues" are defined to include revenues derived from the ownership or operation of projects or systems that are primarily used to provide utility services. No assurance can be given that a court would hold that any or all Revenues are special revenues. In a case arising from the insolvency proceedings of Puerto Rico, the United States Court of Appeals for the First Circuit concluded that while a debtor has the right to voluntarily apply special revenues to the payment of debt service during the pendency of a bankruptcy case, the debtor is not obligated to do so, even though the special revenues are subject to the lien of the bond documents. The holders of the 2026B Bonds may not be able to assert a claim against any property of the City other than the Net Revenues, and if any or all of the Revenues are no longer subject to the lien of the Indenture, then there may be limited, if any, funds from which the holders of the 2026B Bonds are entitled to be paid.

The Bankruptcy Code provides that "special revenues" can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. It is not clear precisely which expenses would constitute necessary operating expenses, and any definition in the transaction documents may not be applicable.

If the City is in bankruptcy, the parties (including the Trustee and the holders of the 2026B Bonds) may be prohibited from taking any action to collect any amount from the City or to enforce any obligation of the City, unless the permission of the bankruptcy court is obtained. These restrictions may also prevent the Trustee from making payments to the holders of the 2026B Bonds from funds in the Trustee's possession. The rate covenants (see "SECURITY FOR THE BONDS – Rate Covenants") may not be enforceable in bankruptcy by the Trustee or the holders of the 2026B Bonds.

Revenues are deposited with and held by the City Treasurer and may be commingled with other City funds. See "SECURITY FOR THE BONDS – Flow of Funds." If the City is in bankruptcy, the City may not be required to turn over to the Trustee any Revenues that are in its possession at the time of the bankruptcy filing or come into its possession after the bankruptcy filing. In addition, if the City has possession of Revenues (whether collected before or after commencement of the bankruptcy) and if the City does not voluntarily turn over such Revenues to the Trustee, it is not entirely clear what procedures the Trustee and the holders of the 2026B Bonds would have to follow to attempt to obtain possession of such Revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. The United States Court of Appeals for the First Circuit, in another case involving the insolvency proceedings of Puerto Rico, concluded that a bankruptcy court does not have the power to order a debtor such as the City to comply with state law.

The City may be able to borrow additional money that is secured by a lien on any of its property (including the Revenues), which lien could have priority over the lien of the Indenture, or to cause some of the Revenues to be released to it, free and clear of the lien of the Indenture, in each case as long as the bankruptcy court determines that the rights of the Trustee and the holders of the 2026B Bonds will be adequately protected.

If the City is in bankruptcy, it may be able, without the consent and over the objection of the Trustee and the holders of the 2026B Bonds, to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants and the rate covenant), and other terms or provisions of the Indenture and the 2026B Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable.

There may be delays in payments on the 2026B Bonds while the court considers any of these issues. There may be other possible effects of a bankruptcy of the City that could result in delays or reductions in payments on the 2026B Bonds, or result in losses to the holders of the 2026B Bonds. Regardless of any specific adverse determinations in a City bankruptcy proceeding, the fact of a City bankruptcy proceeding could have an adverse effect on the liquidity and value of the 2026B Bonds.

The SFPUC invests Revenues in the City's Pooled Investment Fund. See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – FINANCIAL OPERATIONS – Investment of SFPUC Funds." In the event of a bankruptcy of the City, there may be delays or reductions in payments on the 2026B Bonds.

Other Risks

Federal Policy Risks. Federal policies involving taxation, appropriations, borrowing (including the debt ceiling), trade (including tariffs), immigration, climate change, clean energy and other topics can shift, sometimes dramatically, from one presidential administration or Congress to another. From time to time, such shifts can result in reductions to the level of federal funding for a variety of policy priorities, including transportation, housing, healthcare, social services and other federally funded programs. Recently, several such policy shifts, including delays in or cancellation of grants, loans, and other appropriations, have been proposed or promulgated through presidential executive orders and other official and unofficial actions at the federal level. The SFPUC cannot predict the outcome of such proposals and other actions, nor the potential impacts of any future such changes in federal policy. However, such changes could in the future have adverse effects on revenues, operation and maintenance costs or capital funding requirements.

The SFPUC depends on the work of various federal agencies to conduct its operations. For example, the SFPUC relies, in part, on the National Oceanic and Atmospheric Administration ("**NOAA**"), which includes the National Weather Service, for information regarding daily weather forecasts, severe storm warnings, climate monitoring, and long-term climate projections. The SFPUC also relies on the USEPA for regulatory compliance guidance, water quality standards and testing protocols, infrastructure funding through various federal funding programs, and support during environmental emergencies. In addition, the SFPUC relies on the National Park Service to manage Yosemite National Park, where the Hetch Hetchy Reservoir and substantial portions of the SFPUC's Regional Water System infrastructure are located, including watershed protection, facility maintenance access, and security. Recently, the federal government has begun conducting large-scale layoffs across federal agencies, including but not limited to layoffs at NOAA, the USEPA and the National Park Service. The SFPUC cannot predict the potential impacts of such layoffs; however, such actions could have adverse effects on the SFPUC's operations.

Federal Legislation. Legislation is periodically introduced in the U.S. Congress that could affect the finances or operations of the SFPUC. Examples of federal legislative proposals that could have an adverse effect on the SFPUC if they were to be introduced and become law include, but are not limited to limitations on the amount or availability of tax-exempt financing under Section 103 of the Code or elimination of the exclusion of interest on tax-exempt bonds from gross income for all or some taxpayers. Legislative proposals to eliminate or limit the benefit of tax-exempt interest on bonds such as the 2026B Bonds have been made in the past, may currently be under consideration, and may be made again in the future. If adopted, any such proposal could alter the federal tax treatment described under the heading "TAX MATTERS" or could adversely affect the market value or marketability of the 2026B Bonds. The SFPUC cannot predict whether any such legislation will be introduced or enacted in the current or future sessions of the U.S. Congress.

Economic, Political, Social and Environmental Conditions. Changes in economic, political, social, or environmental conditions on a local, State, federal, and/or international level may adversely affect investment risk generally. Such conditional changes may include (but are not limited to) fluctuations in business production, consumer prices, fuel prices, or financial markets, unemployment rates, availability of skilled labor, technological advancements, shortages or surpluses in natural resources or energy supplies, changes in law, social unrest, fluctuations in the crime rate, political conflict, acts of war or terrorism, environmental damage, and natural disasters.

Pandemics; COVID-19 Pandemic. A pandemic, epidemic or outbreak of an infectious disease can have significant adverse health and financial impacts on global and local economies. For example, the COVID-19 pandemic significantly impacted the City and resulted in prolonged stay-at-home orders that impacted each of the SFPUC's enterprises, including the Wastewater Enterprise. In addition to certain direct impacts on the operations and finances of the Wastewater Enterprise, COVID-19 had significant and varied impacts on general economic activity at the local, national and global levels, including supply chain and labor market disruptions. Such disruptions, among other effects, resulted in increases in materials, labor, transportation and other costs across a wide number of sectors, as well as delays in delivery of projects and equipment. The Wastewater Enterprise experienced, and may in the future experience, increases in certain costs, such as for bulk chemical supplies, and delays in the delivery of equipment as a result of COVID-19's disruption of supply chains. Additionally, such disruptions may result in schedule delays for the Wastewater Enterprise's capital projects or increased costs for such projects.

Initiative, Referendum and Charter Amendments and Future Legislation. Under the State Constitution, California voters have the ability to initiate legislation and require a public vote on legislation passed by the State Legislature through the powers of initiative and referendum, respectively. The SFPUC is unable to predict whether any such initiatives might be submitted to or approved by the voters, the nature of such initiatives, or their potential impact on the SFPUC or the Wastewater Enterprise. See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – CONSTITUTIONAL, STATUTORY AND CHARTER LIMITATIONS."

Under the Charter, San Francisco voters can restrict or revise the powers of the SFPUC through the approval of a Charter amendment or other initiative. For example, in June 1998 the San Francisco electorate approved Proposition H which, subject to certain exceptions, including a limited exception to raise rates to pay debt service on voter-approved debt, froze the SFPUC's water and sewer rates through July 1, 2006. The SFPUC can give no assurance that the electorate will not seek in the future to freeze or limit rate increases. See "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – CONSTITUTIONAL, STATUTORY AND CHARTER LIMITATIONS – Charter Limitations."

In addition, the SFPUC is subject to various laws, rules and regulations adopted by the local, State and federal governments and their agencies. The SFPUC is unable to predict the adoption or amendment of any such laws, rules or regulations, or their effect on the operations or financial condition of the SFPUC.

Loss of Tax Exemption/Risk of Tax Audit of Municipal Issuers. As discussed under "TAX MATTERS," interest on the 2026B Bonds could fail to be excluded from the gross income of the owners thereof for purposes of federal income taxation retroactive to the date of the issuance of the 2026B Bonds as a result of future acts or omissions of the SFPUC in violation of its covenants to comply with requirements of the Code. Should such an event of taxability occur, the 2026B Bonds are not subject to redemption or any increase in interest rate and will remain outstanding until maturity.

The Internal Revenue Service (the "**IRS**") has an expanded program for the auditing of tax-exempt obligations, including both random and targeted audits. It is possible that the 2026B Bonds could be selected for audit by the IRS. It is also possible that the market value of the 2026B Bonds would be affected as a result of such an audit of the 2026B Bonds (or by an audit of similar securities).

Change in Tax Law. As discussed under "TAX MATTERS," current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2026B Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest.

Failure to Maintain Credit Ratings. Certain rating agencies have assigned ratings to the 2026B Bonds. The ratings issued reflect only the views of such rating agencies. Any explanation of the significance of these ratings should be obtained from the respective rating agencies. See "RATINGS." There is no assurance current ratings will continue for any given period or that such ratings will not be revised downward or withdrawn entirely by the rating agencies if, in the respective judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings could be expected to have an adverse effect on the market price or the marketing of the 2026B Bonds. The SFPUC undertakes no obligation to maintain its current credit ratings on the 2026B Bonds or to oppose any such downward revision, suspension or withdrawal.

Secondary Market. There can be no guarantee that there will be a secondary market for the 2026B Bonds or, if a secondary market exists, that the 2026B Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Uncertainties of Projections, Forecasts and Assumptions. Certain information contained in this Official Statement is based upon assumptions and projections. Projections and assumptions are inherently subject to significant uncertainties. Inevitably, some assumptions will not be realized and unanticipated events and circumstances may occur and actual results are likely to differ, perhaps materially, from those projected. Accordingly, such projections are not necessarily indicative of future performance, and the SFPUC assumes no responsibility for the accuracy of such projections. See "FORWARD-LOOKING STATEMENTS."

The discussion in this section, "RISK FACTORS," is not meant to be a comprehensive or definitive list of the risks associated with an investment in the 2026B Bonds. There may be other risks inherent in ownership of the 2026B Bonds in addition to those described in this section. Investors are advised to read the entire Official Statement in order to obtain information necessary to make an investment in the 2026B Bonds.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, sale and delivery of the 2026B Bonds are subject to the approval of Norton Rose Fulbright US LLP, San Francisco, California, Bond Counsel to the SFPUC. Certain legal matters are being passed upon for the SFPUC by the City Attorney and by Orrick, Herrington & Sutcliffe LLP, San Francisco, California ("**Disclosure Counsel**"). Certain legal matters are being passed upon for the Underwriters by Hawkins Delafield & Wood LLP, San Francisco, California. Bond Counsel and Disclosure Counsel will receive compensation that is contingent upon the sale and delivery of the 2026B Bonds.

The form of approving opinion of Bond Counsel is set forth in Appendix D, and will be available at the time of delivery of the 2026B Bonds. Bond Counsel is not passing upon and undertakes no responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

Orrick, Herrington & Sutcliffe LLP has served as Disclosure Counsel to the SFPUC and in such capacity has advised the SFPUC with respect to the requirements of applicable securities laws and participated with responsible SFPUC officials and staff in conferences and meetings where information contained in this Official Statement was reviewed for accuracy and completeness. Disclosure Counsel is not responsible for the accuracy or completeness of the information presented in this Official Statement and has not undertaken to independently verify any of such information. Rather, the SFPUC is solely responsible for the accuracy and completeness of the information contained in this Official Statement. Upon the issuance of the 2026B Bonds, Orrick, Herrington & Sutcliffe LLP will deliver a letter to the SFPUC concerning certain matters with respect to this Official Statement. No purchaser or holder of the 2026B Bonds, or other person or party other than the SFPUC, will be entitled to rely on such letter or on the fact that Orrick, Herrington & Sutcliffe LLP has acted as Disclosure Counsel to the SFPUC.

TAX MATTERS

Federal Tax Exemption. In the opinion of Norton Rose Fulbright US LLP, San Francisco, California, Bond Counsel to the SFPUC, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance by the SFPUC with certain covenants in the applicable resolution, the Tax Certificate and other documents pertaining to the 2026B Bonds and requirements of the Code regarding the use, expenditure and investment of proceeds of the 2026B Bonds and the timely payment of certain investment earnings to the United States, interest on the 2026B Bonds is not included in the gross income of the owners of the 2026B Bonds for federal income tax purposes. Failure to comply with such covenants and requirements may cause interest on the 2026B Bonds to be included in gross income retroactive to the date of issuance of the 2026B Bonds.

In the further opinion of Bond Counsel, interest on the 2026B Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax on individuals. Bond Counsel expresses no opinion regarding the applicability of the federal corporate alternative minimum tax to the adjusted financial statement income of certain corporations.

Ownership of, or the receipt of interest on, tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Bond Counsel expresses no opinion with respect to any collateral tax consequences and, accordingly, prospective purchasers of the 2026B Bonds should consult their tax advisors as to the applicability of any collateral tax consequences.

Certain requirements and procedures contained or referred to in the applicable resolution, the Tax Certificate or other documents pertaining to the 2026B Bonds may be changed, and certain actions may be taken or not taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Bond Counsel expresses no opinion as to the effect of any change to any document pertaining to the 2026B Bonds or of any action taken or not taken where such change is made or action is taken or not taken without the approval of Bond Counsel or in reliance upon the advice of counsel other than Bond Counsel with respect to the exclusion from gross income of the interest on the 2026B Bonds for federal income tax purposes.

Bond Counsel's opinion is not a guarantee of result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and judicial decisions and the representations and covenants of the SFPUC described above. No ruling has been sought from the IRS with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of examining the tax-exempt status of the interest on municipal obligations. If an examination of the 2026B Bonds is commenced, under current procedures the IRS is likely to treat the SFPUC as the "taxpayer," and the owners of the 2026B Bonds would have no right to participate in the examination process. In responding to or defending an examination of the tax-exempt status of the interest on the 2026B Bonds, the SFPUC may have different or conflicting interests from the owners. Additionally, public awareness of any future examination of the 2026B Bonds could adversely affect the value and liquidity of the 2026B Bonds during the pendency of the examination, regardless of its ultimate outcome.

Tax Accounting Treatment of Bond Premium and Original Issue Discount

Bond Premium. To the extent a purchaser acquires a 2026B Bond at a price in excess of the amount payable at its maturity, such excess will constitute "bond premium" under the Code. The Code and applicable Treasury Regulations provide generally that bond premium on a tax-exempt obligation is amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations) based on the obligation's yield to maturity (or shorter period in the case of certain callable obligations). The amount of premium so amortized reduces the owner's basis in such obligation for federal income tax purposes, though such amortized premium is not deductible for federal income tax purposes. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. Bond Counsel is not opining on the accounting for bond premium or the consequence to a 2026B Bond purchaser of purchasing a 2026B Bond with bond premium. Accordingly, persons considering the purchase of 2026B Bonds with bond premium should consult their own tax advisors with respect to the determination of bond premium on such 2026B Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such 2026B Bonds.

Original Issue Discount. The excess, if any, of the stated redemption price at maturity of 2026B Bonds of a particular maturity over the initial offering price to the public of the 2026B Bonds of that maturity at which a substantial amount of the 2026B Bonds of that maturity is sold to the public is "original issue discount." Original issue discount accruing on a 2026B Bond is treated as interest excluded from the gross income of the owner thereof for federal income tax purposes under the same conditions and limitations as are applicable to interest payable on such 2026B Bond. Original issue discount on a 2026B Bond of a particular maturity purchased pursuant to the initial public offering at the initial public offering price at which a substantial amount of the 2026B Bonds of that maturity is sold to the public accrues on a semiannual basis over the term of the 2026B Bond on the basis of a constant yield; and within each semiannual period accrues on a ratable daily basis. The amount of original issue discount on a 2026B Bond accruing during each period is added to the adjusted basis of such 2026B Bond, which will affect the amount of taxable gain upon disposition (including sale, redemption or payment on maturity) of such 2026B Bond. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers that purchase 2026B Bonds other than at the initial offering price. Bond Counsel is not opining on the accounting for or consequence to a 2026B Bond purchaser of purchasing a 2026B Bond with original issue discount. Accordingly, persons considering the purchase of 2026B Bonds with original issue discount should consult their own tax advisors with respect to the determination of original issue discount on such 2026B Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such 2026B Bonds.

Information Reporting and Backup Withholding. Interest paid on the 2026B Bonds will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, such reporting requirement causes the payment of interest on the 2026B Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not "exempt recipients," and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner are allowed as a refund or credit against such beneficial owner's federal income tax liability so long as the required information is furnished to the IRS.

State Tax Exemption. In the further opinion of Bond Counsel, interest on the 2026B Bonds is exempt from personal income taxes imposed by the State of California.

Future Developments. Existing law may change to reduce or eliminate the benefit to owners of the 2026B Bonds of the exclusion of the interest on the 2026B Bonds from gross income for federal income tax purposes or of the exemption of interest on the 2026B Bonds from State of California personal income taxation. Any proposed legislation, whether or not enacted, or administrative action, whether or not taken, could also affect the value and marketability of the 2026B Bonds. Prospective purchasers of the 2026B Bonds should consult their own tax advisors with respect to any proposed or future change in tax law.

Proposed Form of Opinion. A copy of the form of opinion of Bond Counsel relating to the 2026B Bonds is included in APPENDIX D hereto.

LITIGATION

The SFPUC is not aware of any litigation, pending or threatened, questioning the political existence of the City or the SFPUC or contesting the SFPUC's power to fix wastewater rates and charges, or in any way questioning or affecting:

(i) the proceedings under which the 2026B Bonds are to be issued;

(ii) the validity of any provision of the 2026B Bonds or the Indenture;

(iii) the pledge of Net Revenues by the SFPUC under the Indenture; or

(iv) the titles to office of the present members of the Board of Supervisors and the Commission.

There are several suits and claims pending against the City and the SFPUC impacting the Wastewater Enterprise, which may include personal injury, wrongful death and other suits and claims against which the City may self-insure. The aggregate amount of the self-insured liabilities of the City and the SFPUC which may result from such suits and claims if determined adversely to the City or the SFPUC will not, in the opinion of the City Attorney, materially impair the ability of the SFPUC to pay principal of or interest on the 2026B Bonds as they become due. Other than as disclosed elsewhere in this Official Statement, there is no litigation pending, with service of process having been accomplished, against the City or the SFPUC which if determined adversely to the City or the SFPUC would, in the opinion of the City Attorney, materially impair the ability of the SFPUC to pay principal of and interest on the 2026B Bonds as they become due. See also "RISK FACTORS – Risks Related to Wastewater Enterprise Facilities and Operations – *Natural and Man-Made Disasters*" and "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – REGULATORY MATTERS – Federal and State Clean Water Act Permits" and "— CONSTITUTIONAL, STATUTORY AND CHARTER LIMITATIONS – State Law Limitations – *Proposition 218 Litigation*."

RATINGS

Moody's Investors Service ("**Moody's**") has assigned a long-term municipal bond rating of "Aa2" to the 2026B Bonds. S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("**S&P**"), has assigned a long-term municipal bond rating of "AA" to the 2026B Bonds.

The ratings assigned by Moody's and S&P express only the views of the respective rating agencies. The explanation of the significance of these ratings, and any outlook associated with these ratings, may be obtained from Moody's and S&P, respectively. Each rating agency generally bases its rating on its own investigations, studies, and assumptions. The SFPUC has provided certain additional information and materials to the rating agencies (some of which does not appear in this Official Statement).

A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2026B Bonds. The SFPUC undertakes no responsibility to maintain its current ratings on the 2026B Bonds or to oppose any such downward revision, suspension or withdrawal.

UNDERWRITING

The 2026B Bonds are being purchased by J.P. Morgan Securities LLC, on behalf of itself, Ramirez & Co., Inc., Raymond James & Associates, Inc., and TD Financial Products LLC (collectively, the "**Underwriters**").

The Underwriters have agreed to purchase from the SFPUC the 2026B Bonds at a purchase price of $__________ (consisting of $__________ aggregate principal amount of the 2026B Bonds, [less/plus] an original issue [discount/premium] of $__________, less an underwriters' discount of $__________). Under the bond purchase contract to be entered into in connection with the purchase of the 2026B Bonds, the Underwriters will be obligated to purchase all of the 2026B Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions to be satisfied by the SFPUC.

The Underwriters have certified the reoffering prices or yields with respect to the 2026B Bonds set forth on the inside cover page of this Official Statement. The SFPUC takes no responsibility for the accuracy of these prices or yields. The Underwriters may offer and sell the 2026B Bonds to certain dealers and others at prices lower than or yields higher than the offering prices or yields stated on the inside cover page. The offering prices or yields may be changed from time to time by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the SFPUC for which they received or will receive customary fees.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the SFPUC.

J.P. Morgan Securities LLC ("**JPMS**"), one of the Underwriters of the 2026B Bonds, has entered into negotiated dealer agreements with each of Charles Schwab & Co., Inc. ("**CS&Co.**") and LPL Financial LLC ("**LPL**") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each dealer agreement, each of CS&Co. and LPL may purchase 2026B Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2026B Bonds that such firm sells.

TD Financial Products LLC ("TDFP"), one of the Underwriters of the 2026B Bonds, has entered into a negotiated dealer agreement (the "TD Dealer Agreement") with Revere Securities LLC ("Revere") for the retail distribution of certain securities offerings, including the offered 2026B Bonds at the original issue prices. Pursuant to the TD Dealer Agreement, Revere may purchase 2026B Bonds from TD Financial Products LLC at the original issue prices less a negotiated portion of the selling concession applicable to any of the 2026B Bonds Revere sells.

FINANCIAL STATEMENTS

Attached as Appendix B are the audited financial statements of the Wastewater Enterprise for Fiscal Years 2024-25 and 2023-24, prepared by the SFPUC. The audited financial statements for Fiscal Years 2024-25 and 2023-24 were audited by Macias Gini & O'Connell LLP, independent certified public accountants. These audited financial statements are included for convenience.

The audited financial statements of the SFPUC are public documents and the SFPUC has not requested nor did the SFPUC obtain permission from the auditors to include the audited financial statements as an Appendix to this Official Statement. Accordingly, the auditors have made no representation in connection with inclusion of the audited financial statements herein that there has been no material change in the financial condition of the SFPUC since the most recent audit was concluded. The auditors have not been engaged to perform and have not performed, since the date of the report included herein, any procedures on the financial statements addressed in that report. The auditors also have not performed any procedures relating to this Official Statement.

CONTINUING DISCLOSURE

The SFPUC will covenant for the benefit of the Owners and Beneficial Owners of the 2026B Bonds, under a continuing disclosure certificate dated as of the date of delivery (the "**Disclosure Certificate**"), to provide certain financial information and operating data regarding the Wastewater Enterprise (the "**Annual Report**") not later than March 31 following the end of its Fiscal Year (presently June 30), beginning on March 31, 2027, with the report for Fiscal Year 2025-26, and to promptly provide notices of the occurrence of certain enumerated events set forth in the Disclosure Certificate ("**Listed Events**").

The SFPUC will agree to file the Annual Report and any notice of Listed Events as described in the Disclosure Certificate. The specific nature of the information to be contained in the Annual Report or the notices of Listed Events is set forth in the Disclosure Certificate. These covenants have been made to assist the Underwriters in complying with the Rule. The form of the Disclosure Certificate is attached to this Official Statement as APPENDIX E.

In 2017, the SFPUC and U.S. Bank National Association ("**U.S. Bank**") entered into revolving credit agreements providing for the extension of credit to the SFPUC in the amount of $100,000,000 for the Water Enterprise and $75,000,000 for the Wastewater Enterprise. The SFPUC has not drawn on either credit facility and has no outstanding obligations thereunder. On January 7, 2022, the SFPUC and U.S. Bank entered into amendments to such credit facilities extending the respective commitment expiration dates to July 18, 2024. The SFPUC filed listed event notices regarding such extensions on February 3, 2022.

CO-MUNICIPAL ADVISORS

Montague DeRose and Associates, LLC, Walnut Creek, California, and Backstrom McCarley Berry & Co., LLC, San Francisco, California (the "**Co-Municipal Advisors**"), are acting as co-municipal advisors to the SFPUC with respect to the 2026B Bonds. The Co-Municipal Advisors have assisted the SFPUC in the preparation of this Official Statement and in other matters relating to the planning, structuring, execution and delivery of the 2026B Bonds. The Co-Municipal Advisors have not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the SFPUC to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Co-Municipal Advisors assume no responsibility for the accuracy or completeness of any of the information contained herein. The Co-Municipal Advisors will not purchase or make a market in any of the 2026B Bonds.

The compensation to be received by the Co-Municipal Advisors from the SFPUC for services provided in connection with the planning, structuring, execution and delivery of the 2026B Bonds is contingent upon the sale and delivery of the 2026B Bonds.

INDEPENDENT PRICING CONSULTANT

PFM Financial Advisors LLC, San Francisco, California, is acting as an independent pricing consultant to the SFPUC with respect to the 2026B Bonds (the "**Pricing Consultant**"). As required by the SFPUC's Debt Policies (as defined in Appendix A hereto), the Pricing Consultant will monitor the pricing process and provide an independent pricing report to the SFPUC certifying whether the pricing results were fair and reasonable to the SFPUC in light of prevailing market conditions. The Pricing Consultant has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the SFPUC to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Pricing Consultant assumes no responsibility for the accuracy or completeness of any of the information contained herein. The Pricing Consultant will not purchase or make a market in any of the 2026B Bonds.

The compensation to be received by the Pricing Consultant from the SFPUC for services provided in connection with the planning, structuring, execution and delivery of the 2026B Bonds is contingent upon the sale and delivery of the 2026B Bonds.

VERIFICATION OF MATHEMATICAL ACCURACY

Upon delivery of the 2026B Bonds, Robert Thomas CPA, LLC (the "**Verification Agent**") will verify, from the information provided to it, the mathematical accuracy of the calculation of the Extraordinary Optional Redemption Price with respect to the extraordinary optional redemption of the Refunded 2010B Bonds.

MISCELLANEOUS

References made in this Official Statement to certain documents and reports are brief summaries thereof that do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof.

The appendices to this Official Statement are integral parts of this Official Statement. Investors must read the entire Official Statement, including the appendices, to obtain information essential to making an informed investment decision.

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APPROVAL AND EXECUTION

This Official Statement has been duly approved, executed and delivered by the SFPUC.

PUBLIC UTILITIES COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO

By: ______________________________
General Manager

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APPENDIX A

THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE

Table of Contents

INTRODUCTION

This Appendix A to the Official Statement contains information concerning the Public Utilities Commission of the City and County of San Francisco (the "**SFPUC**"). Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used but not otherwise defined in this Appendix A shall have the meaning given in the forepart of this Official Statement.

SFPUC WASTEWATER ENTERPRISE AND MAJOR FACILITIES

Figure 1-1 – SFPUC Wastewater Enterprise and Major Facilities (Not to Scale)

The SFPUC Wastewater Enterprise operates and maintains the City's combined sewer system, which collects and treats both sewage and stormwater. The map in Figure 1-1 shows the location of key facilities (as described below) owned by the City and under the jurisdiction of the SFPUC and the urban watershed boundaries which encompass the major drainage areas of San Francisco.

The system consists of approximately 1,000 miles of main sewer lines that collect sanitary sewage from homes and businesses and stormwater runoff; large transport/storage structures; more than 30 pump stations that transport sewage and stormwater; and two all-weather treatment facilities and one wet-weather treatment facility that discharge treated flows into the San Francisco Bay and Pacific Ocean. San Francisco has eight distinct urban watersheds: five on the Bayside (North Shore; Channel; Islais; Sunnydale; and Yosemite) and three on the Westside (Richmond; Sunset; and Lake Merced). The all-weather treatment facilities and wet-weather treatment facility treat sewage and stormwater based on whether the collection point is located on the Bayside or the Westside. The Oceanside Water Pollution Control Plant is not connected to the Bayside treatment systems, and the Southeast Water Pollution

Control Plant and North Point Wet Weather Facility are not connected to the Westside treatment system. See "THE WASTEWATER ENTERPRISE."

The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the City or of the SFPUC or any of its income or receipts, except the Net Revenues of the Wastewater Enterprise. See "SECURITY FOR THE BONDS" in the forepart of this Official Statement.

THE PUBLIC UTILITIES COMMISSION

General

The SFPUC is a department of the City responsible for the maintenance, operation and development of three utility enterprises: the Wastewater Enterprise, the Water Enterprise and the Power Enterprise (which is a component of Hetch Hetchy Water and Power). The SFPUC's enterprises are operated and managed as separate financial entities with separate enterprise funds.

- The Wastewater Enterprise provides wastewater and stormwater collection, treatment and disposal services for San Francisco.
- The Water Enterprise provides drinking water to retail customers in San Francisco, to certain retail customers outside San Francisco and to wholesale customers in three other Bay Area counties (the "**Water Enterprise**").
- Hetch Hetchy Water and Power operates dams (including O'Shaughnessy Dam), reservoirs (including Hetch Hetchy Reservoir), hydroelectric generation and transmission facilities and water transmission facilities from Hetch Hetchy Valley to the connection with the Water Enterprise (collectively, the "**Hetch Hetchy Project**"). In addition, Hetch Hetchy Water and Power provides hydroelectric, solar and other power for municipal and public infrastructure, services and facilities (the "**Power Enterprise**"). CleanPowerSF, managed by the Power Enterprise, is a Community Choice Aggregation program ("**CleanPowerSF**").

The revenues of the Water Enterprise, the Power Enterprise and CleanPowerSF are not available for payment of the principal of, premium, if any, or interest on the Bonds. See "SECURITY FOR THE BONDS – Pledge of Net Revenues" in the forepart of this Official Statement.

Organization, Purposes and Powers

Wastewater Enterprise. The Wastewater Enterprise's collection and treatment system consists of a combined sewer collection system conveying sewage and stormwater flows within San Francisco to two all-weather treatment facilities and one wet-weather treatment facility located within San Francisco. Treated effluent flows are then discharged through mostly deep-water outfalls into the San Francisco Bay and the Pacific Ocean. The Wastewater Enterprise also currently provides sewage treatment service on Treasure Island pursuant to contract. See "THE WASTEWATER ENTERPRISE."

Water Enterprise. The SFPUC serves as the retail water supplier for San Francisco and is responsible for water deliveries to residents and institutions within San Francisco city limits, as well as to a number of retail accounts outside of San Francisco city limits. In addition, the SFPUC sells water to 27 wholesale customer entities in San Mateo, Alameda and Santa Clara counties under its Water Supply Agreement and/or related individual contractual agreements, as applicable. On average, approximately 68% of the SFPUC's water supply is delivered to the wholesale customers and approximately 32% of the SFPUC's water supply is delivered to retail customers.

The revenues of the Water Enterprise are not "Revenues" under the Indenture and do not secure the payment of the principal of, premium, if any, or interest on the Bonds. See "SECURITY FOR THE BONDS - Pledge of Net Revenues" in the forepart of this Official Statement.

Hetch Hetchy – Water and Power Operations. Hetch Hetchy Water and Power operates the dams (among them O'Shaughnessy Dam being the largest), reservoirs (among them Hetch Hetchy Reservoir being the largest), hydroelectric generation and transmission facilities and water transmission facilities from Hetch Hetchy Valley to the connection with the Water Enterprise, which provides water for distribution through the Water Enterprise and hydroelectric, solar and other power for municipal and public infrastructure, services and facilities of San Francisco. The Power Enterprise was created in 2005 as a separate system within Hetch Hetchy Water and Power. The Power Enterprise provides electric power to meet the municipal requirements of the City, including power to operate municipal streetcars and electric buses, street and traffic lights, municipal buildings and other City facilities, including the San Francisco International Airport ("**SFO**"). Additionally, the Power Enterprise may provide power to the Modesto Irrigation District and Turlock Irrigation District, located in the central valley of California, to certain commercial customers consistent with prescribed contractual obligations and federal law and to certain retail customers in San Francisco. CleanPowerSF, managed by the Power Enterprise, is a Community Choice Aggregation program, pursuant to which the SFPUC pools the electricity demands of CleanPowerSF customers, including certain of San Francisco's residents and businesses, for the purpose of buying electricity on behalf of such customers. CleanPowerSF provides San Francisco with clean energy alternatives at competitive rates.

In September 2019, in connection with the bankruptcy of Pacific Gas & Electric Company ("**PG&E**") and PG&E Corporation, the City submitted a non-binding indication of interest to purchase substantially all of PG&E's electric distribution and transmission assets needed to provide retail electric service to all electricity customers within the geographic boundaries of San Francisco. The City subsequently submitted an additional non-binding indication of interest to PG&E in September 2020. PG&E has not indicated a willingness to sell any such assets. In July 2021, the City submitted a petition to the California Public Utilities Commission ("**CPUC**") for a formal determination of the fair market value of PG&E's assets the City is interested in acquiring. In April 2023, the City filed direct testimony of four expert witnesses with the CPUC regarding the specific assets under consideration for acquisition and the value of such assets. In April 2026, the City filed updated testimony including an asset value of $3.4 billion, supported by a final detailed accounting of such assets, and the CPUC has given PG&E until October 2026 to respond with its own appraisal. On July 9, 2026, the SFPUC certified the final Environmental Impact Report for the City's proposed acquisition of PG&E's electric assets. The City remains interested in acquiring these assets from PG&E; however, a transaction has not been consummated, and neither the SFPUC nor the City is able to predict whether a transaction will be consummated or what the terms of any such transaction would be, if consummated.

The revenues of the Power Enterprise and the revenues of CleanPowerSF are not "Revenues" under the Indenture and do not secure the payment of the principal of, premium, if any, or interest on the Bonds. See "SECURITY FOR THE BONDS – Pledge of Net Revenues" in the forepart of this Official Statement.

Commission Members

Under the Charter, the SFPUC is given exclusive charge of the operation and management of all water, wastewater and energy supplies and utilities owned or maintained by the City, as well as the real, personal and financial assets under the SFPUC's jurisdiction. The SFPUC is governed by the Commission.

The Commission consists of five members appointed by the Mayor, subject to confirmation by a majority of the Board of Supervisors. Seat 1 is designated for a member with experience in environmental policy and an understanding of environmental justice issues. Seat 2 is designated for a member with experience in ratepayer or consumer advocacy. Seat 3 is designated for a member with experience in project finance. Seat 4 is designated for a member with expertise in water systems, power systems, or public utility management. Seat 5 is designated for an at-large member. Members are appointed for four-year terms and are eligible for reappointment. Members may be suspended by the Mayor and may be removed by a three-fourths vote of the Board of Supervisors for official misconduct.

The current members of the Commission and their appointment dates and expiration dates of their current terms are set forth below:

Name and Title	Seat	Appointment Date	Term Expires
Joshua Arce, President	2	October 16, 2024	August 1, 2026[(1)]
Stephen E. Leveroni, Vice President	3	October 20, 2024	August 1, 2028
Avni Jamdar	1	October 22, 2024	August 1, 2028
Kate H. Stacy	4	October 18, 2022	August 1, 2026[(1)]
Meghan Thurlow	5	May 23, 2025	August 1, 2028

(1) Pursuant to Section 4.101.5 of the Charter, the tenure of a member of the Commission will terminate no later than 60 days after the expiration of the member's term, unless the member is reappointed. Mayor Lurie has announced he is nominating Commissioner Arce and Commissioner Stacy for re-appointment.

Management

Management of the SFPUC is led by the General Manager. The General Manager is appointed by the Mayor from candidates submitted by the Commission. Once appointed by the Mayor, the General Manager serves at the pleasure of the Commission. As allowed by the Charter, the General Manager serves under an individual employment contract.

Brief biographies of the General Manager and principal members of the senior management of the SFPUC are set forth below.

Dennis J. Herrera. Dennis J. Herrera commenced serving as the General Manager of the SFPUC on November 1, 2021. Prior to his appointment, Mr. Herrera had been re-elected in November 2019 to a four-year term as City Attorney for the City and County of San Francisco. Mr. Herrera was first elected City Attorney in December 2001. Before becoming City Attorney, Mr. Herrera had been a partner in a private law firm and had served in the Clinton Administration as Chief of Staff of the United States Maritime Administration. He also served as president of the San Francisco Police Commission and was a member of the San Francisco Public Transportation Commission. Mr. Herrera earned a B.A. from Villanova University and a J.D. from George Washington School of Law.[*]

Ronald P. Flynn. Ron Flynn is the Deputy General Manager and Chief Operating Officer of the San Francisco Public Utilities Commission. Appointed to this role in 2021, Ron works with the General Manager on all policy and strategic initiatives, oversees the agency's daily operations, including the three utility enterprises, Water, Wastewater and Power, and the three bureaus, Infrastructure, Business Services, and Professional Services. He also supervises the agency's Development, Emergency Planning & Security, and Government Affairs divisions. Prior to this position, Ron served for nearly 16 years in the San Francisco City Attorney's Office under Dennis Herrera. During that time, he served in many roles, including as Chief Deputy City Attorney, where he oversaw the City's litigation teams, and worked closely with departments and agencies, including the SFPUC, on procurement, financial, and litigation matters. He worked on Hetch Hetchy litigation, PG&E's bankruptcy, and other SFPUC-related issues. Ron previously served as Team Leader of the Construction and Public Contracting Team in the City Attorney's Office, working on many SFPUC projects, including the Water System Improvement Program (WSIP). Ron is a Bay Area native who lives in San Francisco. He graduated from California Polytechnic State University, San Luis Obispo (B.Sc.), Harvard University (Ed.M.), and University of California, Berkeley School of Law (J.D.).

Nancy L. Hom. Nancy L. Hom is the Chief Financial Officer and Assistant General Manager for Business Services, providing direction and oversight for the Financial Services, Audit, Loans and Grants, Customer Services, and Strategy Innovation and Change bureaus. She has led several important bureaus of Business Services, including serving as the Assurance and Internal Control Director for 10 years; and as the SFPUC Deputy Chief Financial Officer for Accounting and Financial Reporting. Ms. Hom has over 20 years of experience leading financial and governance teams in public agencies and has extensive knowledge of the City's financial and accounting guidelines and systems, capital improvement projects and regulatory affairs. Prior to joining the SFPUC, she served as the Chief Financial

[*] Dennis J. Herrera has announced he plans to retire in December 2026.

Officer for the Department of Child Support Services and as a leader in the Office of the Controller's Budget and Analysis division. Ms. Hom earned a B.S. in Business Administration from San Francisco State University, concentrating in Finance, Internal Audit, and Project Management. She also maintains two professional certifications from the Institute of Internal Auditors as a Certified Internal Auditor and Certified Risk Management Assurance professional.

Joel Prather. Joel Prather is the Assistant General Manager of the Wastewater Enterprise. His professional background includes more than a decade at the SFPUC Wastewater Enterprise, and over 20 years with the City. He started with San Francisco Public Works in the Bureau of Street and Sewer Repair and came to the SFPUC in 2011 as a Maintenance Planner. Prior to his appointment in his current role, he held the position of Maintenance Manager, where he managed the day to day maintenance systems and practices for the wastewater treatment facilities. He earned a B.A. in urban studies from San Francisco State University.

Jennifer S. Hopkins. Jennifer S. Hopkins is the Assistant General Manager and Chief Administrative Officer ("CAO") for the Professional Services Bureau. The Professional Services Bureau is comprised of the Office of the CAO, Communications, Real Estate Services, Fleet Operations, Human Resources, Information Technology Services, Community Benefits and Facilities. For over 25 years, Jennifer has provided strategic leadership and direction to diverse teams like Professional Services, with the responsibility of creating a seamless support experience for those she served. Some of her accomplishments include delivering quality technical solutions, building client partnerships, creating high performance teams, launching new "Startup Divisions", establishing formal vendor/contract management practices, developing community programs, investing in employee engagement, and leading organizational change and transformation projects. Jennifer joined the SFPUC in 2022 serving as the Department's first Chief Information Officer. Prior to the SFPUC, Jennifer was an Executive Leader in Contra Costa County, the City of Fairfield, UC Berkeley, and the City of Kansas City, Missouri. Jennifer holds a B.S. in Computer Science Information Systems from Jackson State University, a M.S. in Management from Baker University; she is a recognized Credentialed California County Technology Executive and completed the UC Berkeley Leadership Program Certification (MOR Associates).

Steven R. Ritchie. Steven Ritchie is the Assistant General Manager of the Water Enterprise, responsible for overseeing water system operations and planning from the Hetch Hetchy Project through the Regional Water System to the City Distribution Division. He is also responsible for the management of the SFPUC's lands and natural resources. Mr. Ritchie was the Manager of Planning at the SFPUC from 1995 to 1998. Prior to his current assignment, he managed the South Bay Salt Pond Restoration Project, a multi-agency effort to restore 15,100 acres of valuable habitat in South San Francisco Bay, while providing for flood risk management and public access. In addition, Mr. Ritchie has worked at management positions at the San Francisco Bay Regional Water Quality Control Board (1987-1995), the CalFed Bay Delta Program (1998-2000), and URS consultants (2000-2004). He has a B.S. and M.S. in Civil Engineering from Stanford University.

Stephen D. Robinson. Stephen Robinson is the Assistant General Manager for Infrastructure, where he is responsible for capital programs and project implementation for SFPUC facilities, including the Water Capital Improvement Plan, the Wastewater Capital Improvement Plan (which includes the Sewer System Improvement Program), and the Hetchy Capital Improvement Program. Previously, he was the Director of the Wastewater Enterprise Capital Program for SFPUC's Infrastructure Division. He is a Professional Civil Engineer and a UK Chartered Civil Engineer with over two decades of planning, design, construction, and management experience in the water/wastewater sector. Prior to joining SFPUC, Mr. Robinson worked with MWH/Stantec as a consultant and served in the British Army as a Royal Engineer Captain. Mr. Robinson has a master's degree in Civil Engineering and Management from the Queen's University of Belfast, Northern Ireland.

Michael A. Hyams. Michael Hyams is the Acting Assistant General Manager of the Power Enterprise, where he oversees the operations of San Francisco's electricity services, Hetchy Hetchy Power and CleanPowerSF. His professional background includes 20 years of service with the SFPUC's Power Enterprise where he has held various positions. Prior to being appointed to his current role, Michael served as Deputy Assistant General Manager, where he was responsible for overseeing CleanPowerSF operations and the Power Enterprise's power supply resources. Michael led the Power Enterprise's development of CleanPowerSF. He also led the Power's Regulatory and Legislative Affairs team responsible for representing the SFPUC and the City's interests on state and federal energy regulatory and legislative issues. Michael has also held positions at Columbia University's Center for Energy, Marine

Transportation and Public Policy and the Port Authority of New York and New Jersey where he worked on clean energy policy and developed clean energy programs and projects promoting electric vehicles, zero net energy buildings, microgrids, and renewable energy and energy efficiency. Michael earned a B.A. in History, International Studies and Environmental Studies from the University of Oregon and holds a Master's of Public Administration from Columbia University's School of International and Public Affairs with a concentration in Energy Management and Policy.

Employee Relations

San Francisco. The City's original budget for fiscal years 2025-26 and 2026-27 included approximately 39,377 and 39,355, respectively, full-time and part-time budgeted City positions. City workers are represented by 36 different labor unions. The largest unions in the City include the International Federation of Professional and Technical Engineers ("**IFPTE**"), Local 21, which represents many Wastewater Enterprise employees.

Wages, hours and working conditions of City employees, including employees of the SFPUC, are determined by collective bargaining pursuant to State law (the Meyers-Milias-Brown Act, California Government Code Sections 3500-3511) and the San Francisco Charter. San Francisco is unusual among California's cities and counties in that nearly all of its employees, including managerial and executive-level employees, are represented by labor organizations.

Further, the San Francisco Charter requires binding arbitration to resolve negotiations in the event of an impasse. If an impasse occurs, the parties are required to convene a tripartite arbitration panel, chaired by an impartial third-party arbitrator, which sets the disputed terms of the new agreement. The award of the arbitration panel is final and binding. This process applies to almost all City employees. Since 1976, no City employees have participated in a union-authorized strike, which is prohibited under the Charter. On July 24, 2023, the California Public Employment Relations Board ("**PERB**") ruled in favor of the Service Employees International Union ("**SEIU**"), Local 1021 and IFPTE, Local 21, concluding that Charter section A8.346 and certain portions of section A8.409 prohibiting strikes by City employees are invalid, affirming a proposed decision of an administrative law judge that such Charter provisions violate the Meyers-Milias-Brown Act. In May 2025, the California Court of Appeal denied the City's appeal of the PERB ruling. See "RISK FACTORS – Risks Related to Wastewater Enterprise Facilities and Operations – *Labor Actions*" in the forepart of this Official Statement.

The City's employee selection procedures are established and maintained through a civil service system. In general, selection procedures and other merit system issues, with the exception of discipline, are not subject to arbitration. Disciplinary actions are generally subject to grievance arbitration, with the exception of sworn police officers and fire fighters.

In 2024, the City negotiated three-year agreements (for Fiscal Years 2024-25 through 2026-27) with 27 labor unions, including various labor unions that represent Wastewater Enterprise employees. The parties agreed to the following: a 1.5% wage increase effective July 1, 2024; a 1.5% wage increase effective January 4, 2025; a 1% wage increase effective June 30, 2025, at close of business, and a 1% wage increase effective July 1, 2025, for a total compounded increase of 2.01% effective July 1, 2025; a 1.5% wage increase effective January 3, 2026; a 2% wage increase effective June 30, 2026, at close of business; a 2% wage increase effective January 2, 2027; and a 2.5% wage increase effective June 30, 2027, at close of business. These increases have no off ramps (potential deferrals triggered by the budget). The total compounded increase over three years is 13.75%. All City employees shall earn no less than $25 per hour as of July 1, 2024 (which affects SEIU, Local 1021, and Laborers, Local 261).

SFPUC. The SFPUC currently employs approximately 2,534 of the City's workers, of which approximately 17.2% work for the Wastewater Enterprise. The Charter governs the SFPUC's employment policies and authorizes the San Francisco Civil Service Commission to establish rules and procedures to implement those policies.

Over the next five years, approximately 37.6% of the SFPUC workforce agency-wide, including approximately 45.4% of the Wastewater Enterprise workforce, will be eligible for retirement. A new generation of jobs will require workers with specialized training, skills and experience. The SFPUC's strategic plan includes an "effective workforce" goal, which focuses on several workforce development and sustainability initiatives. The SFPUC provides career opportunities and training to San Francisco residents and partners with unions, the City and other stakeholders to support apprenticeships and pre-apprentice training programs in the skilled trades to help maintain a skilled and reliable workforce for the SFPUC's operations and infrastructure development. In addition, the SFPUC provides high school, college and graduate student internship programs that span a variety of fields including engineering, water and wastewater management, finance, communications, human resources and information technology. The SFPUC also provides ethics training, diversity training, management training, environmental management system training, as well as fraud prevention and awareness training.

The following table summarizes the number of SFPUC and Wastewater Enterprise employees covered by a memorandum of understanding (similar to a collective bargaining agreement), each of which will expire on June 30, 2027.

TABLE 1
SFPUC AND WASTEWATER ENTERPRISE
EMPLOYEES COVERED BY
MEMORANDA OF UNDERSTANDING

Employee Bargaining Unit	SFPUC Full-Time Equivalent Employment[(1)]	Wastewater Enterprise Full-Time Equivalent Employment[(1)]
International Association of Machinists, Lodge 1414	54	4
Carpenters, Local 22	21	3
Hod Carriers, Local 36	2	2
International Brotherhood of Electrical Workers, Local 6	136	22
Laborers, Local 261	173	49
Municipal Executives Association	231	26
Operating Engineers, Local 3	23	2
Plumbers, Local 38	238	35
International Federation of Professional and Technical Engineers, Local 21	1,196	197
Service Employees International Union, Local 1021	377	42
San Francisco City Workers United	14	5
Stationary Engineers, Local 39	290	183
Teamsters, Local 853	36	12
Transport Workers Union Local 250-A, Automotive Service Workers	6	1
Unrepresented Employees[(2)]	1	0
Total	**2,798**	**583**

(1) Represents budgeted numbers as of July 1, 2025. Actual full-time equivalent employment totals will differ from the number of positions budgeted by the SFPUC for a variety of reasons, including certain requirements in the respective memoranda of understanding (similar to collective bargaining agreements). See "FINANCIAL OPERATIONS – General – *City Budget Process*."
(2) Not covered by a memorandum of understanding (similar to a collective bargaining agreement).
Source: SFPUC.

Employee Benefit Plans

Retirement System Plan Description. The San Francisco City and County Employees' Retirement System (the "**Retirement System**" or "**SFERS**") is charged with administering a defined-benefit pension plan (the "**Plan**") that covers substantially all City employees, including SFPUC employees, and certain other employees. The Retirement System was initially established by approval of San Francisco voters on November 2, 1920, and the State Legislature on January 12, 1921, and is currently codified in the Charter. The Charter provisions governing the Retirement System may be revised only by a Charter amendment, which requires an affirmative public vote at a duly called election. The Retirement System is administered by the Retirement Board (the "**Retirement Board**"). The Plan provides basic service retirement, disability and death benefits based on specified percentages of final average salary and provides cost-of-living adjustments after retirement. The Plan also provides pension continuation benefits to qualified survivors.

Funding Practices. Employer and employee (member) contributions are mandated by the Charter. Sponsoring employers, including the SFPUC, are required to contribute 100% of the actuarially determined contribution approved by the Retirement Board. The Charter specifies that employer contributions consist of the normal cost (the present value of the benefits that SFERS expects to become payable in the future attributable to a current year's employment) plus an amortization of the unfunded liability over a period not to exceed 20 years. The Retirement Board sets the funding policy subject to the Charter requirements.

The Retirement Board adopts the economic and demographic assumptions used in the annual valuations. Demographic assumptions such as retirement, termination and disability rates are based upon periodic demographic studies performed by a consulting actuarial firm approximately every five years. Economic assumptions are reviewed each year by the Retirement Board after receiving an economic experience analysis from the consulting actuarial firm.

The Retirement Board adopted the demographic assumptions for the 2020-2021 actuarial valuations at its December 9, 2020 Retirement Board meeting based on the experience study dated August 12, 2020. At its September 10, 2025 meeting, the Retirement Board updated the demographic assumptions beginning with the July 1, 2025 actuarial valuation based on the experience study, dated September 2025. The current discount rate of 7.20% was adopted at the November 10, 2021 Retirement Board meeting, effective for the July 1, 2021 actuarial valuation. The Retirement Board most recently voted to maintain the discount rate, price inflation, and wage inflation assumptions (for the July 1, 2025 actuarial valuation) at its November 12, 2025 meeting.

While employee contribution rates are mandated by the Charter, sources of payment of employee contributions may be the subject of collective bargaining agreements with each union or bargaining unit. Since July 1, 2011, substantially all employee groups have agreed through collective bargaining for employees to contribute all employee contributions through pre-tax payroll deductions.

The following table shows total Retirement System liabilities, assets and percent funded for the last five completed actuarial valuations, as well as total contributions for the last five Fiscal Years ending June 30, 2025. Total contributions for Fiscal Year 2024-25 were $1,127,318,000.

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TABLE 2
CITY AND COUNTY OF SAN FRANCISCO
EMPLOYEES' RETIREMENT SYSTEM
FISCAL YEARS 2020-21 THROUGH 2024-25
(IN THOUSANDS)

As of July 1st	Actuarial Liability	Market Value of Assets	Actuarial Value of Assets	Market Percent Funded	Actuarial Percent Funded	Employee and Employer Contribution in Prior Fiscal Year	Employer Contribution Rates in Prior Fiscal Year(1)
2021	$31,905,275	$35,673,834	$30,043,222	111.8%	94.2%	$1,245,957	26.90%
2022	33,591,565	32,798,524	32,275,474	97.6	96.1	1,191,934	24.41
2023	35,351,967	33,688,428	34,137,005	95.3	96.6	1,086,567	21.35
2024	37,314,504	35,417,666	36,038,298	94.9	96.6	1,100,130	18.24
2025	39,446,082	37,450,095	38,185,053	94.9	96.8	1,127,318	16.91

(1) Employer contribution rates are shown prior to employer/employee cost-sharing provisions of 2011 Proposition C. Employer contribution rates for fiscal years 2024-25 and 2025-26 are 16.91% and 16.53%, respectively.

Source: SFERS' audited year-end financial statements and required supplemental information. SFERS' annual Actuarial Valuation Report dated July 1st.

Note: Information above reflects entire Retirement System, which covers substantially all City employees, including SFPUC employees, and certain other employees.

The City's net pension liability for its proportionate share of the net pension liability of the Plan and the net pension liability of the Replacement Benefits Plan, a qualified excess benefit plan that covers some Wastewater Enterprise employees, was approximately $3.8 billion for Fiscal Year 2024-25. The amount allocable to the Wastewater Enterprise, as of June 30, 2025, was approximately $74.3 million.

The SFPUC is required to contribute at an actuarially determined rate and allocates the applicable portions of such contribution to the separate enterprises, including the Wastewater Enterprise. For Fiscal Years 2019-20 through 2023-24, the SFPUC's employee contribution rates varied from 7.5% to 12.0% as a percentage of gross covered salary. For Fiscal Years 2019-20 through 2023-24, the Wastewater Enterprise has paid 100% of its required contributions. The contributions by the Wastewater Enterprise required for Fiscal Years 2019-20 through 2023-24 are summarized in the following table:

TABLE 3
WASTEWATER ENTERPRISE RETIREMENT SYSTEM CONTRIBUTION
FISCAL YEARS 2019-20 THROUGH 2023-24
(IN THOUSANDS)(1)

Fiscal Year (Measurement Period)	Employer Contribution Rates	Wastewater Enterprise Contribution
2019-20	25.2%	$14,352
2020-21	26.9	16,083
2021-22	24.4	14,543
2022-23	21.4	12,383
2023-24	18.2	12,402

(1) Employer contribution rate for fiscal year 2024-25 was 16.9%. The Wastewater Enterprise contribution for fiscal year 2024-25 is expected to be finalized in late 2026.

Source: Compiled from SFERS Actuarial Valuation report as of July 1, 2025, and SFPUC's audited financial statements for Fiscal Years 2020-21, 2021-22, 2022-23, 2023-24 and 2024-25.

Plan Financial Reports and Funded Status. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained on their website at https://mysfers.org/about-sfers/publications/. *The website is provided for convenience only and the report is not incorporated by reference into this Official Statement and should not be relied upon in making an investment in the 2026A Bonds or the 2026B Bonds.*

Health Care Benefits. The SFPUC participates in the City's agent multiple employer defined benefit plan, which operates as a cost-sharing multiple employer defined benefit plan (the "**OPEB Plan**"). The OPEB Plan is maintained by the City and is administered through the City's Health Service System and provides postemployment medical, dental and vision insurance benefits to eligible employees, retired employees, and surviving spouses. Health benefit provisions are established and may be amended through negotiations between the City and the respective bargaining units. The City does not issue a separate report on its other post-employment benefit plan.

As prescribed under Governmental Accounting Standards Board ("**GASB**") Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense are actuarially determined on a citywide basis. Net OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees attributed to those employees' past service, less the amount of the Retiree Healthcare Trust Fund investments measured at fair value.

The following table shows the City's reported net OPEB liabilities and the Wastewater Enterprise's proportionate share of such net OPEB liabilities for Fiscal Years 2022-23 through 2024-25:

TABLE 4
ANNUAL OPEB OBLIGATION
FOR FISCAL YEARS 2022-23 TO 2024-25
(IN THOUSANDS)

Fiscal Year	City's Reported Net OPEB Liabilities	Wastewater Enterprise's Proportionate Share of City's Net OPEB liabilities	City's Contribution Amount	Wastewater Enterprise's Proportionate Share of City's Contribution Amount
2022-23	$3,746,270	$49,035	$260,649	$3,412
2023-24	3,924,832	49,260	278,701	3,498
2024-25	3,921,799	50,552	300,932	3,879

Source: SFPUC.

The City issues a publicly available financial report on a City-wide level that includes the complete note disclosures and required supplementary information related to the City's post-retirement health care obligations. The report may be obtained on the Controller's website at https://www.sf.gov/departments/controllers-office. *The website is provided for convenience only and the report is not incorporated by reference into this Official Statement and should not be relied upon in making an investment in the 2026A Bonds or the 2026B Bonds.*

Voter Approved Changes to the Retirement Plan. SFERS plan benefits are established under the Charter and approved directly by the voters, rather than through the collective bargaining process. Changes to retirement benefits require a voter-approved Charter amendment. In 2011, voters approved Proposition C which aimed to reduce future pension costs. Proposition C introduced new lower-cost benefit tiers for all members hired on and after January 7, 2012 and also restricted the payment of any new supplemental COLAs to when SFERS is fully funded. Since 2011, the fully funded requirement for Supplemental COLAs has been removed from all members hired before January 7, 2012. First, the October 2015 Superior Court judgement removed the fully funded requirement for pre-Proposition C members retired on and after November 6, 1996. Then in November 2022, voters approved Proposition A which removed the fully funded requirement for retirees who commenced benefits prior to November 6, 1996.

However, for this older group of retirees only, the amount of supplemental COLA is capped at $200 per month for retirees with annual pensions exceeding $50,000 when SFERS is not fully funded. The Proposition C fully funded restriction remains in effect for retirees hired on and after January 7, 2012. In addition, for these post-2011 hires, the supplemental COLA is temporary and reverts to zero in any year in which no supplemental COLA is paid.

THE WASTEWATER ENTERPRISE

Background and History

Initial development of the City's combined wastewater system dates back to the second half of the 19th century. In accordance with common engineering practice of that period, the combined system collected both sewage and stormwater runoff and transported them to multiple discharge points on the shoreline of San Francisco Bay.

The Wastewater Enterprise provides sewage and stormwater collection, treatment and disposal services through the operation of a combined sewage and stormwater system. The Wastewater Enterprise provides such sanitary wastewater and stormwater services across eight distinct urban watersheds, with the Southeast Treatment Plant providing all-weather wastewater treatment and the North Point Facility providing wet-weather treatment, serving the North Shore, Channel, Islais, Sunnydale, and Yosemite urban watersheds with effluent outfalls to the San Francisco Bay (the "**Bayside Watersheds**"), and the Oceanside Treatment Plant providing all-weather wastewater treatment serving the Richmond, Sunset, and Lake Merced urban watersheds with an effluent outfall to the Pacific Ocean (the "**Westside Watersheds**"). The facilities referenced here are more fully described below in this Appendix A.

The combined sewage and stormwater system handles an average of approximately 40 billion gallons per year of combined wastewater and stormwater. Approximately 34 billion gallons per year receive full secondary treatment, 4.5 billion gallons per year receive primary or decant treatment and are discharged to deep-water outfalls, and 1.5 billion gallons per year receive the equivalent to wet-weather primary treatment and are discharged through nearshore outfalls.

In several small areas of San Francisco representing less than 3% of the City's total sewer mileage, wastewater and stormwater are initially collected and conveyed in separate storm and sanitary sewers. The separate sanitary sewers ultimately connect to the combined sewage and stormwater system. These separate storm and sanitary sewers are generally located in redevelopment areas within San Francisco that are subject to the City's stormwater management ordinance (the "**Stormwater Management Ordinance**"). These redevelopment projects are also required to include green infrastructure to manage and treat stormwater. Green infrastructure includes tools such as rain gardens, green roofs and permeable pavement that slow and clean stormwater prior to discharge into the aquifer, receiving waters or sewers in adjacent areas.

The operations of the Wastewater Enterprise are highly regulated. For more information, see "REGULATORY MATTERS."

Service Area

General. The service area of the Wastewater Enterprise encompasses approximately 29,773 acres and includes residents of San Francisco and of northern San Mateo County through contractual wholesale arrangements with three municipal sewer service providers: North San Mateo County Sanitation District, the Bayshore Sanitary District and the City of Brisbane (collectively, the "**Municipal Customers**"). The SFPUC also currently provides wastewater treatment service on Treasure Island and Yerba Buena Island pursuant to contract, and is in the process of expanding its service area to include Treasure Island and Yerba Buena Island. See "– Wastewater Treatment – *Contract Services*," "WASTEWATER ENTERPRISE CAPITAL PROGRAM – Treasure Island Capital Improvements" and "FINANCING PLAN FOR WASTEWATER ENTERPRISE CAPITAL PROGRAM."

The Wastewater Enterprise serves residential, commercial and industrial users, making up a daytime "population equivalent" of approximately 991,225 in 2024. The United States Census Bureau estimates of the total daytime and nighttime populations of the City from calendar years 2020 to 2024 (most recent data available) are reflected in the table below.

TABLE 5
CITY AND COUNTY OF SAN FRANCISCO POPULATION
CALENDAR YEARS 2020 TO 2024

	2020	2021[(2)]	2022	2023	2024
Daytime[(1)]	1,109,742	940,211	942,433	987,724	991,225
Nighttime	874,784	815,201	808,437	808,988	827,526

(1) Daytime population generally reflects the resident population adjusted for workers commuting into and out of San Francisco, based on Census Bureau estimates.

(2) San Francisco experienced a significant decline in both daytime and nighttime (resident) population since calendar year 2020. This was due to, among other factors, business closures, worker migration out of San Francisco as a result of remote work policies, an overall decline in tourism, and unemployment concentrated recently in the technology-heavy information, professional and business services sectors, which can be attributed in some part to the COVID-19 pandemic. Despite the overall decline, the number of active sewer accounts has increased, as described under "– Customer Base" and shown in "Table 6 – Summary of Active Sewer Accounts by User Type – Fiscal Years 2020-21 to 2024-25." See also "THE CITY AND COUNTY OF SAN FRANCISCO" and "FINANCIAL OPERATIONS – Recent Factors Impacting Wastewater Revenues."

Source: United States Census Bureau, American Community Survey 1-Year Survey for calendar years 2021, 2022, 2023, and 2024; 5-year Survey for calendar year 2020.

Recent Economic Developments. Despite the overall population decline since 2020, several economic measures have indicated some signs of the City's progress toward recovery. Data provided by Cushman & Wakefield indicate that the overall office vacancy rate at the end of the second quarter of 2026 was approximately 30.1%, dropping 120 basis points from the previous quarter and 360 basis points year-over-year. Similar data provided by Cushman & Wakefield indicated that as of the end of the first quarter of 2026, the City ranked second nationally in both median household income and income growth. Moreover, data from the California Employment Development Department reveal the City's unemployment rate declined in the first half of 2026 from 4.1% to 3.7%. The SFPUC does not independently track these economic metrics and does not make any representation regarding the accuracy or completeness of the data compiled by Cushman & Wakefield or the California Employment Development Department. For additional information regarding the City's financial condition, see "THE CITY AND COUNTY OF SAN FRANCISCO – *City Financial Challenges*."

Customer Base

As of June 30, 2025, the SFPUC has 181,682 active retail wastewater accounts. Of these, approximately 82% are residential accounts, with the remainder being commercial, industrial, or municipal. Major non-residential customer categories include retail, offices, restaurants, and services, which together account for approximately 18% of all customer accounts. The remaining accounts are primarily accounts associated with fire suppression water accounts. As shown in "Table 6 – Summary of Active Sewer Accounts by User Type – Fiscal Years 2020-21 to 2024-25" below, the total number of customer accounts (excluding unmetered properties) has increased by a total of approximately 1.9% since Fiscal Year 2020-21, and non-residential accounts (excluding unmetered properties) have grown by a total of approximately 6.0% during that time period.

In addition to its retail customers, the SFPUC provides wholesale sewage treatment services to municipal customers located in northern San Mateo County, and operates wastewater treatment facilities on Treasure Island and Yerba Buena Island. See "– Wastewater Treatment – *Contract Services*."

The following table sets forth a five-year history of the number of customer accounts served by the Wastewater Enterprise, grouped by user type.

TABLE 6
SUMMARY OF ACTIVE SEWER ACCOUNTS BY USER TYPE
FISCAL YEARS 2020-21 TO 2024-25

User Type	2020-21	2021-22	2022-23	2023-24	2024-25
Multi-Family Residential(1)	36,528	36,595	36,603	36,660	36,679
Single-Family Residential	111,398	111,786	111,995	112,795	112,993
Subtotal Residential	147,926	148,381	148,598	149,455	149,672
Commercial(1)	24,941	25,278	25,564	26,002	26,438
Municipal Customers	1,182	1,208	1,218	1,233	1,251
Unmetered Properties(2)	300	297	294	404	4,317
Suburban(3)	7	7	6	4	4
Total	**174,356**	**175,171**	**175,680**	**177,098**	**181,682**

(1) Includes Presidio Trust Wastewater Accounts, which consist of one multi-family residential, one mixed-use (residential and commercial), and three commercial customer accounts.
(2) Represents properties that are not subject to the sanitary sewer component of the sewer service charge. Increase in Fiscal Year 2024-25 reflects the opening of new customer accounts in connection with the implementation of the stormwater component of the sewer service charge. See "FINANCIAL OPERATIONS – Wastewater Enterprise Rates and Charges."
(3) In addition to the four current suburban customers as of the end of Fiscal Year 2024-25, service is provided to North San Mateo County Sanitation District, Bayshore Sanitary District and the City of Brisbane.
Source: SFPUC.

Separate rate schedules apply to single-family residential, multi-family residential, and non-residential customers. See "FINANCIAL OPERATIONS – Wastewater Enterprise Rates and Charges."

Combined Sewage and Stormwater System

On average, over three quarters of San Francisco's annual rainfall occurs between November and March. Depending on the duration, intensity and storm pattern, combined flows of sewage and stormwater can exceed the collection and treatment system hydraulic capacity, resulting in combined sewer discharges. The SFPUC's permits explicitly authorize combined sewer discharges from the system's 34 active, nearshore combined sewer discharge outfalls when a storm exceeds the system's capacity. To reduce the number and volume of combined sewer discharges during wet-weather events, the system relies on a series of large underground transport/storage structures (box sewers and tunnels) around the perimeter of San Francisco to intercept, temporarily store and transport the mixture of storm runoff and sewage to treatment facilities. When the storage capacity of the sewers, the transport/storage structures and the wet weather capacity of their associated treatment facilities are exceeded during large storms, combined sewage is discharged through one or more combined sewer discharge outfalls (and receives the equivalent of wet weather primary treatment). The Westside treatment system has seven combined sewer discharge outfalls to the Pacific Ocean, and the Bayside treatment system has 27 combined sewer discharge outfalls to San Francisco Bay. The primary purpose of this system is to maximize treatment and discharge after treatment at the wastewater treatment plants and minimize the incidence and volume of discharge from the combined sewer outfalls.

Sewer Lines. The Wastewater Enterprise's collection and transport system includes approximately 1,000 miles of main sewer lines, of which approximately 800 miles is made up of collecting sewers of 36 inches or less in diameter. See "Table 7 – Sewer System by Pipe Length in Miles and Age," which summarizes these assets by age. The SFPUC's capital program includes replacing specific sewer sections that have been prioritized for replacement using an asset management approach that considers the current condition of the section in question and applicable likelihood and consequence of failure. Sewers are generally inspected through closed-circuit television cameras, coded according to the National Association of Sewer Service Companies Pipeline Assessment Certification Program, where the likelihood of failure is calculated on a condition scoring algorithm that takes into account the severity and quantity of defects identified in each inspection. The number of targeted replacement pipe miles will vary in the future based on a number of factors, such as shifting focus towards asset renewal and extending service life through an application of various techniques (including but not limited to trenchless spot lining, limited spot dig-up repairs, whole asset lining, and other industry best practices), considering the affordability and deliverability of full sewer replacement projects and of the Wastewater Enterprise's entire capital program.

TABLE 7
SEWER SYSTEM BY PIPE LENGTH IN MILES AND AGE

Year Built	Gravity Pipe ≤ 36" Diameter	All Other Pipe(1)	Total Pipe	Percent of Total
1860 – 1900	46	27	72	7%
1901 – 1940	275	64	339	32%
1941 – 1980	156	84	240	23%
1981 – present	311	65	376	36%
Unknown	19	1	20	2%
Total(2)	806	241	1,047	100%

(1) Includes gravity pipe greater than 36" in diameter, tunnels, force mains, transport/storage, effluent outfall and overflow discharge.
(2) Totals may not add due to independent rounding.
Source: SFPUC, Wastewater Enterprise.

Transport/Storage Structures. In addition to sewer lines, the Wastewater Enterprise maintains 24 miles of underground transport/storage structures that are located around the perimeter of San Francisco to intercept, temporarily store and transport the mix of stormwater runoff and sewage to treatment facilities. These structures, which operate in both dry and wet weather, were built between 1979 and 1997. The largest of these structures, the Westside transport structure, is approximately two miles long, 45 feet deep and 25 feet wide. The transport/storage structures were designed with sufficient storage to reduce combined sewer discharges and protect beneficial uses of receiving waters for the San Francisco Bay and Pacific Ocean. The transport/storage and collection system provides approximately 200 million gallons worth of storage, or approximately 1.5 to three days of dry weather storage depending on the specific storage box sections and related upstream service area.

The SFPUC believes that the performance of the transport/storage structures and treatment facilities complies with the requirements of the national Combined Sewer Overflow Control Policy, as implemented by discharge permits issued by the EPA and the San Francisco Bay Regional Water Quality Control Board (the "**Regional Water Quality Control Board**"). See "REGULATORY MATTERS – Combined Sewer Overflow Control Policy." By providing both storage volume and detention time, the transport/storage structures allow for delayed treatment of combined sewage and stormwater flows at the treatment plants at the conclusion of a wet-weather event. They also provide a "buffer" for dry weather flows in the event of an unplanned outage.

Pump Stations. The Wastewater Enterprise has 32 pump stations, which include nine major all-weather pump stations, seven major wet-weather pump stations and 16 minor pump stations.

Outfalls and Nearshore Discharge Structures. The Wastewater Enterprise has three offshore outfalls that discharge to deep waters – Southeast Outfall, Northpoint Outfall, and Southwest Ocean Outfall. In addition to these outfalls, 34 active combined sewer discharge structures, or nearshore outfalls, serve as relief points of the combined sewer system. These structures operate infrequently, and only during large storm events. Discharges through these permitted facilities receive the equivalent of wet weather primary treatment.

Urban Watershed Management. The SFPUC, through its combined sewer operations, assists stormwater drainage and is working to improve system performance. The SFPUC's stormwater program is designed to engage community members, improve watershed function, enhance the environmental quality of San Francisco's neighborhoods, and protect the water quality of the San Francisco Bay and Pacific Ocean. To achieve these goals, the SFPUC has undertaken a multi-pronged approach consisting of policies, programs, and projects that increase the implementation of green infrastructure. The SFPUC implements the Stormwater Management Ordinance, which requires new and redevelopment projects in San Francisco to install and maintain green infrastructure to manage stormwater runoff. The SFPUC manages grant programs to fund the construction of green infrastructure at various scales on all land uses, from small residential parcels to the City's largest parcels. The SFPUC also develops and implements green infrastructure capital projects designed to manage stormwater and deliver co-benefits such as traffic calming and urban greening to the ratepayers.

Wastewater Treatment

Wastewater Treatment Plants. The Wastewater Enterprise operates three major wastewater treatment facilities (in addition to the transport/storage structures that provide partial treatment by removing solids and floatables from combined sewer discharges), two serving the Bayside Watersheds and one serving the Westside Watersheds:

- Southeast Water Pollution Control Plant (the "**Southeast Treatment Plant**"), which treats dry and wet weather flows collected from the Bayside Watersheds (18,597 acres, or 63% of the total city service area) as well as the Municipal Customers;

- North Point Wet Weather Facility (the "**North Point Facility**"), which treats a portion of wet-weather flows collected from the north Bayside Watersheds; and

- Oceanside Water Pollution Control Plant (the "**Oceanside Treatment Plant**"), which treats dry and wet weather flows collected from the Westside Watersheds (11,176 acres, or 37% of the total city service area) and minor flows from northern San Mateo County.

The Oceanside Treatment Plant and related collection facilities in the Westside Watersheds are not interconnected with the Southeast Treatment Plant or the North Point Facility and related collection facilities in the Bayside Watersheds. In addition, the SFPUC is constructing a new treatment facility on Treasure Island, which will be owned and operated by the SFPUC, and is anticipated to be fully operational in late 2026. See "WASTEWATER ENTERPRISE CAPITAL PROGRAM – Treasure Island Capital Improvements – *Treasure Island Water Resource Recovery Facility*."

Southeast Treatment Plant. The Southeast Treatment Plant is an all-weather secondary wastewater treatment plant serving the sewage and stormwater treatment needs for nearly two-thirds of San Francisco in the Bayside Watersheds, which consists of 18,597 acres including the Marina, Downtown, South of Market Area, Mission, Hunters Point, and Visitacion Valley neighborhoods, plus 1.65 million gallons per day ("**mgd**") from the Municipal Customers. Land uses in the Bayside Watersheds are a mixture of residential, commercial, light industrial and heavy industrial. The Southeast Treatment Plant, as the only Bayside all-weather facility, is a critical component of the system that must meet high availability requirements. The Bayside Watersheds wastewater and stormwater flow is collected by the combined sewer system and conveyed to the Southeast Treatment Plant via gravity sewers, tunnels, transport/storage structures, pump stations and force mains.

The Southeast Treatment Plant provides preliminary, primary and secondary treatment using a high-purity-oxygen activated sludge process prior to effluent disinfection. Sludge treatment consists of gravity-belt thickening, anaerobic digestion, chemical conditioning and dewatering. The Southeast Treatment Plant's treated effluent is discharged during dry weather into the San Francisco Bay through a deep-water outfall near Pier 80. During wet weather, treated effluent is discharged through the Pier 80 outfall and through an additional outfall at the shoreline of Islais Channel.

The Southeast Treatment Plant was planned and designed in the 1940s and commenced operations in 1951 as a primary treatment facility. To meet the mandates of the federal Clean Water Act, the Southeast Treatment Plant was expanded in the early 1980s to provide secondary treatment of all Bayside Watersheds' dry-weather flows with a daily average design capacity of approximately 85 mgd and peak-hour design flow of 142 mgd. In 1996, the Southeast Treatment Plant's wet weather capacity was increased to 250 mgd, with 150 mgd receiving secondary treatment prior to disinfection and discharge. During wet weather, additional wet-weather facilities are operated at the Southeast Treatment Plant to provide primary treatment and disinfection to the remaining 100 mgd of combined sewage flow.

The Southeast Treatment Plant operates every day of the year in both wet weather and dry weather conditions. Many replacement projects have been completed or are underway to ensure reliability requirements are met, including seismic upgrades. At the start of the Sewer System Improvement Project (the "SSIP"), a collection of major capital upgrades described further below, the program management consultant conducted a full condition assessment of the Southeast Treatment Plant and the highest priority needs were identified for both the liquid treatment and solids treatment facilities. The assessment considered current maintenance records, remaining life and compliance with levels of service. Projects were identified for all of the major treatment processes, and for various support, monitoring and control systems. Maintenance and repair projects, including repairs to digester roofs and existing biosolids treatment and storage equipment, have been undertaken to bolster some of the facilities considered to be the most vulnerable so that they function until the new facilities are completed. The SFPUC has progressed the projects at the Southeast Treatment Plant, including the Biosolids Digester Facilities Project, currently expected to be completed in 2029, the SEP New Headworks (Grit) Replacement Project, which completed construction in March 2026, and the Southeast Treatment Plant Nutrient Reduction Project which is now in the planning phase. See "WASTEWATER ENTERPRISE CAPITAL PROGRAM – Sewer System Improvement Program." Because the Southeast Treatment Plant is not interconnected with the other treatment plants, it cannot be shut down during construction of such projects as there would be no substitute wastewater treatment option. Instead, the Southeast Treatment Plant remains in service during construction. See "RISK FACTORS – Risks Related to Wastewater Enterprise Facilities and Operations – *Aging Facilities*" and "– *Limited Redundancy*" in the forepart of this Official Statement.

North Point Wet-Weather Facility. The North Point Facility is a wet-weather primary wastewater treatment plant serving the northeast quadrant of the Bayside Watersheds, an area comprised of predominantly commercial and residential land uses. The North Point Facility was originally constructed in 1951 as an all-weather primary treatment facility, but did not incorporate digesters, so sludge was pumped to the digesters at the newly constructed Southeast Treatment Plant for treatment. In response to the mandates of the federal Clean Water Act, the North Point Facility was converted into a strictly wet-weather treatment facility in 1983, providing up to 150 mgd of primary treatment.

The North Point Facility provides preliminary, primary and disinfection treatment. Effluent from the North Point Facility is discharged into the San Francisco Bay through a deep water outfall system at Piers 33 and 35. At the conclusion of each wet-weather event, grit and solids are flushed out of the sedimentation tanks and directed to the Channel Pump Station, which pumps them to the Southeast Treatment Plant for treatment.

Oceanside Treatment Plant. Constructed in 1993, the Oceanside Treatment Plant is an all-weather secondary wastewater treatment plant that provides the wastewater treatment and stormwater treatment needs for the Westside Watersheds and San Mateo County flows that drain to the Westside Watersheds. Land uses in the Westside Watersheds are primarily residential.

The Oceanside Treatment Plant's dry weather capacity is up to 43 mgd of secondary treatment. The Oceanside Treatment Plant's wet-weather capacity is up to 65 mgd of primary and 43 mgd of secondary treatment using the high-purity-oxygen activated sludge process. Sludge treatment consists of thickening, anaerobic digestion, chemical conditioning and dewatering. Up to 195 mgd of plant effluent and decanted wet weather flow from the westside transport storage boxes can be discharged through the Southwest Ocean Outfall, which ends approximately four miles offshore in the Pacific Ocean.

Emergency Operations. The SFPUC believes that it maintains up-to-date contingency plans in the event of an unplanned outage or failure of a treatment facility, process unit, pump station, sewer pipeline or other infrastructure element. The wastewater collection and treatment system is designed with some redundancy and flexibility in order to facilitate responses to emergency events, though the Westside Watersheds and Bayside Watersheds are not interconnected.

If an unplanned shutdown of critical treatment facilities were to occur, the transport/storage structures and collection system pipes provide approximately 200 million gallons of storage (providing approximately 1.5 to three days of dry weather storage in some portions of the system, depending on the inflow). The wastewater treatment facilities and major pump stations are also built with some redundancy, and in some instances may continue operation with select equipment outages. Critical infrastructure elements with higher failure risk or for which adequate redundancy is not available have been identified as capital project needs to increase system flexibility and the ability to respond to unplanned events. See "RISK FACTORS – Risks Related to Wastewater Enterprise Facilities and Operations" in the forepart of this Official Statement.

Biosolids Management. The Southeast Treatment Plant and the Oceanside Treatment Plant produce approximately 58,000 wet tons of biosolids per year. Biosolids are highly treated, anaerobically digested wastewater solids that are rich in plant nutrients and utilized as fertilizer. The SFPUC's biosolids are transported to Sacramento, San Benito, and Merced Counties and used as a fertilizer, transported to Lystek, a facility which processes biosolids into a liquid fertilizer, and transported to a facility in Merced where they are processed into biosolids compost.

The Wastewater Enterprise coordinates the transportation, use, testing, and reporting for biosolids in accordance with applicable regulations. The SFPUC is in the process of implementing treatment and technology improvements at the Southeast Treatment Plant which will produce "Class A" biosolids as part of a major capital upgrade of the plant. The Biosolids Digester Facilities Project (the "**Biosolids Digester Facilities Project**") will replace existing infrastructure, produce a high quality biosolids product, ensure system reliability and reduce negative impacts to the neighborhood with respect to aesthetics and odors. For more information about the Biosolids Digester Facilities Project, see "WASTEWATER ENTERPRISE CAPITAL PROGRAM – Sewer System Improvement Program – *Program Scope* – Treatment Facilities – *Biosolids Digester Facilities Project*." See also "REGULATORY MATTERS."

Contract Services. Pursuant to an agreement with the Treasure Island Development Authority ("**TIDA**"), the Wastewater Enterprise operates wastewater treatment facilities that serve the populations of Treasure Island and Yerba Buena Island. The islands are part of the City and County of San Francisco and are located in the San Francisco Bay. TIDA is a non-profit public benefit agency created by the Board of Supervisors in 1997 vested with the rights to administer municipal services to Treasure Island and Yerba Buena Island during redevelopment of the islands. The contracted wastewater treatment service is provided at a wastewater treatment plant owned by TIDA. The treatment plant is designed to provide secondary treatment of an average of 2.0 mgd and can provide secondary treatment of up to 4.4 mgd during wet weather. The wastewater collection system, which SFPUC also operates under contract, consists of 10 miles of sewers and several wastewater pump stations, while the stormwater collection system includes several stormwater pump stations and several stormwater outfalls. These existing facilities are not owned by the SFPUC and are not interconnected with the Wastewater Enterprise's combined sewer system in mainland San Francisco. The SFPUC is not currently the permitted wastewater utility provider on Treasure Island and Yerba Buena Island, but rather an independent contractor of TIDA.

The SFPUC will not acquire TIDA's existing facilities, which are aging and insufficient to address the expected scale of development on Treasure Island and Yerba Buena Island. Rather, as part of an ongoing development project on Treasure Island and Yerba Buena Island, a development team is replacing the legacy collection systems owned by TIDA with new sanitary sewer and storm drain collection systems built by the developer to SFPUC standards and dedicated to the SFPUC during a phased development program. In addition, in order to replace the legacy wastewater treatment facility, SFPUC has funded and is constructing a new treatment facility. See "WASTEWATER ENTERPRISE CAPITAL PROGRAM – Treasure Island Capital Improvements – *Treasure Island Water Resource Recovery Facility*." The new treatment facility will be owned and operated by the SFPUC, and is anticipated to be fully operational in late 2026. Following completion of the Treasure Island Water Resource Recovery Facility, the SFPUC plans to provide wastewater treatment service and impose rates and charges directly on its customers on Treasure Island and Yerba Buena Island. The SFPUC expects that approximately 27% of existing TIDA wastewater accounts will initially transition to SFPUC wastewater service, with additional accounts to transition over time. Payments the SFPUC receives from such customers would constitute Revenues, as and to the extent provided under the Indenture. The SFPUC is expected to become responsible for operation and maintenance of the new collection and treatment facilities, and such costs would constitute Operation and Maintenance Costs of the Wastewater Enterprise, as and to the extent provided under the Indenture. Finally, the SFPUC would be responsible for the future repair and replacement of all facilities transferred to it, including the new collection and treatment facilities. See "WASTEWATER ENTERPRISE CAPITAL PROGRAM – Treasure Island Capital Improvements," "FINANCING PLAN FOR WASTEWATER ENTERPRISE CAPITAL PROGRAM," and "OBLIGATIONS PAYABLE FROM NET REVENUES – Parity Loans" and "– Projected Future Demand."

System Capacity

When the three treatment facilities and other elements of the collection system are fully operational, the Wastewater Enterprise can provide up to 575 mgd of combined wastewater and stormwater treatment. This includes 272 mgd of primary treatment and 193 mgd of secondary treatment at the three treatment facilities, as well as 110 mgd of equivalent-to-primary treatment through transport/storage boxes.

As shown in the table below, the Southeast Treatment Plant is permitted to discharge dry weather flow of 85.4 mgd and peak wet weather flow of 250.0 mgd. The Oceanside Treatment Plant is permitted to discharge dry weather flow of 43.0 mgd and peak wet weather flow of 65.0 mgd. The North Point Facility is permitted to discharge peak-wet weather flow of 150.0 mgd.

TABLE 8
TREATMENT PLANT MAXIMUM CAPACITY
(MILLION GALLONS PER DAY)

Plant	Permitted Dry Weather	Peak Wet Weather
Southeast Treatment Plant	85.4	250.0
Oceanside Treatment Plant	43.0	65.0
North Point Facility	--	150.0
Total	128.4	465.0

Source: SFPUC, Wastewater Enterprise.

The three treatment plants each discharge through separate deep-water outfalls. At the Southeast Treatment Plant, during peak wet-weather events, secondary treated effluent also can be discharged through a shallow water outfall to Islais Channel. The combined sewer system is designed to handle wet-weather events and its permits explicitly authorize combined sewer discharges from the system's 34 active combined sewer discharge outfalls when a storm exceeds the capacity of the system. See "– Combined Sewage and Stormwater System."

The combined sewer and stormwater system has the capacity to divert, manage, and treat a large volume of wastewater and stormwater. Some extreme storms, such as those that occurred in San Francisco in late December 2022 and early January 2023, can exceed the capacity of the system and result in damage to SFPUC assets. Such storms did not have a significant impact on the operation of the Wastewater System, but did cause some damage, including damage to motors and sludge pumps at the Southeast Treatment Plant, pumps and equipment at the North Shore Pump Station, compressors, instruments at the Westside Pump Station and instruments within the Westside transport structure and an inlet gate at the Channel Pump Station and created sinkholes at various locations throughout San Francisco. The SFPUC has received $2.3 million from the Federal Emergency Management Agency public assistance to repair damage to the wastewater system that resulted from the winter storms in 2022 and 2023. The SFPUC anticipates it will be able to pay such costs from reserves, revenues of the Wastewater Enterprise, and/or proceeds of existing Wastewater Enterprise bonds. See also "RISK FACTORS – Risks Related to Wastewater Enterprise Facilities and Operations – *Natural and Man-Made Disasters*" in the forepart of this Official Statement.

During severe storm events in San Francisco, properties in low-lying areas with structures built on or near land that was originally channels or bays may experience surface flooding or backups through their building's internal plumbing fixtures. In the last ten years, severe rainstorms caused flooding in certain low-lying areas and resulted in some property damage in 2017, 2021, the end of 2022, and the beginning of 2023. The storm events at the end of 2022 and the beginning of 2023 have given rise to over 100 claims and seven individual lawsuits with private property-owner plaintiffs. The SFPUC answered two lawsuits covering a majority of the plaintiffs on December 19, 2023. The SFPUC is vigorously defending all of these lawsuits. At this time, the SFPUC cannot estimate the costs associated with defending and/or resolving the flooding plaintiffs' allegations.

Current System Demands

Wastewater Enterprise facilities collected, treated and discharged an average of approximately 55.6 mgd of sanitary wastewater during dry-weather periods between calendar years 2021 to 2025.

TABLE 9
AVERAGE DRY WEATHER TREATMENT
CALENDAR YEARS 2021 TO 2025
(MILLION GALLONS PER DAY)

Plant	2021	2022	2023	2024	2025
Southeast Treatment Plant	48.1	42.7	44.2	45.0	44.1
Oceanside Treatment Plant	12.6	10.9	10.4	9.1	10.8
Total	60.7	53.6	54.6	54.1	54.9

Source: SFPUC, Wastewater Enterprise.

Projected Future Demand

The 2027 Financial Plan (as defined below) projects that in-City wastewater flows will reach a relative high in Fiscal Year 2025-26, as water usage recovers from its all-time low during Fiscal Year 2021-22 caused by the combined effects of the pandemic and recent drought. Starting in Fiscal Year 2026-27, SFPUC's financial planning models use a conservative forecast of water usage that shows a slight decrease in usage over time despite an assumed account growth of approximately 1.0% annually for multi-family residential customers and approximately 0.3% annually for retail non-residential and municipal customers. See "– Service Area" and "– Customer Base." This differential is attributable to decreases in average per capita water usage due to ongoing conservation initiatives, including plumbing codes which apply to all new development, as well as the impact of price elasticity on demands caused by large rate increases.

This growth includes the SFPUC's planned expansion of its service area to include Treasure Island and Yerba Buena Island. In connection with such expansion, the SFPUC is constructing the Treasure Island Water Resource Recovery Facility, a new facility that will provide reliable service for Treasure Island and Yerba Buena Island residents and meet the recycled water demands of future redevelopment on Treasure Island and Yerba Buena Island. See "WASTEWATER ENTERPRISE CAPITAL PROGRAM – Treasure Island Capital Improvements."

The Board of Supervisors and former Mayor Breed approved the City's housing plan for the next eight years (2022-2030) on February 1, 2023 (the "**Housing Element 2022 Update**"). The Housing Element 2022 Update targets the creation of 82,000 units by 2031. In addition to the Treasure Island Water Resource Recovery Facility, this growth may require dry-weather treatment capacity expansion at the Wastewater Enterprise's treatment plants over the next 10-20 years.

Because the SFPUC maintains a combined sewer system, there may be other factors in the future, including environmental changes and regulatory developments, that could require expanded collection or treatment capacity. See "REGULATORY MATTERS."

Cybersecurity

City Measures. The City, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations, and faces multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on its computing and other digital networks and systems. Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the City's systems technology for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the City invests in multiple forms of cybersecurity and operational safeguards. In November 2016, the City adopted a City-wide Cybersecurity Policy (the "**City Cyber Policy**") to support, maintain, and secure critical infrastructure and data systems. The objectives of the City Cyber Policy include protecting critical infrastructure and information, managing risk, improving cyber security event detection and remediation, and facilitating cyber awareness across all City departments. The City's Department of Technology has established a cybersecurity team to work across all City departments, including the SFPUC, to implement the City Cyber Policy. The City Cyber Policy is reviewed periodically. The City has also appointed a City Chief Information Security Officer (the "**CCISO**"), who is directly responsible for understanding the business and related cybersecurity needs of the City's departments, including the SFPUC. The CCISO is responsible for identifying, evaluating, responding, and reporting on information security risks in a manner that meets compliance and regulatory requirements, and aligns with and supports the risk posture of the City.

SFPUC Measures. Federal agencies have recently reported that critical infrastructure sectors, such as wastewater and water, may be specific targets of cybersecurity threat actors. The occurrence of military conflicts or terrorist activities, including cyber terrorism, could adversely impact the Wastewater Enterprise's operations and finances. For example, cyberattacks directed at wastewater sector operations could damage wastewater transmission, treatment, distribution or storage assets, causing operational malfunctions and outages, and resulting in costly recovery and remediation efforts. In January 2024, the SFPUC's system was targeted by an advanced threat actor. The SFPUC's prompt execution of its cybersecurity incident response plan, as further described below, successfully contained the incident without any significant impact.

The SFPUC abides by the City Cyber Policy and maintains its own cybersecurity and disaster recovery program (the "**SFPUC Cybersecurity Program**") that is based on the National Institute of Standards and Technology cybersecurity guidance. In addition, control networks for the Wastewater Enterprise and the Water Enterprise adhere to the Department of Homeland Security's Cybersecurity and Infrastructure Security Agency's ("**CISA**") Cross-Sector Cybersecurity Performance Goals, as recommended by the USEPA. Control networks for the Power Enterprise adhere to the North American Electric Reliability Corporation critical infrastructure protection controls. In anticipation of future USEPA regulatory requirements, the SFPUC has completed operational cybersecurity assessments in alignment with CISA's cross-sector performance objectives.

The SFPUC has also appointed a Chief Information Security Officer (the "**CISO**"), who reports to the SFPUC's Chief Information Officer. The SFPUC's cybersecurity team also includes dedicated information technology (IT) and operational technology (OT) staff, as well as third-party specialists who perform a variety of cybersecurity functions. Technology vendors undergo thorough security assessments during procurement, and any procured technology is continuously monitored through the SFPUC Cybersecurity Program.

The SFPUC Cybersecurity Program employs industry-standard cybersecurity solutions and multiple technical controls, including: network segmentation of control environments, secure remote access and domain name system (DNS) protocols, modern authentication methods, secure asset disposal procedures, end user controls, and timely removal of system and facility access for departing SFPUC employees. In addition, the SFPUC has implemented industry-leading technology that provides real-time threat monitoring and response capabilities across all corporate and operational environments. These response capabilities include a cybersecurity incident response plan, incident response services, incident responders, and a cybersecurity insurance policy. The SFPUC's cybersecurity incident response plan is part of the SFPUC's continuity of operation plan, which describes the SFPUC's strategy for ensuring continued delivery of essential services during a disruption in normal operations, and part of the City's Department of Emergency Management Emergency Support Function 18 program, which details the City's operational response in the event of a cybersecurity incident.

The SFPUC Cybersecurity Program is periodically and independently reviewed for effectiveness, most recently in October 2025. The next review is scheduled for September 2026. Pursuant to the SFPUC's policies, the City Services Auditor (the "**CSA**") and independent cybersecurity auditors perform extensive penetration and vulnerability assessment on the SFPUC's business and control networks. In addition, the City Services Auditor conducts annual cybersecurity maturity assessments. Like many other large public and private entities, the SFPUC is continually identifying aging infrastructure and managing infrastructure lifecycle. Despite these efforts, however, the SFPUC cannot mitigate all cybersecurity risk, and cybersecurity breaches may damage the SFPUC's information security systems and cause disruption to the SFPUC's operations and the provision of SFPUC services. See "RISK FACTORS – Risks Related to Wastewater Enterprise Facilities and Operations – *Cybersecurity*" in the forepart of this Official Statement.

Climate Change

Impact on City of San Francisco. Numerous scientific studies on global climate change show that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures will become more common, and extreme weather events will become more frequent as a result of increasing global temperatures attributable to atmospheric pollution.

The Fifth National Climate Assessment, published by the United States Global Change Research Program in November 2023 ("NCA5"), assesses the variability of climate impacts across individual regions of the United States, finding that the City is vulnerable to impacts from sea level rise, with flooding potentially exacerbated by storm surges, extreme precipitation and high tides. Sea levels are anticipated to continue to rise due to the increasing temperature of the oceans causing thermal expansion and growing ocean volume from glaciers and ice caps melting. The NCA5 utilizes a projected flood risk from 3 feet of sea level rise in the San Francisco Bay Area, consistent with an intermediate scenario in the year 2100. Coastal areas, including San Francisco, are vulnerable to floods impacting private development and public infrastructure, as well as roads, utilities, and emergency services.

Sea levels will continue to rise in the future due to the increasing temperature of the oceans causing thermal expansion and growing ocean volume from glaciers and ice caps melting into the ocean. Between 1854 and 2016, the sea level rose about nine inches according to the tidal gauge at Fort Point, a location underneath the Golden Gate Bridge. Weather and tidal patterns, including 100-year or more storms and king tides, may exacerbate the effects of climate-related sea level rise. Coastal areas like San Francisco are at risk of substantial flood damage over time, affecting private development and public infrastructure, including roads, utilities, emergency services, schools, and parks. As a result, the City could lose considerable tax revenues and many residents, businesses, and governmental operations along the waterfront could be displaced, and the City could be required to mitigate these effects at a potentially significant cost.

Adapting to sea level rise is a key component of the City's policies. The City and its enterprise departments have been preparing for future sea level rise for many years and have issued a number of public reports. For example, in March 2016, the City released a report entitled "Sea Level Rise Action Plan," identifying geographic zones at risk of sea level rise and providing a framework for adaptation strategies to confront these risks. That study shows an upper range of end-of-century projections for permanent sea level rise, including the effects of temporary flooding due to a 100-year storm, of up to 108 inches above the 2015 average high tide. To implement this plan, the Mayor's Sea Level Rise Coordinating Committee, co-chaired by the Planning Department and Office of Resilience and Capital Planning, joined The Port of San Francisco (the "**Port**"), the SFPUC and other public agencies in moving several initiatives forward. This included a Citywide Sea Level Rise Vulnerability and Consequences Assessment to identify and evaluate sea level rise impacts across the City and in various neighborhoods that was released in February 2020.

In April 2017, the Working Group of the California Ocean Protection Council Science Advisory Team (in collaboration with several state agencies, including the California Natural Resource Agency, the Governor's Office of Planning and Research, and the California Energy Commission) published a report that was formally adopted in March 2018, entitled "Rising Seas in California: An Update on Sea Level Rise Science" (the "**Sea Level Rise Report**") to provide a new synthesis of the state of science regarding sea level rise. The Sea Level Rise Report provides the basis for State guidance to State and local agencies, entitled "State of California Sea-Level Rise Guidance: 2018 Update" (the "**2018 Update**"). The 2018 Update provides guidance for incorporating sea level rise into design, planning, permitting, construction, investment and other decisions. Among many findings, the Sea Level Rise Report indicates that the effects of sea level rise are already being felt in coastal California with more extensive coastal flooding during storms, exacerbated tidal flooding, and increased coastal erosion. In addition, the report notes that the rate of ice sheet loss from Greenland and Antarctic ice sheets poses a particular risk of sea level rise for the California coastline. An update of both the Sea Level Rise Report and the 2018 Update was adopted by the State of California in 2024. This update, contained in a single document entitled "State of California Sea Level Rise Guidance: 2024 Science & Policy Update," revised findings regarding best available science and updated guidance to State and local agencies, superseding the 2018 Update. Though high-end projections of sea level rise were reduced based on new science, the fundamental findings of the more recent reports as well as the specifics cited above agreed with those of the previous reports.

In March 2020, a consortium of State and local agencies, led by the Bay Conservation and Development Commission, released a detailed study entitled, "Adapting to Rising Tides Bay Area: Regional Sea Level Rise Vulnerability and Adaptation Study," on how sea level rise could alter the Bay Area. The study states that a 48-inch increase in the bay's water level in coming decades could cause more than 100,000 Bay Area jobs to be relocated, nearly 30,000 lower-income residents to be displaced, and 68,000 acres of ecologically valuable shoreline habitat to be lost. The study further argues that without a far-sighted, nine-county response, the region's economic and transportation systems could be undermined along with the environment. For example, runways at SFO could largely be under water.

The City has already incorporated site specific adaption plans in the conditions of approval for certain large waterfront development projects, such as the Candlestick/Hunters Point Shipyard, Treasure Island, Pier 70 and Mission Rock projects. Also, the City has partnered with the U.S. Army Corps of Engineers to develop a plan, led by the Port, to fortify the Port's seawall against sea level rise. A draft plan estimates the total cost of that project at $13.5 billion; and, subject to U.S. Army Corps of Engineers and Congressional approval, 65% of the cost would be eligible for federal funding. The City is developing a financing strategy to provide the remaining funds, including using funding from the November 2018 approved Proposition A, authorizing the issuance of up to $425 million in general obligation bonds for repair and improvement projects on the seawall. As of July 15, 2026, the City had issued approximately $208.69 million of the $425 million in authorization under Proposition A.

The U.S. Army Corps of Engineers recognizes that the building of coastal defenses, while beneficial for protecting the city from rising sea levels, could block stormwater from exiting the city. The proposed draft plan acknowledges this challenge and includes budget to begin to address it with additional pumping capacity. The SFPUC has been working closely with the Port and other agencies on how the sewer system can adapt over time as coastal defenses are built.

Portions of the Bay Area, including San Francisco, are built on fill that was placed over saturated silty clay known as "Bay Mud." Bay Mud is soft and compressible, and the consolidation of the Bay Mud under the weight of the existing fill is ongoing. A report issued in March 2018 by researchers at the University of California, Berkeley ("**UC Berkeley**") and the University of Arizona suggests that flooding risk from climate change could be exacerbated in the Bay Area due to the sinking or settling of the ground surface, known as subsidence. The study claims that the risk of subsidence is more significant for certain parts of San Francisco built on fill.

Projections of the effects of global climate change on San Francisco are complex and depend on many factors that are outside the City's control. The various scientific studies that forecast climate change and its adverse effects, including sea level rise and flooding risk, are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the City is unable to forecast when sea level rise or other adverse effects of climate change (*e.g.*, the occurrence and frequency of 100-year storm events and king tides) will occur. In particular, the City cannot predict the timing or precise magnitude of adverse economic effects, including, without limitation, material adverse effects on the business operations or financial condition of the City and the local economy during the term of the 2026A Bonds and the 2026B Bonds. While the effects of climate change may be mitigated by the City's past and future investment in adaptation strategies, the City can give no assurance about the net effects of those strategies and whether the City will be required to take additional adaptive mitigation measures. If necessary, such additional measures could require significant capital resources.

In September 2017, the San Francisco City Attorney filed a lawsuit on behalf of the People of the State of California in San Francisco Superior Court against the five largest investor-owned oil companies seeking to have the companies pay into an abatement fund to help fund infrastructure for climate change adaptation. Following litigation regarding defendants' removal of the case to federal court, the City's case was remanded to and coordinated with similar municipal lawsuits and the State of California's lawsuit in San Francisco Superior Court in 2024. In June 2024, the San Francisco City Attorney filed the current second amended complaint seeking abatement funds, damages, and other remedies. On April 14, 2026, the Superior Court stayed the coordinated lawsuits pending the United States Supreme Court's decision in *Suncor Energy Inc. v. County Commissioners of Boulder County* (Case No. 25-170). While the City believes that the claims in this lawsuit are meritorious, it can give no assurance regarding whether the lawsuit will be successful and obtain the requested relief from the courts, or contributions to the abatement fund from the defendant oil companies.

Impact on SFPUC Wastewater Enterprise. The impacts of climate change that would most affect the Wastewater Enterprise relate to changing rainfall patterns, sea level rise and rising tides, as well as the ability of governmental agencies to effectively address these impacts across jurisdictions. Existing climate change models show varied results in terms of projected rainfall patterns, making proactive, long-term planning difficult. If changes in rainfall patterns do occur, significant changes in rainfall (*e.g.*, intensity, duration or frequency or certain combinations thereof) could substantially alter the likelihood of flooding.

Projected levels for sea level rise and rising tides are expected to result in a backflow (or inflow) of San Francisco Bay water into the sewer system at the lowest weir elevation and increased infiltration due to higher groundwater in coastal areas. In response, the Wastewater Enterprise has implemented, through its capital plan, the installation of backflow mitigation measures at some points where tides may backflow into the system. In addition, sea level rise and rising tides have the potential to adversely impact the viability of the gravity-based sewer lines, and the SFPUC is working collaboratively with various other City agencies on long-term solutions focused on city-wide perimeter protection from sea level rise and rising tides.

In 2016, the SFPUC completed a city-wide flood resilience analysis to characterize the impact of storms, developed a risk-based framework to identify and prioritize investments in projects to reduce or mitigate flood risk, and confirmed the City's standard design storm through a benefit-cost analysis. This study served as the foundation for prioritizing certain capital investments, including projects designed to increase the collection system conveyance capacity in low-lying areas (*i.e.*, the Folsom Stormwater Improvement Project, the Lower Alemany Area Stormwater Improvement Project, and the completed Wawona Area Stormwater Improvement Project). See "WASTEWATER ENTERPRISE CAPITAL PROGRAM – Sewer System Improvement Program – *Program Scope* – Stormwater Management/Flood Resilience." In 2017, in conjunction with other City departments and industry experts, the SFPUC developed a suite of programmatic strategies for flood resilience intended to reduce flood risk citywide from storms that exceed the capacity of the SFPUC's collection system. However, the effect of climate change on future storms will be significant, leading to more powerful storms that exceed the capacity of most urban conveyance systems across the United States, including the SFPUC's system. Planning for these future storms will require strategies and solutions that extend beyond the SFPUC's system and outside of its jurisdiction.

The SFPUC has developed a 100-Year Storm Flood Risk Map that shows parcels in San Francisco where deep and contiguous flooding from storm runoff (rather than from inundation from the San Francisco Bay or Pacific Ocean) is highly likely to occur during a 100-year storm. A "100-year storm" means a storm with a 1% chance of occurring in a given year. The SFPUC used computer modeling that simulated flooding occurring Citywide under a 100-year storm to identify such parcels. The purpose of the flood risk map is to inform existing and future property owners about flood risk on their properties and promote resilience. The flood risk map is based on past hydrology patterns and does not reflect recent developments, such as the study on extreme precipitation in the San Francisco region described below, or future projected hydrology patterns.

The City undertook a unique, first of its kind in the nation climate modeling collaboration between a municipality, climate scientists at Lawrence Berkeley National Laboratory ("**LBNL**") and climate consultants at Pathways Climate Institute to create a research team that focused on a better understanding of future precipitation events through climate modeling. Using supercomputing resources at LBNL's scientific computing center, the research team found that the effect of climate change on future storms is predicted to be significant, leading to more powerful events unleashing substantially more water. This work resulted in a report published in 2022 entitled "San Francisco Bay Area Precipitation in a Warmer World." The City is transitioning toward efforts that would consolidate and coordinate sea level rise adaptation and overall resilience planning so that City departments can maximize efficiency and the co-benefits of investment dollars. City departments are working together through ClimateSF to improve how the City manages, finances and implements climate resilience projects and/or programs.

2024 Grand Jury Report. The civil grand jury examines the conduct of public business of county government. In San Francisco, the function of the civil grand jury is to investigate the operations of various officers, departments and agencies of the government of the City. On June 11, 2024, a civil grand jury comprised of 19 citizen volunteers issued a report entitled "Come Hell or High Water: Flood Management in a Changing Climate." In the report, the members noted a number of improvements that the City and its various departments might make to improve climate change planning, solution efficacy, and citywide awareness. The members suggest that greater coordination between different city departments is needed, with greater authority created at the citywide-level, specifically to navigate flooding projects and solutions. Greater transparency of the cost of flooding and climate change is recommended in budgeting, and solutions to finance the costs of climate change projects beyond the use of existing debt financing facilities is noted, amongst other recommendations. While the City is not legally required to implement the members' recommendations, the SFPUC and the City are considering such recommendations and have begun work on a policy and governance study aimed at clarifying roles and responsibilities for agencies planning for extreme rain events.

Climate Action Plan

In September 2021, the City adopted a set of emissions reduction targets: achieve net-zero greenhouse gas emissions generated by the City by 2040 and reduce emissions associated with consumption of all goods and services in the City (regardless of where emissions originate) by 80% from 1990 levels by 2050. In April 2026, Mayor Lurie released the City's Climate Action Plan (the "**Climate Action Plan**"), building on the previous comprehensive climate action plan released by former Mayor Breed in 2021. The Climate Action Plan, which the City updates every five years, details the actions needed to accomplish these targets, and was developed through a multi-agency and stakeholder process led by the San Francisco Environment Department (the "**Environment Department**"). The Climate Action Plan is a roadmap of goals, strategies and actions to achieve emission reductions across seven sectors: energy supply, building operations, transportation, housing and land use, circular economy, healthy ecosystems, and water supply. Key strategies include, but are not limited to, providing 100% renewable and/or greenhouse gas-free electricity at affordable rates, eliminating fossil fuel use in new construction, maintaining and expanding the City's public transit system, expanding housing opportunities throughout the City for diverse households to meet Regional Housing Needs Assessment Housing Element goals, using circular, low-carbon, safe and healthy construction processes and materials that center environmental justice communities and minority business enterprises, sustainably managing and restoring biodiversity in parks, natural lands, and large open spaces, and investing in and implementing demand management programs to reduce water usage. The Climate Action Plan also acknowledges that innovation is critical to achieving the City's emission reduction targets, building on the City's recent accomplishments that include launching Yes SF and hosting the inaugural San Francisco Climate Week in 2023 and testing on-street curbside electric vehicle chargers in 2025. The City also maintains a public-facing reporting mechanism to keep stakeholders and residents informed on progress made against performance metrics laid out in the Climate Action Plan. The Environment Department contracted with the University of California, Berkeley, Center for Law, Energy & the Environment (the "**CLEE**") to assess options for funding the equitable implementation of the Climate Action Plan. CLEE released its report entitled "Funding San Francisco Climate Action" in November 2022, and the Environment Department released a 2025 strategic delivery plan building on CLEE's work. The City plans to continue to revise and update the Climate Action Plan every five years.

The majority of Wastewater Enterprise's contributions under the current Climate Action Plan occur within the 'healthy ecosystems' sector. The SFPUC's green infrastructure initiatives contribute to strategies set forth in the Climate Action Plan that are increasing biodiversity and permeability throughout the City, including the strategies to use biodiverse green infrastructure to help manage stormwater, completing the City's first creek daylighting project at Yosemite Creek in McLaren Park, and creating a green-infrastructure biodiversity corridor by 2030. The SFPUC is taking actions toward achieving the strategies set forth in the Climate Action Plan, a large driver of which is the existing Stormwater Management Ordinance.

The SFPUC's Environmental Commitment

The SFPUC has long maintained a commitment to the environment and environmental stewardship is a key element of its mission. The SFPUC is an active participant in the City's Climate Action Plan and its activities are informed by the United Nations Sustainable Development Goals.

Specifically, the SFPUC maintains a strong commitment to:

- Reducing carbon emissions;
- Improving climate change resilience;

- Stewarding environmentally sensitive areas affected by SFPUC activities; and

- Advancing environmental justice.

The SFPUC supports carbon emission reduction through energy-efficient SFPUC facilities, including the SFPUC headquarters building, and projects that promote the beneficial use of waste gas, such as the Biosolids Digester Facilities Project. Of greater impact, CleanPowerSF contracts for renewable energy and offers "green energy" to its customers, including a 100% renewables option.

Climate change resilience requires adaptive infrastructure to address present and future challenges, including sea level rise, rising tides, increases in stormwater runoff and more frequent and severe drought conditions. In addition to improving stormwater management through changes in the allocation of sewer charges, the SFPUC provides grants and other incentives for rain gardens, living roofs and similar green stormwater infrastructure projects and the SFPUC pursues demand-side water management through evaluation and rebate incentive programs and enhanced leak detection.

The SFPUC's environmental stewardship activities focus on areas such as the Tuolumne River and Alameda Creek watersheds and the San Francisco Bay. Objectives of work underway at the Southeast Treatment Plant and the Treasure Island Water Resource Recovery Facility Project include the addressing of nutrient discharge issues that can lead to algae blooms and fish kills. Further, capital planning for the work at the Southeast Treatment Plant was done with an awareness of the need to deliver environmental justice for a historically underserved neighborhood.

Environmental outcomes are given serious consideration in all capital planning and with respect to all projects financed with SFPUC revenue bonds. The SFPUC designates some such bonds "Green Bonds" but for various reasons does not designate other bonds "Green Bonds" that are likely eligible for such designation.

Additional information regarding the SFPUC's environmental programs and project impacts, including case studies, can be found in the San Francisco Public Utilities Commission Impact Report (Fiscal Year Ending June 30, 2025) available at https://www.sfpuc.gov/sites/default/files/about-us/policies-reports/Impact-Report-FYE2025.pdf. Such report is not incorporated herein by reference.

REGULATORY MATTERS

The SFPUC believes that the Wastewater Enterprise is in material compliance with the Porter-Cologne Act and the Clean Water Act (each as described below). This section summarizes the regulatory framework governing the Wastewater Enterprise and its operations.

History and Background

In 1969, the State adopted the Porter-Cologne Water Quality Act (the "**Porter-Cologne Act**"), creating the State's current legal framework for the protection of water quality. This adoption was followed at the federal level by the Water Pollution Control Act Amendments of 1972 (the "**Clean Water Act**"). The Clean Water Act provided an aggressive timetable for eliminating pollution of the nation's waters and established the basic secondary treatment requirement that 85% of pollutants, as defined in administrative regulations, be removed from sanitary wastewater. The Clean Water Act also required the issuance of discharge permits on a nationwide basis and established a federal grant program for construction of publicly owned wastewater facilities, subsequently replaced by the State Revolving Fund loan program. Although the EPA has ultimate responsibility for administering the Clean Water Act, many functions have been delegated to the State. The administration of the current loan program and enforcement of regulations are a joint undertaking of the State Water Resources Control Board, the Regional Water Quality Control Board, and EPA Region IX.

Federal and State Clean Water Act Permits

Under the Porter-Cologne Act and the Clean Water Act, the Regional Water Quality Control Board administers water pollution control programs. The EPA and the Regional Water Quality Control Board issue discharge permits under Section 402 of the Clean Water Act, which establishes the National Pollutant Discharge Elimination System ("**NPDES**") permit system. These permits, issued for a five-year period subject to extensions, are also wastewater discharge requirements for the purposes of the Porter-Cologne Act and apply to discharges from the SFPUC's treatment plants and combined sewer discharge facilities.

A small portion of the Wastewater Enterprise system within San Francisco, representing less than 3% of the City's total sewer mileage, consists of separate storm and sanitary sewers. The separate sanitary sewers ultimately connect to the combined sewage and stormwater system. This portion of the system is regulated under the State General Permit for Small Municipal Separate Storm Sewer Systems (MS4) (NPDES Permit No. CAS000004) and the State Waste Discharge Requirements for Sanitary Sewer Systems (Order No. 2006-0003-DWQ).

The Wastewater Enterprise's combined sewer system is regulated under two wastewater NPDES permits: the 2013 Bayside Permit (NPDES Permit No. CA0037664; issued by the Regional Water Quality Control Board), covering the Southeast Treatment Plant, the North Point Facility and other bayside facilities that discharge into the San Francisco Bay; and the 2019 Oceanside Permit (NPDES Permit No. CA0037681; issued jointly by the Regional Water Quality Control Board and EPA Region IX), covering the Oceanside Treatment Plant discharges and other westside facilities that discharge into the Pacific Ocean. The City previously appealed two "end-result" provisions of the 2019 Oceanside Permit that impose generic prohibitions against causing or contributing to a violation of water quality standards. In March 2025, the United States Supreme Court ruled on the appeals in the City's favor, holding that the EPA is not authorized to include "end-result" provisions in NPDES permits that purport to hold dischargers responsible for the quality of the receiving water. The ruling makes clear that permitholders like the City are responsible for what they discharge, and that it is not lawful to punish permitholders for things outside of their control, such as the end-result water quality of a shared body of water, where many other factors affect water quality. The decision helps to provide certainty in water quality permitting and affords permittees like the City more predictable, knowable standards to protect water quality.

In February 2016, the EPA and the Regional Water Quality Control Board initiated an investigation of the SFPUC's operations of the City's combined sewer system with a particular focus on the SFPUC's operations during wet weather conditions. In October 2019, the EPA issued a Notice of Violation ("**NOV**") to San Francisco, but the NOV did not impose any penalties or require any specific corrective actions. The City Attorney's Office, the SFPUC, the Regional Water Quality Control Board and EPA have continued to discuss the allegations. In November 2021, the SFPUC and the Regional Water Quality Control Board entered into a negotiated settlement that resolves the Regional Water Quality Control Board's claims relating to flooding in low-lying areas. Under the settlement the SFPUC is required to construct three flood resilience capital projects already included in the Wastewater Enterprise capital improvement plan (*i.e.*, the Folsom Stormwater Improvement Project, the Lower Alemany Area Stormwater Improvement Project, and the now completed Wawona Area Stormwater Improvement Project), at a currently budgeted cost of over $800 million, and to implement specified storm response activities. See "WASTEWATER ENTERPRISE CAPITAL PROGRAM – Sewer System Improvement Program – *Program Scope* – Stormwater Management/Flood Resilience." The EPA's National Enforcement Investigations Center conducted an inspection of the SFPUC's facilities in early 2022 and issued an inspection report in June 2022. The SFPUC responded to the report within the required timeframe.

In addition, in April 2023, the City and the Regional Water Quality Control Board finalized a settlement to pay approximately $236,500 to resolve administrative civil liability claims regarding alleged permit violations that occurred from approximately October 2013 to October 2021. Under the settlement, SFPUC paid half of the full amount towards a supplemental environmental project.

On May 1, 2024, the EPA and the Regional Water Quality Control Board filed a lawsuit alleging Clean Water Act violations. The regulators allege that combined sewage discharges from the Bayside system from November 2013 to the present are discharging pollutants that cause violations of applicable water quality standards and that an injunction is required to prevent any further violations. The regulators further allege violations of the Oceanside and Bayside discharge permits based on failure to perform condition assessments, inspections, cleaning, repair and replacement and performance monitoring requirements for various components of the combined sewer system. In March 2025, after the United States Supreme Court ruled in the City's favor on its permit appeal, as described above, the regulators filed an amended complaint, eliminating the allegations that discharges from the Bayside system were causing a violation of the applicable water quality standards and that an injunction was required. The City is vigorously defending the action. The parties have entered into a court-approved stipulation staying the litigation so that the parties can participate in private mediation. At this time, the SFPUC cannot determine the costs associated with resolving the EPA and the Regional Water Quality Control Board's allegations or the extent to which the pending action will result in penalties or affect the SFPUC's current operations or the Wastewater Enterprise's short-term and long-term capital improvement plans.

In a letter dated March 6, 2024, San Francisco Baykeeper ("**Baykeeper**") provided the City with a notice regarding alleged violations of the Clean Water Act and the discharge permit for the Bayside combined sewer facilities (the "**Bayside Permit**"). The letter alleges that historical and ongoing discharges of pollutants in and near Mission Channel, Islais Channel, and other parts of the San Francisco Bay are occurring in violation of the Clean Water Act and the Bayside Permit. In May 2024, Baykeeper filed a citizen suit enforcement action alleging violations largely consistent with its notice letter. Baykeeper has intervened in the lawsuit filed by the EPA and the Regional Water Quality Control Board. The suit seeks (i) penalties and injunctive relief to prevent further alleged violations and (ii) Baykeeper's costs, including attorneys' and experts' fees. The City is vigorously defending the action. Baykeeper has joined the court-approved stipulation staying the litigation so that the parties can participate in private mediation. At this time, to the extent Baykeeper has claims unique from the EPA and the Regional Water Quality Control Board, SFPUC does not expect costs associated with resolving Baykeeper's allegations will have significant effects on SFPUC's current operations or the Wastewater Enterprise's short-term and long-term capital improvement plans.

Combined Sewer Overflow Control Policy

To address the unique characteristics of combined sewer systems, the EPA adopted the Combined Sewer Overflow Control Policy (the "**CSO Control Policy**") in 1994. The CSO Control Policy established a consistent national approach for controlling discharges from combined sewer overflow outfalls to the nation's water, and has since been incorporated into the Clean Water Act by the Wet Weather Water Quality Act of 2000. That approach includes the identification of nine minimum controls ("**Nine Minimum Controls**") that combined sewer systems can implement to reduce water quality impacts from their combined sewer discharges.

Consistent with the CSO Control Policy requirements and the Nine Minimum Controls, the SFPUC has undertaken decades of planning and implemented a multi-billion dollar long-term control plan to reduce and control its combined sewer discharges. This plan resulted in, among other improvements, substantial increases in treatment and storage capacity, including construction of transport/storage boxes, which can hold millions of gallons of flows. These improvements resulted in substantial reductions in the annual average number of combined sewer discharges from the collection system. The SFPUC continues to maintain and operate the combined sewer system consistent with the CSO Control Policy requirements and the Nine Minimum Controls, including collecting discharge monitoring data.

The SFPUC's discharge permits require the preparation of reports analyzing the efficacy of the system's wet weather operations and the compliance with the Nine Minimum Controls.

Stormwater Regulations

In 1987, the Clean Water Act was revised to more effectively address pollution caused by stormwater runoff. The regulations require stormwater management plans for municipalities and controls on certain construction sites and other industries. Urban areas with combined sewers, such as most of San Francisco, are exempt from such regulations. However, because a small portion of San Francisco is served by separate storm sewer systems, the permit for small Municipal Separate Storm Sewer System ("**MS4**") (NPDES Permit No. CAS000004) issued by the State Water Resources Control Board regulates the stormwater discharge from the SFPUC's separate storm sewer systems. The SFPUC operates a stormwater management program that complies with the requirements of the MS4 permit.

Regulatory Trends

Regulatory developments at the State and federal level, as well as ongoing permit reissuance activities, may increase operations costs and capital needs of the Wastewater Enterprise and may have an effect on the Wastewater Enterprise operations and its expenses. In the future, additional contaminants of emerging concern will likely be identified, and additional requirements for biosolids or effluent may be developed as improved analytical techniques and treatment technologies and methodologies become available. Additional source control measures, public education and outreach, and additional or advanced treatment processes may be necessary to achieve compliance. The SFPUC is actively engaged with regulatory officials and the public in the development of these regulatory matters.

These topics and their possible effect on the Wastewater Enterprise are briefly described below:

Impaired Water Bodies and Total Maximum Daily Loads. The Clean Water Act requires states to identify all water bodies that do not achieve designated water quality standards or objectives. Such water bodies are designated as "impaired," and states are required to identify all sources contributing to the impairment under the Total Maximum Daily Load ("**TMDL**") program. States are required to designate wasteload allocations to each contributing point source, such as the SFPUC discharges, in order to promote the recovery of the water body. Central and lower San Francisco Bay are currently listed as "impaired" for a number of organic and inorganic pollutants, as well as invasive species and trash. The Regional Water Quality Control Board has completed San Francisco Bay TMDLs for mercury and polychlorinated biphenyl ("**PCBs**") and has issued a fecal indicator bacteria TMDL for San Francisco Bay beaches.

The San Francisco Bay mercury and PCBs TMDLs are implemented through a group watershed permit (Order No. R2-2020038) that applies to all municipal, industrial and stormwater discharges to San Francisco Bay. The watershed permit contains effluent limitations for mercury and PCB discharges from the Southeast Treatment Plant with which the SFPUC currently complies.

Contaminated Bay Sediments. California Water Code, Division 7, Chapter 5.6, established a program to assess sediment contamination of the State's enclosed bays and estuaries. Known as the Bay Protection and Toxic Cleanup Program, the focus of this effort was to identify contaminated sediments with elevated levels of toxins.

In 1999, a Statewide plan identified Mission Channel and Islais Channel as high priority toxic hot spots. For Mission Channel, the plan included a preliminary estimate of investigation and study costs at $1 million, remediation and follow-up monitoring ranging from $0.8 to $1.8 million, and possible sewer system structural changes up to $75 million. For Islais Channel, the plan included a preliminary estimate of investigation and study costs at $1 million, remediation and follow-up monitoring ranging from $0.8 to $5.2 million, and possible sewer system structural changes up to $75 million. Such estimated costs were developed by the Regional Water Quality Control Board and State Water Resources Control Board in 1998 and 1999. The SFPUC provided comments and data studies disputing both the extent of contamination in the channels and any asserted causal relationship to SFPUC activities. The plan is not self-executing, and requires further regulatory action by the Regional Water Quality Control Board, which has indicated that contaminated sediment issues will be addressed through the TMDL analysis and implementation programs mentioned above. In 2002, both Mission Channel and Islais Channel were added to the Clean Water Act 303(d) list of water quality limited segments (*i.e.*, impaired waterways). A TMDL (or related action) must be completed for the listed waterways. Pursuant to a directive issued in June 2023, the Regional Water Quality Control Board is requiring the SFPUC to conduct an investigation to determine whether Mission Channel and Islais Channel remain impaired, or whether they may be removed from the impaired waters list. The SFPUC disputes the extent of the contamination in the channels and any causal relationship to SFPUC activities. Nevertheless, the SFPUC is complying with the directive and will actively participate in the development of any TMDLs for such areas.

The 1999 Statewide plan also identified Central Basin (adjacent to the San Francisco Bayside shoreline) as a moderate priority toxic hot spot, but did not identify investigation or remediation costs (costs were only developed for the high priority sites). Central Basin has also been placed on the Clean Water Act 303(d) list of water quality limited segments. To date, the SFPUC has not been issued any directives relating to the Central Basin. The SFPUC disputes any causal relationship to SFPUC activities and will actively participate in the development of any TMDLs for such areas.

CERCLA. The EPA has listed Yosemite Slough as a "Superfund" site under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("**CERCLA**"). The site (which lies adjacent to Hunters Point and the former United States Navy Shipyard) is approximately 1,600 feet long and 400 feet wide, and depending on tide, is either a mudflat or shallow submerged waterway. Studies have been conducted since the 1990s to better understand the nature of the sediments and contamination at the site, and to develop a remediation plan for the removal of such material. The primary contaminants of concern are PCBs and lead. In 2013, the EPA estimated the cost for site remediation at $15.5 million on a present value basis, but the SFPUC can give no assurance whether such amount is or will be the final clean-up cost estimate as such amount is subject to the completion of additional studies and the EPA's adoption of a final remediation plan. In 2016, the EPA determined that additional studies were required to develop the cleanup plan, and those studies are expected to be substantially completed in 2026. The EPA named the City a potentially responsible party under CERCLA for the cleanup because of the role the City's combined sewer system may have played in transporting contaminants to the slough. The City, along with other potentially responsible parties, is participating in a voluntary nonbinding mediation to allocate financial responsibility for the cleanup. The SFPUC cannot reasonably predict whether or to what extent it may be financially responsible for remediation of the contamination, or whether such cleanup obligations will have any adverse impact on the financial condition of the Wastewater Enterprise or sewer system operations.

Pursuant to GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, the Wastewater Enterprise reported $6.4 million and $6.1 million in pollution remediation liability as of June 30, 2024, and June 30, 2025, respectively.

Considering CERCLA, the SFPUC makes best efforts to address the impacts of Wastewater Enterprise outputs on natural resources, including impacts from contaminants appropriately or illegally discharged into sewers and whether those contaminants remain in biosolids end-product.

Contaminants of Emerging Concern. Contaminants of emerging concern include alkyl phenols, endocrine disrupting chemicals, flame retardants, hormones, personal care products, pharmaceuticals, steroids, human-made chemicals such as perfluoroalkyl substances (PFAS) and perfluorooctane sulfonate (PFOS), microplastics and pesticides. Pharmaceuticals typically include prescription and over-the-counter therapeutic drugs for both human and veterinary treatment. Personal care products typically include soaps, fragrances and cosmetics. Secondary treatment facilities remove some of these contaminants from discharges, even though they are not specifically designed for this purpose. Currently no water quality standards exist for most of these compounds, therefore, the SFPUC permits do not contain effluent limitations for them. The SFPUC may, however, potentially face future liability relating to its discharges and biosolids that contain such contaminants.

Nutrient Control for the Bayside. San Francisco Bay has long been recognized as a nutrient-enriched estuary; however, until recently, it had not experienced negative effects of over-enrichment. Changes recently observed in San Francisco Bay indicate that its resilience to the effects of nutrient enrichment may be declining. In response to these changes, the Regional Water Quality Control Board issued a regional permit (NPDES No. CA0038873) in 2014 requiring all municipal dischargers to the San Francisco Bay monitor and report nutrient discharges. The Regional Water Quality Control Board re-issued this permit in 2019 and stated its intent to consider establishing effluent limitations in future permits to prevent further increases in nutrient loads from municipal wastewater treatment plants. In 2022, San Francisco Bay experienced a very large algal bloom that resulted in significant fish die-offs. Monitoring of this bloom indicated that, while nutrient discharges from municipal wastewater treatment plants did not cause the bloom, they contributed to the size and duration. In response to this bloom, in 2024, the San Francisco Bay Regional Water Quality Control Board issued a revised regional permit, which became effective on October 1, 2024, with requirements that will ultimately necessitate substantially reducing nutrient loads from municipal wastewater treatment plants, including the Southeast Treatment Plant. SFPUC is planning and will design and construct new infrastructure to reduce nutrients in the Southeast Treatment Plant's effluent. The most prominent project in SFPUC's 10-year capital plan is the Southeast Treatment Plant Nutrient Reduction Project, currently budgeted at $1.47 billion. See "WASTEWATER ENTERPRISE CAPITAL PROGRAM – Sewer System Improvement Program – *Program Scope* – Treatment Facilities – *Southeast Treatment Plant Nutrient Reduction Project*." SFPUC is also continuing to work closely with a coalition of Bay Area wastewater utilities, regulators, and scientists on long-term strategies to meet potential nutrient reduction requirements as research and regulations evolve.

Other Regulatory Agencies with Jurisdiction Over the Wastewater Enterprise

Other regulatory agencies with approval or oversight responsibilities over the siting, construction or operational impacts of the Wastewater Enterprise on air, water and natural resources include the Bay Area Air District, the Bay Conservation and Development Commission, the California Coastal Commission, the California Department of Toxic Substances Control, the State Lands Commission, the California Department of Public Health, the National

Marine Fisheries Service, the United States Fish and Wildlife Service, the California Department of Fish and Wildlife, and the U.S. Army Corps of Engineers.

Other Laws Affecting the Wastewater Enterprise

As a public agency, the SFPUC's actions must be consistent with CEQA and, where federal approvals or funding is involved, NEPA. The federal Clean Air Act and the California Clean Air Act of 1988 also regulate emissions from the treatment facilities. All of the SFPUC's treatment facilities meet present Bay Area Air District standards.

WASTEWATER ENTERPRISE CAPITAL PROGRAM

Capital and Financial Planning Process

The SFPUC's long-term capital and financial planning is performed on an annual rolling 10-year forward looking basis. The SFPUC prepares a 10-year capital plan for each of its enterprises, as required by the Charter, which serves as the basis for the development of the annual 10-year financial plan. Proposed long-term capital programs, projects and investments, and related costs are included in the 10-year financial plan. Consistent with the Charter, updates to the 10-year capital plan and 10-year financial plan are generally reviewed at least annually and adopted by the Commission each February. The 10-year financial plan provides estimated rate impacts of projected capital and operating spending and assures compliance with the SFPUC's adopted financial policies, including its debt service coverage, affordability, and fund balance reserve policy targets.

Although the first two years of the 10-year capital plan are appropriated as part of the biennial budget process, the 10-year capital plan is not a budget and is not "appropriated" like a budget. The annual capital programs can be revised during the development of the budget, and final projects, costs and totals for specific capital improvements to be financed can change. Consequently, even though the annual budgets passed are based on the 10-year capital plan, they may occasionally differ from it.

The Wastewater Enterprise's 10-year capital plan for Fiscal Years 2026-27 to 2035-36, adopted by the Commission on February 10, 2026 (the "**2027 Capital Plan**"), totals approximately $5.916 billion, which includes approximately $527.6 million budgeted for Fiscal Year 2026-27. See "FINANCING PLAN FOR WASTEWATER ENTERPRISE CAPITAL PROGRAM." The 2027 Capital Plan includes projects in the following categories, each of which is further described below: (i) SSIP; (ii) Wastewater Facilities and Infrastructure; and (iii) Renewal and Replacement.

The 2027 Capital Plan reflects a modest reduction from the prior ten-year capital plan of approximately 2%, decreasing from approximately $6.040 billion to approximately $5.916 billion. Unlike the Water Enterprise and the Power Enterprise, where capital plan reductions primarily reflect strategic choices to defer discretionary improvements in favor of rate affordability, the Wastewater Enterprise capital plan reduction represents the minimum achievable investment needed to maintain regulatory compliance and system reliability. As most projects address legally-mandated requirements or prevent unacceptable risks to public health and environmental protection, marginal reductions in the size of the capital plan are extraordinarily difficult to achieve.

Sewer System Improvement Program

Program Summary. The SSIP was initiated as a citywide investment to upgrade the SFPUC's wastewater infrastructure to ensure a reliable, sustainable, and seismically safe sewer system. The SSIP contains a series of major capital improvement projects that are necessary to maintain the City's combined sewage and stormwater system in a state of good repair, as well as to continue meeting Commission-endorsed goals and levels of service. The Commission's original authorization of the SSIP in August 2012 contemplated a three-phase implementation approach over a 20-year period to manage rate impacts, considered construction sequencing impacts, and maintained existing operations and permit compliance. In 2012, the highest priority and best-defined projects, which focused on maintaining regulatory compliance, enhancing process reliability and redundancy, implementing pilot green infrastructure projects, improving treatment plant odor control, and replacing existing biosolids and headworks facilities with state-of-the-art technology, were included in the first phase of the SSIP ("**SSIP Phase 1 Projects**"). The SFPUC has since transitioned from implementing the original three-phase approach over a 20-year period to a rolling 10-year capital plan, where projects are included based on priority, schedule and affordability. The current SSIP includes both the SSIP Phase 1 Projects as well as certain projects originally identified in the second and third phases of the SSIP in 2012 and other capital projects subsequently identified that are needed to comply with regulatory or system requirements ("**Other SSIP Projects**"). In the 2027 Capital Plan, the current budget for SSIP Phase 1 Projects and Other SSIP Projects is approximately $125.6 million and approximately $4.016 billion, respectively, for a total of approximately $4.141 billion.

Program Objectives and Goals. The SSIP is designed to address infrastructure challenges and needs facing the Wastewater Enterprise, maximize system reliability and flexibility, improve operational and seismic reliability, and promote current and future regulatory compliance. The SSIP development considers environmental benefits, sustainability, and community benefits in addressing long-term wastewater needs. The program goals for the SSIP include the following: (1) maintain a compliant, reliable, resilient and flexible system that can respond to catastrophic events; (2) integrate grey and green infrastructure to manage stormwater and minimize flooding; (3) provide benefits to impacted communities; (4) modify the system to adapt to climate change; (5) achieve economic and environmental sustainability; and (6) maintain ratepayer affordability.

Program Scope. In terms of scope, the SSIP is separated into four major categories: (i) Program Management, which makes up approximately $121.5 million of the 2027 Capital Plan, (ii) Treatment Facilities, which makes up approximately $2.563 billion of the 2027 Capital Plan, (iii) Sewer/Collection System, which makes up approximately $741.4 million of the 2027 Capital Plan, and (iv) Stormwater Management/Flood Resilience, which makes up approximately $715.2 million of the 2027 Capital Plan. Each category is further described below.

<u>Program Management</u>. This category includes overall program management support for SSIP capital projects. This category includes support for securing low-interest loans and grants, including SRF loans and WIFIA loans (see "OBLIGATIONS PAYABLE FROM NET REVENUES – Parity Loans" and "– Water Infrastructure Finance and Innovation Act Loans"). Furthermore, this category includes support for developing the 10-year capital plan, performing preliminary planning work before projects are initiated as capital projects, continuous process improvements in an effort to achieve better efficiencies and outcomes with project delivery, as well as for asset management integration and regulatory compliance.

<u>Treatment Facilities</u>. This category focuses mainly on improvements to the treatment plants and wet-weather facility. Treatment plant projects provide improvements at the Southeast Treatment Plant, Oceanside Treatment Plant and North Point Facility that are aimed at updating existing infrastructure and technologies, increasing seismic and operational reliability, and reducing odors, noise, visual and other negative public impacts. These projects also help maintain regulatory compliance by ensuring continued and reliable asset performance.

A majority of the SSIP Phase 1 Projects have either been completed or are currently occurring at the Southeast Treatment Plant, focused on upgrading the buildings and systems that were originally constructed in the 1950s (for example, see "*– Biosolids Digester Facilities Project*" and "*– SEP New Headworks (Grit) Replacement Project*" below). In addition to the work at the Southeast Treatment Plant, there are also SSIP Phase 1 Projects intended to improve the seismic, electrical and general reliability of both the Oceanside Treatment Plant and the North Point Facility. Additional SSIP Phase 1 Projects are focused on liquid treatment improvements to existing clarifiers, facility-wide distributed control systems, power feed and switchgear, reliability improvements to the Southeast Treatment Plant and Westside Pump Station, and improvements with digester gas utilization upgrades at the Oceanside Treatment Plant. A majority of the SSIP Phase 1 Projects at the treatment plants have been fully appropriated.

Other SSIP Projects have been initiated to provide various process improvements to the existing treatment plants and wet-weather facilities, including the Southeast Treatment Plant Nutrient Reduction Project described below. Several smaller facility improvement projects were also initiated as part of the Other SSIP Projects.

Significant projects within the treatment facilities category include the following:

- *Biosolids Digester Facilities Project*. This active project is the largest component of the SSIP Phase 1 Projects and will replace and relocate the SFPUC's existing solids treatment facilities at the Southeast Treatment Plant with more reliable, efficient, and modern technologies and facilities. The project will be completed pursuant to two active construction contracts: the Biosolids Digester Facilities Construction Management-General Contractor contract (the "Biosolids Contract"), and Biogas Design-Build contract (the "Biogas Contract"). The Biosolids Contract, which consists of new digester and solids handling facilities to replace the existing facilities at the Southeast Treatment Plant, will include more modern treatment processes designed to produce "Class A" biosolids. Biosolids treatment processes are expected to include solids thickening, screening, dewatering, thermal hydrolysis pretreatment, digestion, gas handling, biogas utilization, and odor control. The Biosolids Contract is scheduled to be completed in 2029 and, as of June 2026, construction is approximately 79% completed. The construction work packages for all the major biosolids facilities have been bid and awarded, and the construction of the five digester vessels and major facilities is in its final stages. Mechanical, electrical, and plumbing installations are underway in the digester basement, solids pretreatment and biosolids dewatering building, and supporting facilities and pipe galleries. Facility start-up and commissioning plans are currently under development.

In mid-budget cycles for Fiscal Years 2025-2034, an additional $165 million budget was added to this project to fund the design-build contract for the biogas utilization scope of work, which was anticipated to be funded separately. Previously, the SFPUC had pursued a public-private-partnership ("**P3**") delivery process to fund and construct the biogas utilization scope. Due to tax reasons, however, SFPUC had to abandon the P3 approach, and instead issued the Biogas Contract to perform the work. The design package for the biogas facilities under the Biogas Contract was submitted, and construction is underway with the installation of underground utilities and electrical conduits. The SFPUC anticipates that the biogas utilization facility will be ready for operation in alignment with the start-up and commissioning of the other biosolids digester facilities.

The original budget for the Biosolids Digester Facilities Project, approved by the Commission in August 2012, was $1.681 billion; however, the budget for the project has significantly increased to $2.837 billion, with $92.9 million in the 2027 Capital Plan. While the project schedule remains unchanged, the budget increases, prior to funding the biogas utilization scope, were due in part to complex site and construction conditions, volatile commodity costs, supply chain issues related to the COVID-19 pandemic, and a limited pool of potential and qualified bidders on contracts. The SFPUC can provide no assurance that the total cost of the Biosolids Digester Facilities Project will not increase or that the timeline for completion will not be extended. See also "RISK FACTORS – Risks Relating to Wastewater Enterprise Facilities and Operations – *Construction Related Risks*" and "– Risks Relating to Financial Operations – *Cost of Capital Program Projects; Timely Completion of Capital Program Projects*" in the forepart of this Official Statement.

The SFPUC has secured an SRF loan in the amount of $132 million, the BDFP WIFIA Loan in the amount of up to approximately $699 million, and the STPI WIFIA Loan in the amount of up to approximately $514 million for a portion of the project. The SRF loan, the BDFP WIFIA Loan and the STPI WIFIA Loan are fully drawn. See "OBLIGATIONS PAYABLE FROM NET REVENUES – Parity Loans" and "– Water Infrastructure Finance and Innovation Act Loans." Concurrently with the issuance of the 2026B Bonds, the SFPUC intends to issue its 2026A Bonds to finance a portion of the costs of the Biosolids Digester Facilities Project. See "INTRODUCTION – Concurrent Financing" in the forepart of this Official Statement.

- *Southeast Treatment Plant Nutrient Reduction Project.* This active project is in the planning phase, and a progressive-design-build contract has been awarded for a design-builder to initiate the planning and design phases of work. The project is intended to reduce the amount of nutrients, specifically total inorganic nitrogen, discharged in the effluent from the Southeast Treatment Plant into the San Francisco Bay. Reducing nutrient loading into San Francisco Bay is one of the most pressing water quality issues facing the San Francisco Bay Area. The project is needed to help meet the regulatory compliance level of service goals for the Wastewater Enterprise. Based on preliminary project scoping efforts, the proposed project assumes maximizing the use of and/or retrofitting the existing infrastructure in an effort to reduce costs. This proposed project includes all phases of work: planning, environmental review, procurement, design, construction, facility start-up, commissioning, and closeout. The current project budget is estimated at approximately $1.470 billion, with approximately $1.419 billion in the 2027 Capital Plan. However, the SFPUC can provide no assurance that the total cost of the project will not be higher than currently estimated.

- *SEP New Headworks (Grit) Replacement Project*. The new headworks project at the Southeast Treatment Plant (the "**SEP New Headworks (Grit) Replacement Project**") is in the closeout phase and reached construction final completion in March 2026. The project scope consisted of the following: new influent junction structure and influent monitoring; new primary influent distribution structure; new bar screens, washer-compacters and screenings handling facility; new grit basins; grit washers and grit handling facility; a new odor control facility; two new primary substations; electrical, instrumentation and control rooms/building; demolition of the two existing headworks facilities; rehabilitation of the existing Southeast Lift Station; and upgrades to the Bruce Flynn Pump Station. The total current project budget is $707.8 million, all of which has been previously appropriated; however, the SFPUC can provide no assurance that the total cost of the project will not be higher than currently estimated until the project is closed out. The SFPUC has secured an SRF loan in the amount of approximately $112 million and the STPI WIFIA Loan in the amount of up to approximately $514 million for a portion of the project, each of which is fully drawn. See "OBLIGATIONS PAYABLE FROM NET REVENUES – Water Infrastructure Finance and Innovation Act Loans" and " – Parity Loans."

- *Southeast Bay Outfall and Southeast Treatment Plant Booster Station Replacement*. This project is anticipated to be initiated in Fiscal Year 2028-29. The proposed project will include the evaluation of and recommendations for long-term solutions for the existing and aging Southeast Bay Outfall and the associated booster station. The proposed project assumes construction of a new booster station and a new outfall. The Southeast Bay Outfall is a critical asset that conveys final effluent from the Southeast Treatment Plant to the San Francisco Bay. Currently, there are existing projects underway to extend the life of the existing Southeast Bay Outfall, and lessons learned from these projects will help inform the planning effort when initiating this proposed project. This project will also involve coordination with other City departments and projects within the program, including the City's waterfront adaptation plans for the San Francisco Bay, as well as with the Southeast Treatment Plant Nutrient Reduction Project described above. See also "THE WASTEWATER ENTERPRISE – Climate Change – *Impact on City of San Francisco*." This proposed project includes all phases of work: planning, environmental review, right-of-way, design, procurement, construction, facility start-up, facility commissioning, and closeout. The current project budget is estimated at approximately $2.0 billion, with approximately $154.1 million in the 2027 Capital Plan, and the construction phase expected to begin outside of the 2027 Capital Plan.

Sewer/Collection System. This category focuses on increasing the reliability of the sewer system and/or increasing the operational flexibility to collect and convey combined sewage to the treatment plants. The wastewater assets covered in this category include sewers, conveyance pump stations and force mains, transport/storage boxes, and combined sewer discharge outfall structures. By continuing to maintain the collection system assets in a state of good repair, these projects will also assist continued current and future regulatory compliance, including continued implementation of the Nine Minimum Controls, such as maximizing use of the collection system for storage and maximizing flows to the treatment plant. In addition, projects are prioritized to address the reliability of critical force mains that serve as an artery to convey combined sewage to the treatment plants. The collection system projects also included interdepartmental projects that capture sewer improvement opportunities arising from capital projects initiated by other City agencies. In this category, all of the SSIP Phase 1 Projects are completed or near completion and fully appropriated or spent, and most of the active projects are categorized as Other SSIP Projects.

Stormwater Management/Flood Resilience. This category focuses on stormwater management and flood resilience, including increasing conveyance capacity and improving flood resilience in low-lying areas. SSIP Phase 1 Projects in this category, which have been completed, included planning-level grey infrastructure project assessments and evaluation of green infrastructure through implementation of low-impact design projects in various areas throughout San Francisco. These efforts to develop green and grey solutions to address stormwater management continue with new projects categorized as Other SSIP Projects. Since no sewer system, including the City's sewer system, can be designed to manage all stormwater in all storms, the SFPUC encourages property owners to obtain flood insurance and provides other resources, such as floodwater grants to eligible property owners to help protect their properties against flooding during heavy rainstorms. Specific improvements for the collection system have been prioritized through a strategy of balancing the needs of the collection system for system reliability and stormwater management. Project prioritization and phasing was guided by the Commission-endorsed levels of service, the timing of critical needs, and opportunities for capital investments.

Significant projects within the stormwater management/flood resilience category include the following:

- *Folsom Stormwater Improvement Project (Phase 1 and 2)*. This active project includes the construction of approximately 3,500 linear feet of 12-foot internal diameter tunnel from the vicinity of Alameda/Treat Streets to the vicinity of 7th/Berry Streets, and the construction of nearly 12,500 linear feet of sewer pipes to divert wastewater flows, including large volumes of stormwater during heavy rains, toward the new tunnel infrastructure. The project includes multiple construction contracts that are in the design or procurement phase, with the first construction contract of small diameter sewers completed. Recent cost increases for the project, as reflected in the 2025 and 2026 Capital Plans, reflect higher design costs and anticipated construction durations due to added complexity of tunneling, coordination with the California Department of Transportation, and large sewer box work in congested city streets. The total current anticipated project budget for Phase 1, which covers the project through the design phase, is approximately $39.9 million, all of which has been previously appropriated, and the total current anticipated project budget for Phase 2, which covers the construction phase, is approximately $402.5 million, with approximately $270.6 million in the 2027 Capital Plan. However, not all contracts for the project have been awarded, and therefore the SFPUC can provide no assurance that the total cost of the project will not increase or that the timeline will not be extended. See "RISK FACTORS – Risks Relating to Wastewater Enterprise Facilities and Operations – *Construction Related Risks*" in the forepart of this Official Statement.

- *Lower Alemany Area Stormwater Improvements Project*. This active project is in the procurement phase. The project includes the construction of a 10-foot diameter underground pipe from Stoneybrook Avenue to Industrial Street designed to carry stormwater away from the lower Alemany area and to reduce the frequency of flooding in the area. The total current anticipated project budget is approximately $364.1 million, with approximately $250.6 million in the 2027 Capital Plan. However, contracts for the project have not yet been awarded, and therefore the SFPUC can provide no assurance that the total cost of the project will not increase or that the timeline will not be extended. See "RISK FACTORS – Risks Relating to Wastewater Enterprise Facilities and Operations – *Construction Related Risks*" in the forepart of this Official Statement.

The SFPUC has entered into an SRF Loan to provide partial funding for the Folsom Stormwater Improvement Project, and has secured the Project 1 WIFIA Loan to finance a portion of both of these projects as well as other projects. See "OBLIGATIONS PAYABLE FROM NET REVENUES – Parity Loans" and "– Water Infrastructure Finance and Innovation Act Loans."

In 2024, the SFPUC also completed the Wawona Area Stormwater Improvement Project. The Wawona Area Stormwater Improvement Project was a $26.9 million project designed to increase the conveyance capacity at the intersection of 15th Avenue and Wawona Street to reduce the frequency of flooding in the area, through the installation of a new sewer pipe and replacement of existing water transmission and distribution mains.

Wastewater Facilities and Infrastructure

Wastewater facilities and infrastructure projects are intended to provide necessary upgrades to existing facilities and infrastructure to maintain their intended functions. Wastewater facilities and infrastructure projects make up approximately $203.5 million of the 2027 Capital Plan.

One significant project within the wastewater facilities and infrastructure category is the Ocean Beach Climate Change Adaptation Project. This project is necessary to protect the integrity of wastewater assets built to protect public health and the environment, including the existing Lake Merced Tunnel, the Westside Pump Station and the Oceanside Treatment Plant. This is one of the City's first climate change adaptation projects and is led by the SFPUC. The Lake Merced Tunnel has a storage capacity of up to 10 million gallons for combined sewage and stormwater flows and is located closest to the section of Ocean Beach most severely impacted by, and most vulnerable to, continued bluff erosion. The Lake Merced Tunnel could become structurally compromised if sudden bluff retreat is experienced during a large storm event. This project will implement a comprehensive shoreline management and protection plan in partnership with stakeholders and regulatory agencies to provide a long-term solution to the erosion issues along this portion of Ocean Beach and to mitigate potential impacts to the Lake Merced Tunnel and other critical wastewater assets (such as the Westside Force Main) at this location. The project is currently in design. The total current project budget is estimated to cost approximately $252.9 million, with approximately $185.0 million in the 2027 Capital Plan. The SFPUC is the lead agency for the project, and the Recreation and Parks department is expected to contribute approximately $8.0 million for non-SFPUC infrastructure and facilities. The SFPUC can provide no assurance that the total cost of this project will not be higher than currently estimated.

The Southeast Bay Outfall and Southeast Treatment Plant Booster Station Replacement Project, previously categorized as a Wastewater Facilities and Infrastructure Project, has been moved to the SSIP. See "WASTEWATER ENTERPRISE CAPITAL PROGRAM – Sewer System Improvement Program – *Program Scope* – Southeast Bay Outfall and Southeast Treatment Plant Booster Station Replacement Project."

Renewal and Replacement

Renewal and replacement projects are undertaken to improve performance or extend the service life of existing assets. These projects are typically annual ongoing projects and fall into two categories: (i) Renewal and Replacement Collection System and (ii) Renewal and Replacement Treatment Plants. Renewal and replacement projects make up approximately $1.571 billion of the 2027 Capital Plan.

The Renewal and Replacement Collection System category includes the following projects: cleaning projects; condition assessment projects to clean, inspect, and perform condition assessment of sewer pipelines and transport/storage boxes; sewer improvement projects to maintain the existing functionality of the collection system and repair and replace sewers; and spot sewer repair projects, which consist of as-needed repair of localized sections of existing sewer facilities. In the 2027 Capital Plan, green infrastructure is a new category included in this group of projects, as some of the first green infrastructure projects originally constructed through the SSIP are now due for renewal.

The Renewal and Replacement Treatment Plants category includes projects to maintain the capacity and reliable performance and extend the useful life of aging assets such as discharge structures, pump stations, force mains, and treatment plant assets.

Priority lists are maintained for both collection system and treatment projects, with collection system projects identified using an asset management approach which considers the current condition of the section in question and applicable risks of failure. See "THE WASTEWATER ENTERPRISE – Combined Sewage and Stormwater System – *Sewer Lines*."

Treasure Island Capital Improvements

The Wastewater Enterprise currently operates wastewater treatment facilities on Treasure Island and Yerba Buena Island through agreements with TIDA. The SFPUC will not acquire TIDA's existing facilities, but the SFPUC is planning to expand its service area to include Treasure Island and Yerba Buena Island utilizing newly-constructed, SFPUC-owned infrastructure. See "THE WASTEWATER ENTERPRISE – Wastewater Treatment – *Contract Services*." The Treasure Island Water Resource Recovery Facility will provide reliable service for Treasure Island and Yerba Buena Island residents and meet the recycled water demands of future redevelopment on Treasure Island and Yerba Buena Island. The project is further described below. Treasure Island capital improvement project has been fully appropriated.

Treasure Island Water Resource Recovery Facility. This active project is in the construction phase through a design-build contract. Start-up and testing are scheduled for Summer and Fall 2026, and the facilities are anticipated to be fully operational in late 2026. This project includes the construction of new facilities that are designed to provide tertiary treatment and wetlands designed to achieve dry weather flow capacity of at least 1.3 mgd of average dry-weather flow and 3.9 mgd of peak wet-weather flow. The new facilities are adjacent to and south of the existing facility. The preliminary treatment will remove rags, large objects, and grit. The secondary treatment process will include bioreactors (biological nutrient removal basins and membrane bioreactors ("MBR") that will provide oxidation, nitrification, and denitrification to meet biochemical oxygen demand and nitrogen effluent and reclaimed water limits. The MBR is a combination of suspended growth biological treatment system (activated sludge) in combination with membrane filtration equipment, which is used to perform solid-liquid separation. Secondary-treated effluent will be disinfected via a series of UV trains. The disinfected secondary-treated effluent will pass through constructed wetlands, and then be discharged into the adjacent stormwater outfall pipe for discharge to San Francisco Bay. Solids generated in the treatment processes will be thickened and transported to the Oceanside Treatment Plant for digestion. The resulting biosolids will be transported to suitable locations for land application to a facility to process biosolids into a liquid fertilizer, and to a facility to be processed into biosolids compost. In addition, the new Treasure Island Water Resource Recovery Facility is designed to achieve the disinfected tertiary treatment. Approximately 0.43 to 0.98 mgd of recycled water is expected to be diverted from the new facility for landscape irrigation, urban farming, and/or toilet flushing. The remainder of the disinfected effluent from the treatment plant will be directed to the wetlands and ultimately to receiving water. The total current anticipated project budget is approximately $222.2 million and has been fully appropriated. The SFPUC has applied for an SRF loan and has secured the Project 1 WIFIA Loan for a portion of the Treasure Island Water Resource Recovery Facility. SFPUC has made one draw on the Project 1 WIFIA Loan, approximately $56.5 million of which was applied to costs of the Treasure Island Water Resource Recovery Facility. See "OBLIGATIONS PAYABLE FROM NET REVENUES – Parity Loans" and "– Water Infrastructure Finance and Innovation Act Loans."

Environmental Planning Considerations

Projects undertaken by the SFPUC are subject to CEQA and certain projects involving the participation of federal agencies, including projects on federal land, are also subject to the National Environmental Policy Act ("**NEPA**"). The San Francisco Planning Department (the "**Planning Department**"), acting as the CEQA lead agency under Chapter 31 of the City's Administrative Code ("**Chapter 31**"), generally coordinates CEQA review of SFPUC projects. The SFPUC also coordinates with federal NEPA lead agencies to prepare NEPA documentation for SFPUC projects.

Under CEQA, a project that may have a significant effect on the environment and is to be carried out or approved by a public agency must comply with a comprehensive environmental review process, including the preparation of an environmental impact report ("**EIR**"), unless such effects can be mitigated to less-than-significant levels, as described below. The EIR reflects not only an independent technical analysis of the project's potential environmental impacts, but also the comments of other agencies with some form of jurisdiction over the project and the comments of interested members of the public. Contents of the EIR include a detailed statement of the project's significant environmental effects; any such effects that cannot be avoided if the project is implemented; mitigation measures proposed to minimize such effects; alternatives to the proposed project; the relationship between short-term and long-term impacts; any significant irreversible environmental changes that would result from the project; the project's growth-inducing impacts; and a brief statement setting forth the agency's reasons for determining that certain effects are not significant and hence do not require discussion in the EIR. Before approving a project, the SFPUC must make findings on whether or how it can mitigate the significant environmental effects of the project. If the project requires mitigation, the SFPUC must adopt a mitigation monitoring and reporting program on how the mitigation is carried out during project implementation. If a project's significant effects can be mitigated, the SFPUC can adopt a written statement (called a mitigated negative declaration) or if the project will not have a significant effect on the environment, the SFPUC may adopt a written statement (called a negative declaration) to that effect and in both cases need not prepare an EIR. CEQA also contains several exemptions, which the SFPUC uses for its projects when appropriate.

After deciding to approve or carry out a project, either following the EIR process or after issuing a mitigated negative declaration or a negative declaration, the Planning Department must file a notice of such determination with the Office of the County Clerk. Any action or proceeding challenging the Planning Department determination must be brought within 30 days following the specified task for each type of CEQA document. Actions have been, and in the future may be, filed challenging a project's compliance with CEQA, including the adequacy of the EIR and other environmental documents for particular projects. If an action challenging the SFPUC's compliance with CEQA is successful, the particular project could be delayed, revised, suspended or canceled.

As part of its regular planning and budgetary process, the SFPUC gives careful attention to environmental considerations. All projects are evaluated under the SFPUC's environmental evaluation procedures (Infrastructure Procedures 7.01 and 7.02), developed in compliance with federal and State laws and regulations, City ordinances and the City's Administrative Code procedures, including Chapter 31.

Prior to the sale of new money bonds, the Planning Department will issue a "Planning Certificate" required under Proposition E, approved by San Francisco voters on November 5, 2002 ("**Proposition E**"). The Planning Certificate will identify the status of environmental review for each capital project to be funded under the proposed bond sale and the type of CEQA document either completed or to be completed for each project. CEQA compliance must be completed for each project prior to project approval or approval to award a construction contract to implement any project to be funded by the proposed bond sale.

FINANCING PLAN FOR WASTEWATER ENTERPRISE CAPITAL PROGRAM

Long Term Financing of Capital Program

The Wastewater Enterprise's 10-year financial plan for Fiscal Years 2026-27 to 2035-36 (the "**2027 Financial Plan**") was adopted by the Commission on February 10, 2026. The 2027 Financial Plan is based on the 2027 Capital Plan. Pursuant to the 2027 Financial Plan, long-term debt financing, comprised of additional Bonds and State Revolving Fund loans, is projected to fund approximately $4.4 billion of the 2027 Capital Plan, and revenue (pay-as-you-go) funding is projected to fund approximately $1.4 billion of the 2027 Capital Plan. See "PLAN OF FINANCE" in the forepart of this Official Statement, and see also "OBLIGATIONS PAYABLE FROM NET REVENUES – Parity Loans" and "– Water Infrastructure Finance and Innovation Act Loans."

The SFPUC's long-term capital and financial planning is performed on an annual rolling 10-year forward looking basis. Although the 2027 Financial Plan currently contemplates the issuance of additional Bonds and State Revolving Fund loans to finance the capital program, the SFPUC may also consider additional financing options in the future, including but not limited to other parity or subordinate federal and State loans.

Interim Funding Program Facilities

The SFPUC's Interim Funding Program is a short-term financing program consisting of a combination of lines of credit and credit facilities, liquidity facilities and letters of credit supporting the SFPUC's ability to issue short-term indebtedness, including the issuance of Commercial Paper Notes. The SFPUC utilizes the Interim Funding Program to meet the expenditure and encumbrance needs of capital projects on an interim basis through design and into the early project construction phase. The Interim Funding Program is authorized for the Wastewater Enterprise in the aggregate principal amount of $1.125 billion. Of this amount, $1.05 billion is authorized for the SFPUC to issue Commercial Paper Notes and $75 million is in the form of separate bank revolving credit agreements, each of which permits the SFPUC to make draws directly from the respective banks, with the SFPUC's payment obligation evidenced by the Revolving Notes. The SFPUC may issue Commercial Paper Notes or make draws on the U.S. Bank Credit Facility. See "OBLIGATIONS PAYABLE FROM NET REVENUES – Subordinate Debt and Interim Funding Program."

Interim funding program obligations are then refunded and consolidated into either long-term revenue bond issues or a Parity Loan when the outstanding and encumbered amount of the interim funding obligations approaches authorized limits. This approach allows the SFPUC to take advantage of historically lower short-term interest rates, and to size and closely time long-term financings with projected need.

As of July 1, 2026, the SFPUC had tax-exempt Commercial Paper Notes outstanding in the aggregate principal amount of $100 million, taxable Commercial Paper Notes outstanding in the aggregate principal amount of $181.3 million and no amount outstanding under the Revolving Notes. The SFPUC expects that all of the outstanding taxable Commercial Paper Notes will be refunded with proceeds of the 2026A Bonds. See "INTRODUCTION – Concurrent Financing" in the forepart of this Official Statement. The SFPUC anticipates issuing additional Commercial Paper Notes and making draws directly on the revolving credit agreements to provide interim financing for Wastewater Enterprise capital projects. See "OBLIGATIONS PAYABLE FROM NET REVENUES – Subordinate Debt and Interim Funding Program."

Sources and Uses of Funding the Capital Program

The table below sets forth projected sources and uses of funds for the Wastewater Enterprise's capital program, including the SSIP, for Fiscal Years 2026-27 through 2030-31. Non-SSIP capital program categories include Renewal and Replacement projects, Treasure Island Capital Improvement projects and Wastewater Facilities and Infrastructure projects. Sources of funding for the capital program include debt financing, wastewater revenues and capacity charge revenues. The projected repayment of principal and interest on future debt financings has been incorporated into the SFPUC's approved rates, as well as the remaining projection period set forth in the 2027 Financial Plan. Revenues from higher rates are expected to increase by 12.3% to 13.5% annually for Fiscal Years 2026-27 through 2029-30. Future rate increases are subject to future approval by the Commission and the ability to reject rate increases by the Board of Supervisors. See "FINANCIAL OPERATIONS – Wastewater Enterprise Rate Setting" and "– Rates and Charges."

TABLE 10
WASTEWATER ENTERPRISE CAPITAL PROGRAM
FINANCING PLAN FOR FISCAL YEARS 2026-27 TO 2030-31
(IN THOUSANDS)[(1)]

	2026-27	**2027-28**	**2028-29**	**2029-30**	**2030-31**	**Five-Year Total**
USES OF FUNDS						
SSIP	$378,669	$515,015	$490,761	$338,890	$372,560	$2,095,895
Renewal and Replacement	147,310	152,026	127,618	141,355	147,631	715,940
Treasure Island Capital Improvements	0	0	0	0	0	0
Wastewater Facilities & Infrastructure	1,589	3,477	61,793	58,237	56,718	181,814
Total Uses[(2)]	$527,568	$670,518	$680,172	$538,482	$576,909	$2,993,649
SOURCES OF FUNDS						
Revenue Bonds/Parity Loans[(3)]	$438,211	$575,472	$585,922	$412,228	$453,921	$2,465,754
Wastewater Revenues	85,637	91,215	90,305	122,191	118,803	508,151
Capacity Charge Revenues	3,719	3,830	3,945	4,064	4,186	19,744
Total Sources[(2)]	$527,568	$670,518	$680,172	$538,482	$576,909	$2,993,649

(1) Amounts set forth are projections. Actual results may differ materially from these projections. See "FORWARD-LOOKING STATEMENTS" in the forepart of this Official Statement.
(2) Totals may not add due to rounding.
(3) Reflects anticipated long-term debt financing needs, which may come from the issuance of Additional Bonds and Parity Loans (such as SRF loans and/or WIFIA loans). Specific amounts for each funding source are not currently available. See also "Table 28 – Projected Revenue, Operating and Maintenance Expense and Debt Service Coverage for Fiscal Year Ending June 30 (In Thousands)" and "PROJECTED OPERATING RESULTS – Assumptions Used in Projections – *Projected Debt Service*."

Source: SFPUC, Financial Services.

Revenue Bond Oversight Committee; Audit of Bond Expenditures

Public Utilities Revenue Bond Oversight Committee. In November 2002, San Francisco voters adopted Proposition P, an ordinance that established the Public Utilities Revenue Bond Oversight Committee ("**RBOC**") to report to the Mayor, the SFPUC and the Board of Supervisors regarding the expenditure of revenue bond proceeds issued by the SFPUC's Water Enterprise, Wastewater Enterprise and Power Enterprise (each as defined herein). The provisions of the ordinance establishing RBOC expired on January 1, 2025, and RBOC no longer exists. Before it sunset, RBOC, assisted by the CSA and its own outside auditors, performed three performance audits of select revenue bonds issued by the SFPUC. CSA issued the audit report for the first audit in February 2022, the audit report for the second audit in August 2023, and the audit report for the third audit in March 2026. The audit reports included several recommendations. The SFPUC engaged in discussions with CSA, and implemented the recommendations with which it concurred.

The CSA is an audit function within the Office of the Controller of the City (the "**Controller**"). The CSA has broad oversight authority and responsibilities including, but not limited to, (i) reporting upon level of effectiveness for City public services, (ii) auditing financial and management performance of City departments and functions, (iii) ensuring the financial integrity and improving the overall performance and efficiency of City government, and (iv) maintaining a whistleblower hotline to investigate upon reports of fraud, waste and abuse.

Prospective Audits of Capital Expenditures. Given the expiration of the RBOC, the SFPUC intends to develop an ongoing capital expenditure oversight program, led by the SFPUC's Audit Bureau. The new program is expected to provide for more systemic and holistic audits of capital expenditures, working closely with auditors with industry expertise or familiarity with the SFPUC's municipal utility operations and capital improvement programs, in lieu of limited scope reviews, as previously performed by the RBOC.

OBLIGATIONS PAYABLE FROM NET REVENUES

Authority for Issuance of Revenue Bonds and Other Obligations Payable from Net Revenues

The Charter authorizes the SFPUC to issue revenue bonds and commercial paper notes and to incur other obligations payable from or secured by a pledge of revenues. The 2026A Bonds and the 2026B Bonds are being issued pursuant to Ordinance No. 181-23, adopted by the Board of Supervisors on July 25, 2023 and Ordinance No. 125-24, adopted by the Board of Supervisors on June 11, 2024, and under a resolution adopted by the Commission on July 28, 2026. See "SECURITY FOR THE BONDS – Additional Series of Bonds," "– Additional Parity Loans" and "– Refunding Bonds" in the forepart of this Official Statement.

As described in this section, as of July 1, 2026, the SFPUC has debt obligations outstanding in the total amount of $5,395,600,830 that are payable from Net Revenues. Of such amount, $5,092,592,277 constitutes debt secured by a parity lien on Net Revenues, and $303,008,553 consists of debt that is subordinate to the pledge of Net Revenues supporting the 2026A Bonds and the 2026B Bonds. The table below sets forth the outstanding amount of parity and subordinate debt obligations as of July 1, 2026. For a table listing the debt service requirements for all currently outstanding debt secured by a parity lien on Net Revenues, see "DEBT SERVICE REQUIREMENTS" in the forepart of this Official Statement.

Indebtedness	Outstanding Amount as of July 1, 2026
Parity Obligations	
Parity Revenue Bonds	$3,357,340,000
State Revolving Fund Loans	364,505,654
WIFIA Loans (Evidenced by WIFIA Bonds)	1,370,746,623
Subtotal	*$5,092,592,277*
Subordinate Debt	
Commercial Paper Notes	$281,251,000
2009 Golden Gate COPs	21,757,553[1]
Subtotal	*$303,008,553*
Total:	**$5,395,600,830**

[1] Represents the portion of the outstanding 2009 Golden Gate COPs attributable to the Wastewater Enterprise. See "— Other Subordinate Obligations Payable from Net Revenues" below.

Outstanding Parity Revenue Bonds

The following outstanding parity revenue bonds have been issued pursuant to the Indenture and are secured by a parity pledge of Net Revenues on a parity with the 2026A Bonds, the 2026B Bonds, and the Parity Loans.

Series of Bonds	Purpose	Original Principal Amount	Principal Amount Outstanding as of July 1, 2026
Wastewater Revenue Bonds, 2010 Series B ("**2010B Bonds**")(1)(2)	Finance and refinance SSIP and other capital program costs	$192,515,000	$161,985,000
Wastewater Revenue Bonds, 2013 Series B ("**2013B Bonds**")(2)	Finance and refinance SSIP and other capital program costs	331,585,000	93,095,000
Wastewater Revenue Bonds, 2016 Series A ("**2016A Bonds**")(2)	Finance and refinance SSIP and other capital program costs	240,580,000	223,290,000
Wastewater Revenue Bonds, 2016 Series B ("**2016B Bonds**")(2)	Finance and refinance capital program costs	67,820,000	62,945,000
Wastewater Revenue Bonds, 2018 Series A ("**2018A Bonds**")	Finance and refinance SSIP and other capital program costs	229,050,000	200,680,000
Wastewater Revenue Bonds, 2018 Series B (**"2018B Bonds**")	Finance capital program costs	185,950,000	156,580,000
Wastewater Revenue Bonds, 2021 Series A ("**2021A Bonds**")	Finance SSIP costs	260,835,000	260,835,000
Wastewater Revenue Bonds, 2021 Series B ("**2021B Bonds**")	Finance capital program costs	37,045,000	37,045,000
Wastewater Revenue Bonds, 2022 Series B ("**2022B Bonds**")	Refinance SSIP and other capital program costs	137,080,000	118,580,000
Wastewater Revenue Bonds (WIFIA Biosolids Loan) ("**BDFP WIFIA Bond**")(3)	Finance Biosolids Digester Facilities Project	699,242,023	699,242,023
Wastewater Revenue Bonds (Southeast Treatment Plant Improvements Project WIFIA Loan) ("**STPI WIFIA Bond**")(4)	Finance Southeast Treatment Plant Improvement Project	513,861,981	513,861,981
Wastewater Revenue Bonds (Wastewater Capital Plan Resilience Program – Project 1) ("**Project 1 WIFIA Bond**")(5)	Finance repair, rehabilitation, and replacement of critical assets, and enhance reliability, resiliency, and sustainability	157,642,619	157,642,619
Wastewater Revenue Bonds, 2023 Series A ("**2023A Bonds**")	Finance SSIP costs	530,565,000	530,565,000
Wastewater Revenue Bonds, 2023 Series B ("**2023B Bonds**")	Finance capital program costs	278,155,000	203,105,000
Wastewater Revenue Bonds, 2023 Series C ("**2023C Bonds**")	Refinance SSIP and other capital program costs	165,660,000	165,660,000
Wastewater Revenue Bonds, 2024 Series A ("**2024A Bonds**")(6)	Finance SSIP costs	431,110,000	431,110,000
Wastewater Revenue Bonds, 2024 Series B ("**2024B Bonds**")	Refinance capital program costs	87,250,000	87,250,000
Wastewater Revenue Bonds, 2024 Series C ("**2024C Bonds**")	Finance SSIP costs and refinance other capital program costs	539,720,000	539,720,000
Wastewater Revenue Bonds, 2024 Series D ("**2024D Bonds**")	Finance and refinance capital program costs	84,895,000	84,895,000
Total:		$5,170,561,623	$4,728,086,623

(1) Issued as Build America Bonds. See "SECURITY FOR THE BONDS – Flow of Funds" and "– Rate Covenants" in the forepart of this Official Statement.

(2) The SFPUC expects to apply a portion of the proceeds of the 2026B Bonds to refund all or a portion of its outstanding 2010B Bonds, 2013B Bonds, 2016A Bonds, and 2016B Bonds. See "PLAN OF FINANCE" in the forepart of this Official Statement.

(3) Issued under the Eleventh Supplemental Indenture in connection with the BDFP WIFIA Loan. See "– Water Infrastructure Finance and Innovation Act Loans." Original Principal Amount and Principal Amount Outstanding are rounded. On March 27, 2024, a portion of the proceeds of the BDFP WIFIA Bond was used to defease the SFPUC's Wastewater Revenue Notes, 2021 Series A (Green Notes), maturing on October 1, 2025.

(4) Issued under the Tenth Supplemental Indenture in connection with the STPI WIFIA Loan. See "– Water Infrastructure Finance and Innovation Act Loans." Original Principal Amount and Principal Amount Outstanding are rounded. On March 27, 2024, a portion of the proceeds of the STPI WIFIA Bond was used to defease the SFPUC's Wastewater Revenue Notes, 2021 Series B (Green Notes), maturing on October 1, 2026.

(5) Issued under the Sixteenth Supplemental Indenture in connection with the Project 1 WIFIA Loan. Original Principal Amount and Principal Amount Outstanding are rounded.

(6) The principal of the 2024A Bonds qualifies as "Excluded Principal" under the Indenture. See "SECURITY FOR THE BONDS – Rate Covenants – *Debt Service Coverage*" in the forepart of this Official Statement.

Additional Bonds

General. The SFPUC intends to issue Additional Bonds under the Indenture to finance select capital program projects, including SSIP projects. See "WASTEWATER ENTERPRISE CAPITAL PROGRAM," "FINANCING PLAN FOR WASTEWATER ENTERPRISE CAPITAL PROGRAM" and "PROJECTED OPERATING RESULTS."

Parity Loans

The SFPUC has entered into nine SRF loans with the State. These SRF loans constitute "Parity Loans" under the Indenture. The SFPUC plans to apply for additional SRF loans with the State over the next several years to obtain long-term financing for a portion of the SSIP. Such SRF loans are low-cost loans provided and administered by the State Water Resources Control Board on a project-by-project basis. The State's SRF Loan Program provides favorable terms to the SFPUC, including up to 30-year amortizing loan terms which generally commence one year following project completion, an interest rate on each SRF loan that is equal to one-half of the true interest cost for the State's most recent general obligation bond issue at the time such loan is entered into, and repayment of the SRF loans on a parity with the Bonds rather than on a basis senior to the Bonds. The SRF Loan Program offers loans to applicant entities based on available moneys and placement in a statewide intended use plan. SRF Loan Program moneys are disbursed on a cost-incurred basis pursuant to disbursement requests submitted by the SFPUC under the SRF loan documents. Although placement in the intended use plan is a necessary condition to receiving SRF Loan Program moneys, such placement does not create an obligation on the part of the applicant to accept SRF Loan Program moneys.

In connection with the SFPUC's Wastewater Enterprise, the following table sets forth the SRF loans that the SFPUC has entered into pursuant to the State's SRF Loan Program, the SRF loan commitment amount, the disbursement amount requested and received as of July 1, 2026, the interest rate, the estimated/actual project completion date, the estimated/actual loan repayment commencement date and the final maturity of each SRF loan.

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State Revolving Fund Loans

Project	SRF Loan Commitment Amount	Disbursement Amount Requested as of July 1, 2026[1]	Disbursement Amount Received as of July 1, 2026	Interest Rate	Actual/Estimated Project Completion Date	Actual/Estimated Loan Repayment Commencement Date[2]	Final Maturity
Lake Merced Green Infrastructure Project	$7,435,000	$6,115,588	$6,115,588	1.6%	April 24, 2018[3]	July 31, 2021	July 31, 2050
Southeast Treatment Plant Primary/Secondary Clarifier Upgrade Project	34,445,778	29,197,239	29,197,239	1.8	January 21, 2019[3]	March 30, 2019	March 30, 2048
Southeast Treatment Plant 521/522 and Disinfection Upgrade Project	40,006,740	39,740,686	39,740,686	1.8	June 30, 2021[3]	July 18, 2020	July 18, 2049
North Point Facility Outfall Rehabilitation Project	20,199,435	17,705,698	17,705,698	1.8	October 31, 2018[3]	February 28, 2019	February 28, 2048
Southeast Water Pollution Control Plant Biosolids Digester Facilities Project	132,000,000	132,000,000	132,000,000	1.4	May 11, 2029[4]	May 1, 2027	May 1, 2056
OSP Digester Gas Utilization Upgrade Project	54,387,969	54,387,969	54,387,969	1.4	March 31, 2028[4]	March 31, 2025	March 31, 2054
SEP New Headworks (Grit) Replacement Project	112,036,181	112,036,181	112,036,181	1.1	August 31, 2027[4]	March 1, 2025	March 1, 2054
New Treasure Island Wastewater Treatment Plant[5]	115,000,000	-	-	1.7	February 27, 2027	April 1, 2027	April 1, 2056
Folsom Area Stormwater Improvement Project[6]	55,000,000	-	-	1.8	September 1, 2028	April 1, 2029	April 1, 2058
Total:	$570,511,103	$391,183,361	$391,183,361				

(1) SRF Loan Program moneys are disbursed on a cost-incurred basis pursuant to disbursement requests submitted by the SFPUC.
(2) SRF loans generally amortize over a 30-year term commencing one year following the estimated project completion date as set forth in the applicable loan agreement.
(3) Actual project completion dates; repayment schedules have been established and repayments have commenced for these projects.
(4) Estimated project completion dates; loan repayment expected to commence one year following estimated project completion date as set forth in the applicable loan agreement (originally May 1, 2026, for Southeast Water Pollution Control Plant Biosolids Digester Facilities Project; originally March 31, 2024, for OSP Digester Gas Utilization Upgrade Project; and originally March 1, 2024, for SEP New Headworks (Grit) Replacement Project).
(5) Includes grant component of $5,000,000.
(6) Includes principal forgiveness component of $5,000,000.

In addition to the SRF loans described above, the SFPUC has applied for one additional SRF loan to finance the Lower Alemany Area Stormwater Improvements Project (the "**Alemany Project**"). For more information about this project, see "WASTEWATER ENTERPRISE CAPITAL PROGRAM – Sewer System Improvement Program – *Program Scope* – Stormwater Management/Flood Resilience."

In August 2025, the State Water Resources Control Board approved the Clean Water State Revolving Fund Intended Use Plan for State Fiscal Year 2025-26, which includes a list of projects that the Division of Financial Assistance anticipates funding (the "**2025-26 Fundable List**"). The 2025-26 Fundable List includes, among others, partial funding in the amount of $55 million for the Alemany Project ($50 million loan and $5 million grant). Inclusion on the 2025-26 Fundable List does not, however, constitute a financing commitment, a guarantee that sufficient funds from the anticipated sources of funds will be available, or a determination of eligibility. Any such funding would take the form of a loan from the State Water Resources Control Board to the SFPUC, constituting a Parity Loan. The SFPUC is working with the State Water Resources Control Board to obtain approval of the SRF loan application and negotiate SRF loan terms for the Alemany Project. If approved by the State Water Resources Control Board, the SFPUC anticipates that an SRF loan for the Alemany Project will close in Fiscal Year 2026-27.

The SFPUC has also entered into a WIFIA loan to provide partial funding to the Wawona Area Stormwater Improvement Project, the Folsom Stormwater Improvement Project (Phase 2), and the Treasure Island Water Resource Recovery Facility. For more information, see "– Water Infrastructure Finance and Innovation Act Loans – *Master Agreement and Project Loans*" below.

The SFPUC has covenanted in the Twentieth Supplemental Indenture not to enter into state loans payable on a basis senior to the Bonds.

Water Infrastructure Finance and Innovation Act Loans

Biosolids Digester Facilities Project. In July 2018, the SFPUC entered into the WIFIA Loan Agreement, dated as of July 27, 2018 (the "**Original BDFP WIFIA Loan Agreement**"), with the EPA, acting by and through the WIFIA Lender, pursuant to which the WIFIA Lender agreed to make a loan to the SFPUC in an amount not to exceed $699,242,023 to finance eligible costs of the Biosolids Digester Facilities Project to be located at the Southeast Treatment Plant (the "**BDFP WIFIA Loan**"). The BDFP WIFIA Loan does not constitute a "Parity Loan" under the Indenture. Instead, to evidence its repayment obligation pursuant to the BDFP WIFIA Loan to the EPA, the SFPUC issued a parity Bond under the Ninth Supplemental Indenture, dated as of July 27, 2018 (the "**Ninth Supplemental Indenture**"), between the SFPUC and the Trustee. In June 2020, the SFPUC and the WIFIA Lender agreed to make administrative revisions to the Original BDFP WIFIA Loan Agreement and to enter into a new loan agreement (the "**Revised BDFP WIFIA Loan Agreement**"). The Original BDFP WIFIA Loan Agreement has been terminated and is no longer in full force and effect, and the Ninth Supplemental Indenture has been surrendered and cancelled by the SFPUC and the WIFIA Lender. Pursuant to the Revised BDFP WIFIA Loan Agreement, the BDFP WIFIA Loan bears interest at a fixed rate of 1.45% and will mature no later than April 1, 2059. To evidence its repayment obligation pursuant to the BDFP WIFIA Loan to the EPA, the SFPUC issued the BDFP WIFIA Bond, a parity Bond under the Eleventh Supplemental Indenture, dated as of June 12, 2020, between the SFPUC and the Trustee. As of the date of this Official Statement, the SFPUC has fully drawn on the BDFP WIFIA Loan and the principal amount of the BDFP WIFIA Bond is approximately $699,242,023. On March 27, 2024, a portion of the proceeds of the BDFP WIFIA Bond was used to defease the SFPUC's Wastewater Revenue Notes, 2021 Series A Notes (Green Notes), maturing on October 1, 2025.

No payment of principal or interest on the BDFP WIFIA Loan was made prior to April 1, 2026. Prior to April 1, 2026, interest on the BDFP WIFIA Loan accreted and was added to the outstanding principal balance of the BDFP WIFIA Bond. The first interest payment was made on April 1, 2026, and only interest is expected to be payable on the BDFP WIFIA Loan through April 1, 2043. Principal of the BDFP WIFIA Loan is expected to be amortized commencing on April 1, 2043, and to continue through the final maturity date of the BDFP WIFIA Loan.

Southeast Treatment Plant Improvements Project. In June 2020, the SFPUC entered into the WIFIA Loan Agreement, dated as of June 12, 2020 (the "**STPI WIFIA Loan Agreement**"), with the EPA, pursuant to which the WIFIA Lender agreed to make a loan to the SFPUC in an amount not to exceed $513,861,981 to finance eligible costs of certain improvements at the Southeast Treatment Plant (the "**Southeast Treatment Plant Improvements**

Project") (the "**STPI WIFIA Loan**"), which includes the Biosolids Digester Facilities Project and the SEP New Headworks (Grit) Replacement Project (as defined herein). Pursuant to the STPI WIFIA Loan Agreement, the STPI WIFIA Loan bears interest at a fixed rate of 1.45% and will mature no later than April 1, 2062. The STPI WIFIA Loan does not constitute a "Parity Loan" under the Indenture. Instead, to evidence its repayment obligation pursuant to the STPI WIFIA Loan to the EPA, the SFPUC issued the STPI WIFIA Bond, a parity Bond under the Tenth Supplemental Indenture, dated as of June 12, 2020, between the SFPUC and the Trustee. As of the date of this Official Statement, the SFPUC has fully drawn on the STPI WIFIA Loan Agreement and the principal amount of the STPI WIFIA Bond is approximately $513,861,981. On March 27, 2024, a portion of the proceeds of the STPI WIFIA Bond was used to defease the SFPUC's Wastewater Revenue Notes, 2021 Series B Notes (Green Notes), maturing on October 1, 2026.

No payment of principal or interest on the STPI WIFIA Loan is anticipated to be made prior to April 1, 2032. Prior to April 1, 2032, interest on the STPI WIFIA Loan is expected to accrete and will be added to the outstanding principal balance of the STPI WIFIA Bond. From April 1, 2032, through April 1, 2043, only interest is expected to be payable on the STPI WIFIA Loan. Principal of the STPI WIFIA Loan is expected to be amortized commencing on April 1, 2043, and to continue through the final maturity date of the STPI WIFIA Loan.

Master Agreement and Project Loans. In April 2023, the SFPUC entered into the WIFIA Master Agreement, dated April 26, 2023 (the "**WIFIA Master Agreement**"), with the EPA, pursuant to which the WIFIA Lender agreed to make up to five loans to the SFPUC in an aggregate amount not to exceed $791,337,456 to finance certain Wastewater Enterprise capital improvement projects. In April 2023, the SFPUC also entered into the first WIFIA Loan Agreement (the "**Project 1 Loan Agreement**" and, together with the Revised BDFP WIFIA Loan Agreement and the STPI WIFIA Loan Agreement, the "**WIFIA Loan Agreements**"), with the EPA, pursuant to which the WIFIA Lender agreed to make a loan to the SFPUC in an amount not to exceed $369,335,021 to finance a portion of eligible project costs for a project that includes the following components: (1) Yosemite Creek Daylighting, (2) Wawona Area Stormwater Improvements and Vicente Street Water Main Replacement, (3) Folsom Area Stormwater Improvements, (4) Westside Pump Station Reliability Improvements, (5) North Shore Pump Station, and (6) Treasure Island Water Resource Recovery Facility (collectively, the "**Project 1 Projects**") ("**Project 1 WIFIA Loan**" and, together with the BDFP WIFIA Loan and the STPI WIFIA Loan, the "**WIFIA Loans**").

Pursuant to the Project 1 Loan Agreement, the Project 1 WIFIA Loan bears interest at a fixed rate of 3.65% and will mature no later than October 1, 2061. The Project 1 Loan does not constitute a "Parity Loan" under the Indenture. Instead, to evidence its repayment obligation pursuant to the Project 1 Loan to the EPA, the SFPUC issued a parity Bond (the "**Project 1 WIFIA Bond**" and, together with the BDFP WIFIA Bond and the STPI WIFIA Bond, the "**WIFIA Bonds**") under the Sixteenth Supplemental Indenture, dated as of April 26, 2023, between the SFPUC and the Trustee. As of the date of this Official Statement, the SFPUC has made one draw on the Project 1 Loan Agreement and the principal amount of the Project 1 WIFIA Bond is $157,642,619.

No payment of principal or interest on the Project 1 Loan is anticipated to be made prior to April 1, 2032. Prior to April 1, 2032, interest on the Project 1 Loan is expected to accrete and will be added to the outstanding principal balance of the Project 1 WIFIA Bond. From April 1, 2032, through April 1, 2041, only interest is expected to be payable on the Project 1 Loan. Principal of the Project 1 Loan is expected to be amortized commencing on October 1, 2041, and to continue through the final maturity date of the Project 1 Loan.

The SFPUC is in the process of securing a second loan under the WIFIA Master Agreement for approximately $145.2 million to finance (1) the Alemany Project, (2) Combined Sewer Discharge Structure Rehabilitation and Upgrades – Part 1, (3) Geary Bus Rapid Transit Sewer Improvements, (4) Seacliff No. 1 Pump Station and Force Main Upgrade, (5) Seacliff No. 2 Pump Station and Force Main Upgrade, and (6) Secondary Clarifiers Rehabilitation (the "**Project 2 WIFIA Loan**"). The SFPUC anticipates it will enter into a second WIFIA Loan Agreement with the EPA for the Project 2 WIFIA Loan in Fiscal Year 2026-27.

WIFIA Bonds. The BDFP WIFIA Bond, the STPI WIFIA Bond, and the Project 1 WIFIA Bond are payable from and secured by a pledge of Net Revenues on a parity with the Bonds.

The WIFIA Loan Agreements permit the SFPUC to draw under the respective WIFIA Loans from time to time, provided that such loans must be disbursed no later than one year following the substantial completion date of each project as set forth in the respective WIFIA Loan Agreements. The BDFP WIFIA Loan and the STPI WIFIA

Loan are fully drawn, and the expected substantial completion date for the Project 1 Projects is December 20, 2028. Each draw is subject to the satisfaction of conditions, including without limitation, the delivery to the EPA of financial projections evidencing that the SFPUC will be able to satisfy its rate covenant for the current Fiscal Year and each of the next 10 Fiscal Years.

If an event of default occurs under a WIFIA Loan Agreement, the EPA may elect to suspend future disbursements of such WIFIA Loan, to terminate the capitalized interest period (thus causing interest to be payable on a current basis), to require the payment of a default interest rate (equal to such WIFIA Loan rate plus 200 basis points) and to institute legal action to enforce the provisions of such WIFIA Loan Agreement. However, the EPA cannot take any action, in law or in equity, which would affect the application of the Net Revenues of the Wastewater Enterprise or to accelerate the payment obligations under such WIFIA Bond except pursuant to the EPA's rights as a parity Bondholder under the Indenture.

No reserve account was established to secure the WIFIA Loans.

Conditions to Disbursements under WIFIA Loan Agreements. The ability of the SFPUC to obtain disbursements from the EPA under the WIFIA Loan Agreements is subject to several conditions, including the payment of certain fees, if applicable, and the delivery of certain documentation, including an updated financial plan, copies of financing and project documents, proof of insurance required under the respective WIFIA Loan Agreements and a requisition that contains certain representations of the SFPUC as of the disbursement date.

The EPA is permitted to refuse disbursement upon the occurrence and continuance of certain events of default under the WIFIA Loan Agreements or the occurrence and continuance of events that would be an event of default with the passage of time and/or giving of notice. Such events include, among others, and as applicable (i) failure of the SFPUC to diligently pursue work on the applicable project or to achieve substantial completion of the Project 1 Projects by December 20, 2030; (ii) a default by the SFPUC under any of the principal contracts relating to the applicable project and the SFPUC fails to cure such default or replace the contract; (iii) the occurrence of a Bankruptcy Related Event (as defined in the WIFIA Loan Agreements) with respect to the counterparty to any of the principal contracts relating to the applicable project, unless such contract is replaced; (iv) abandonment of the applicable project by the SFPUC; (v) failure of the SFPUC to operate the applicable project for a continuous period of at least 180 days unless the cessation in operations is excused pursuant to the respective WIFIA Loan Agreements; (vi) a covenant default under the respective WIFIA Loan Agreements; (vii) misrepresentations made by the SFPUC under the respective WIFIA Loan Agreements or a document delivered in connection with the respective WIFIA Loan Agreements; (viii) acceleration of parity debt or a default under documents relating to the SFPUC's parity debt; (ix) one or more judgments for the payment of money that in the aggregate exceed $50 million or would cause a Material Adverse Effect (as defined under the WIFIA Loan Agreements) are rendered against the SFPUC, and such judgment(s) are unpaid for a period of 30 consecutive days or for which an action has been legally taken by a judgment creditor to attach or levy upon the SFPUC's assets for the enforcement of such judgment(s); (x) the SFPUC fails to maintain its existence; (xi) a Bankruptcy Related Event (as defined under the WIFIA Loan Agreements) with respect to the SFPUC occurs; (xii) the respective WIFIA Loans or documents related to the respective WIFIA Loans are no longer valid; (xiii) failure to comply with the rate covenant set forth in the Indenture; (xiv) failure by the SFPUC to construct the respective projects consistent with government approvals or good engineering practices or failure to comply with applicable federal or local law; (xv) occurrence of a Material Adverse Effect (as defined in the WIFIA Loan Agreement), or an event or condition that could reasonably be expected to result in a Material Adverse Effect; or (xvi) failure to comply with certain other provisions of the WIFIA Loan Agreement (such as the maintenance of insurance). See also "RISK FACTORS – Risks Relating to Financial Operations – *WIFIA Loan Agreements*" in the forepart of this Official Statement.

Subordinate Debt and Interim Funding Program

No Limits on Subordinate Debt. The SFPUC may issue bonds or incur other indebtedness secured by a pledge of Net Revenues on a basis subordinate to the pledge thereof securing the Bonds, without limitation.

Interim Funding Program. Pursuant to the Charter, the SFPUC has established an Interim Funding Program (the "**Interim Funding Program**") (formerly known as the "Commercial Paper Program") to fund construction costs relating to Wastewater Enterprise capital projects.

The Interim Funding Program is authorized for the Wastewater Enterprise in the amount of $1.125 billion. Of this amount, $1.05 billion is authorized for the SFPUC to issue tax-exempt and taxable commercial paper notes (the "**Commercial Paper Notes**") secured by eight bank credit facilities, as set forth below:

Commercial Paper Notes
Bank Credit Facilities

Credit Facility	Bank	Amount	Stated Expiration Date
Letter of Credit	Sumitomo Mitsui Banking Corporation, acting through its New York Branch	$150 million	March 2, 2029
Letter of Credit	Bank of America, N.A.	$150 million	January 22, 2030
Letter of Credit	Bank of America, N.A.	$100 million	January 22, 2031
Revolving Credit and Term Loan Agreement	TD Bank, N.A.	$150 million	July 3, 2028
Letter of Credit	Truist Bank	$125 million	January 22, 2029
Revolving Credit and Term Loan Agreement	Bank of America, N.A.	$125 million	August 2, 2027
Letter of Credit	Sumitomo Mitsui Banking Corporation, acting through its New York Branch	$100 million	May 31, 2027
Revolving Credit and Term Loan Agreement	BMO Bank N.A.	$150 million	November 9, 2028

The remaining $75 million of the Interim Funding Program is in the form of a bank revolving credit agreement with U.S. Bank National Association (the "**U.S. Bank Credit Facility**"), with a current stated expiration date of July 16, 2027. The U.S. Bank Credit Facility permits the SFPUC to make draws directly on the bank, with the SFPUC's payment obligation evidenced by a tax-exempt revolving note (the "**Revolving Notes**").

The Commercial Paper Notes and the Revolving Notes are payable from Net Revenues, and are secured on a parity lien basis with each other. The Commercial Paper Notes and the Revolving Notes, collectively, are secured on a basis subordinate to the payment of debt service on the Bonds (including the Parity Loans and the WIFIA Bonds).

The SFPUC has approximately $281.3 million principal amount of Commercial Paper Notes outstanding and no outstanding principal balance on any of the Revolving Notes as of July 1, 2026. The SFPUC expects that all of the outstanding taxable Commercial Paper Notes will be refunded with proceeds of the 2026A Bonds.

Other Subordinate Obligations Payable from Net Revenues

The SFPUC completed the construction of a 13-story office building at 525 Golden Gate Avenue in San Francisco to house the administrative offices of the SFPUC's three utility enterprises and moved into the building in 2012. Total project costs were approximately $202 million and were financed with land and property sale proceeds, fund balances, grants and the proceeds of certificates of participation (the "**2009 Golden Gate COPs**"), representing interests in a City General Fund lease, executed and delivered in two series (one of which constitutes Build America Bonds) on October 7, 2009, in the aggregate principal amount of $167,670,000. Pursuant to a memorandum of understanding between the City and the SFPUC, the SFPUC will reimburse the City General Fund for all debt service in connection with this City financing (net of Refundable Credits received). The final maturity date on the 2009 Golden Gate COPs is November 1, 2041. As of July 1, 2026, the principal amount outstanding of the 2009 Golden Gate COPs was $115,245,000. The SFPUC allocates such payment obligations internally among its three utility enterprises based on percentage usage. The Wastewater Enterprise is responsible for 18.88% of such obligations (or $21,757,553 as of July 1, 2026), payable from Net Revenues on a basis subordinate to the payment of principal of and interest on the Bonds.

Commission staff is considering whether to propose to the Commission refinancing the 2009 Golden Gate COPs with Additional Bonds. If authorized by the Commission and the Board of Supervisors, Additional Bonds could be issued in the near future to refinance the portion of the 2009 Golden Gate COPs attributable to the space in such building utilized by the Wastewater Enterprise. The SFPUC may or may not proceed with the issuance of such Additional Bonds depending on market conditions. See "INTRODUCTION – Concurrent Financing" in the forepart of this Official Statement.

Contingent Payment Obligations

The Wastewater Enterprise has no interest rate swaps, caps or hedges or other contingent payment obligations payable from Net Revenues. The Wastewater Enterprise may in the future, however, incur contingent payment obligations payable from Net Revenues. Such contingent payment obligations may be payable on a parity with the Bonds if the conditions for the issuance of parity debt under the Indenture are met. See "SECURITY FOR THE BONDS – Additional Series of Bonds" and "– Additional Parity Loans" in the forepart of this Official Statement.

FINANCIAL OPERATIONS

General

The SFPUC is a department of the City and, as such, the financial operations of the SFPUC's three enterprises are included in the Annual Comprehensive Financial Report of the City and shown as enterprise funds. *The City's Annual Comprehensive Financial Report is not incorporated by reference herein.*

The following information is provided with respect to the Wastewater Enterprise only and does not purport to reflect the financial position of the SFPUC or the City as a whole.

Basis of Accounting. The accounts of the Wastewater Enterprise are organized based on a proprietary fund type, specifically an enterprise fund. The financial activities of the Wastewater Enterprise are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting. Under this method, all assets and liabilities associated with its operations are included on the statement of net position; revenues are recorded when earned, and expenses are recorded when liabilities are incurred.

The SFPUC applies all applicable GASB pronouncements.

City Budget Process. The SFPUC's operating and capital budget preparation and approval is a part of a City-wide process. The SFPUC is one of several departments that prepares biennial budgets. The Commission reviews and approves the SFPUC's two-year budget, which is then submitted to the Mayor's Office for review. The Mayor then incorporates the proposed budget, with amendments, into the City-wide budget that is submitted to the Board of Supervisors for approval. Under the Charter, the Board of Supervisors may increase or decrease any proposed expenditure in the Mayor's budget so long as the aggregate changes do not cause the expenditures to exceed the total amount of expenditures proposed by the Mayor. The Charter further provides that the Mayor may reduce or reject any expenditure authorized by the Board of Supervisors except appropriations for bond interest, redemption or other fixed charges, subject to reinstatement of any such expenditure by a two-thirds vote of the Board of Supervisors.

Wastewater Enterprise Rate Setting

General. Sewer service charges are the primary funding source for the payment of costs associated with the Wastewater Enterprise's combined sewer system to manage sewage, wastewater and sanitary waste. Pursuant to the Charter, an independent consultant prepares a cost of service and rate design analysis for the Wastewater Enterprise at least once every five years. Based on this analysis, the SFPUC sets rates projected to be sufficient to fund the proposed budget, to maintain an adequate operating reserve and to comply with Indenture requirements and the SFPUC's adopted financial policies. In addition to meeting the SFPUC's capital financing, debt service coverage and reserve policy targets, the rates must also comply with regulations or policies promulgated by the EPA, the State Water Resources Control Board and the Board of Supervisors and with the requirements of the City's Charter and the State Constitution; however, the SFPUC's sewer service rates are not subject to any approval proceedings by the California

Public Utilities Commission or any other State or federal agencies. See "CONSTITUTIONAL, STATUTORY AND CHARTER LIMITATIONS – State Law Limitations."

Federal and State Requirements. Under federal clean water laws and regulations, entities accepting federal grant funds and loans (such as the SFPUC) must comply with certain requirements related to the sufficiency of revenues and system operations, maintenance and replacement. Federal and State requirements related to grant and loan funding are administered and enforced by the State Water Resources Control Board. See "REGULATORY MATTERS" for a more detailed discussion of State and federal regulations affecting the Wastewater Enterprise.

Summary of Charter Rate-Setting Requirements. Pursuant to certain provisions of Proposition E, which became effective with respect to the Wastewater Enterprise on January 3, 2003, the Charter was amended to authorize the Commission to set rates, fees and other charges in connection with providing Wastewater Enterprise services. These rate changes are subject to rejection, within 30 days of submission, by the Board of Supervisors. If the Board of Supervisors does not act within 30 days, the rates become effective without further action.

In setting Wastewater Enterprise rates, fees and charges, the Commission must:

(a) establish rates, fees and charges at levels sufficient (i) to improve or maintain financial condition and bond ratings at or above levels equivalent to highly rated utilities, (ii) to meet requirements and covenants under all bond resolutions and indentures (including the Indenture) and (iii) to provide sufficient resources for the continued financial health (including appropriate reserves), operation, maintenance and repair, consistent with good utility practice;

(b) retain an independent rate consultant to conduct rate and cost of service studies at least every five years;

(c) set retail rates, fees and charges based on the cost of service;

(d) conduct all studies mandated by applicable State or federal law to consider implementing connection fees servicing new development;

(e) conduct studies of rate-based conservation incentives and/or lifeline rates and similar rate structures to provide assistance to low income users, and to take the results of each study into account when establishing rates, fees and charges, in accordance with State and federal laws; and

(f) adopt annually a rolling five-year forecast of rates, fees and charges.

Rate Setting Process. The Wastewater Enterprise periodically adjusts rates based on a revenue requirement analysis, comprehensive cost of service analysis, and rate design, as required by the Charter. The biannual budget submitted to the Commission, the Mayor and the Board of Supervisors for approval, along with the long-term projections in the 10-year financial plan adopted by the Commission, are used as the basis for determining annual revenue requirements. The Wastewater Enterprise projects revenues under the existing schedule of rates for sufficiency. If additional revenues are required to meet budgetary sufficiency or if the cost structure of the Wastewater Enterprise has changed, recommended rate schedule increases are submitted to the Commission for its consideration. After following public notice procedures established by the California Constitution and the City's Administrative Code and receiving public comment, the Commission adopts a rate resolution and transmits its recommended rate schedules to the Board of Supervisors. Once submitted, the Board of Supervisors has authority under the Charter to vote to reject the proposed rate schedules within 30 days. If rejected, the existing rate schedules remain in effect until a new rate schedule is resubmitted by the Commission and not rejected by the Board of Supervisors.

As part of the annual 10-year financial plan process, the Wastewater Enterprise develops a 10-year rate forecast using projected revenues under existing rates plus additional revenues from projected rate increases, as required, to meet the projected revenue requirements during the forecast period. This forecast is updated each year resulting in a "rolling" rate forecast that is intended to moderate the effects of any significant changes in revenue requirements in any year. Additionally, pursuant to the Affordability Policy (defined below), the SFPUC reviews the average residential combined water and sewer bill over the next 20 years when adopting rates and approving budgets and financial plans. See " – Financial Management Policies – *Affordability Policy*" below.

In addition to complying with the requirements of the Charter, the rate-setting process must comply with the requirements of the State Constitution. See "CONSTITUTIONAL, STATUTORY AND CHARTER LIMITATIONS – State Law Limitations."

SFPUC Citizens Advisory Committee and Rate Fairness Board. The Public Utilities Commission Citizens' Advisory Committee ("**CAC**"), established by a Charter amendment in 2002, provides recommendations to the SFPUC's General Manager and the Board of Supervisors regarding the SFPUC's long-term strategic, financial and capital improvement plans for all of its enterprises. The CAC is comprised of 17 appointees. Each member of the Board of Supervisors may appoint one member who must be a resident of their supervisory district. Candidates must demonstrate one or more of the following qualifications: represent a community, business, environmental or environmental justice organization, or have demonstrated knowledge, skill or experience in a field related to public utilities, environmental justice or environmental science. Two additional members of the CAC are appointed by the President of the Board of Supervisors, one of whom represents a small business and the other of whom represents an environmental justice organization. Four members are appointed by the Mayor and must include one member who represents regional water customers of the SFPUC, one member who represents a large San Francisco water user, one member who has knowledge of engineering or financial management and one member who represents a regional or statewide environmental organization.

Proposition E directed the establishment of a Rate Fairness Board to advise the SFPUC on water, sewer and power rate matters. The Rate Fairness Board consists of seven members: the City Administrator or their designee; the Controller or their designee; the Director of the Mayor's Office of Public Finance or their designee; two residential San Francisco retail customers, consisting of one appointed by the Mayor and one by the Board of Supervisors; and two San Francisco retail business customers, consisting of a large business customer appointed by the Mayor and a small business customer appointed by the Board of Supervisors. Specific powers for the Rate Fairness Board include the authority to: (1) annually review the five-year rate forecasts produced by the SFPUC enterprises, including the Wastewater Enterprise; (2) hold one or more public hearings on annual rate recommendations before the SFPUC adopts rates; (3) provide a report and recommendations to the SFPUC on any rate proposal; and (4) in connection with periodic rate studies, submit to the SFPUC rate policy recommendations for the Commission's consideration, including recommendations to reallocate costs among various retail utility customer classifications, subject to any outstanding bond requirements. The Rate Fairness Board is not authorized, however, to reject proposed rates approved by the Commission.

Wastewater Enterprise Rates and Charges

General. The SFPUC's wastewater system is a combined sewer system to manage sewage, wastewater, and sanitary waste. Within this combined system, sanitary sewer and stormwater generally comprise approximately 82% and 18%, respectively, of the annual flows treated by the Wastewater Enterprise, though these percentages vary year-to-year based on rainfall.

On December 12, 2023, the City was served with a purported class action lawsuit challenging the compliance of the rates charged by the Wastewater Enterprise with the requirements of Proposition 218. See "CONSTITUTIONAL, STATUTORY AND CHARTER LIMITATIONS – State Law Limitations – *Proposition 218*" and "– *Proposition 218 Litigation*."

In April 2026, the Commission approved two years of annual retail water and sewer service rate increases beginning July 1, 2026, and applicable to Fiscal Years 2026-27 and 2027-28. Overall, the rate changes are expected to increase rate revenues by approximately 14% annually in each of the two Fiscal Years.

Historical Wastewater Rates and Charges. In April 2018, the Commission approved four years of annual retail water and sewer service rate increases beginning July 1, 2018, and applicable to Fiscal Years 2018-19 through 2021-22. There was no rate increase in Fiscal Year 2022-23 due to the Commission's decision to provide pandemic-recovery relief to customers. In May 2023, the Commission approved three years of annual retail water and sewer service rate increases beginning July 1, 2023, and applicable to Fiscal Years 2023-24 through 2025-26. As further described below, separate rate schedules applied to residential and non-residential customers. The discussion of historical rates and charges below covers Fiscal Years 2021-22 through 2025-26, reflecting two years of rates and charges under the previous rate structure and three years of rates and charges under the current rate structure.

Historical Residential

Prior to July 1, 2023, the Wastewater Enterprise's rate structure for residential customers included a fixed monthly service charge and a variable sewer service charge per discharge unit based only on their sanitary sewage contributions to the system. Generally, the amount of monthly discharge units was determined by multiplying a customer's monthly metered water consumption by a "flow factor" applicable to such account. The calculation was designed to approximate that portion of the account's total water use returned to the sewer system as wastewater. The standard flow factor applied to metered water usage to determine billable discharge units was 90% for single-family residential accounts and 95% for multi-family residential accounts.

Beginning July 1, 2023, the Wastewater Enterprise's sewer service charges for residential customers include a fixed monthly service charge, a variable sanitary sewer component, and a stormwater component based on property size and/or parcel characteristics. This approach allows the SFPUC to more directly recover costs related to collecting and treating stormwater runoff based on property characteristics that result in greater stormwater runoff. The sanitary sewer component continues to be based on the assumed percentage of metered water usage discharged into the sewer system, or "flow factor," and is calculated assuming domestic strength sewage. The standard flow factor remains unchanged.

Pursuant to the rate schedules applicable to Fiscal Years 2021-22 through 2025-26, the SFPUC could automatically implement a temporary drought surcharge if the Commission declared a drought emergency and triggered certain drought response actions set forth in the SFPUC's water shortage allocation plan. The surcharge could not exceed the requested volumetric reduction in water usage and only applied to volumetric water and wastewater charges. A temporary drought surcharge was in place from April 1, 2022 through May 1, 2023, and was designed to be bill-neutral for customers who met established conservation targets. No drought surcharge was in place during Fiscal Years 2023-24 through 2025-26.

The following table sets forth (1) the historical single- and multi-family residential monthly service charge and sewer service charges for Fiscal Year 2021-22 and Fiscal Year 2022-23; and (2) the historical single- and multi-family residential monthly service charges and sanitary sewer component of the sewer service charges for Fiscal Years 2023-24 through 2025-26, which were approved in May 2023.

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TABLE 11
HISTORICAL SINGLE-FAMILY AND MULTI-FAMILY RESIDENTIAL MONTHLY SERVICE CHARGES
FOR FISCAL YEARS 2021-22 THROUGH 2025-26

Fiscal Year	Monthly Service Charge	Sewer Service Charge[(1)] (per discharge unit[(2)])	Sanitary Sewer Component (per discharge unit[(2)])
2021-22[(1)]	$5.21	$15.97	-
2022-23[(1)(3)]	5.21	15.97	-
2023-24[(4)(5)]	4.85	-	$16.91
2024-25[(4)(5)]	5.28	-	17.80
2025-26[(4)(5)]	5.76	-	18.72

(1) Does not include the temporary drought surcharge of 5% on volumetric rates in effect from April 1, 2022, through May 1, 2023.
(2) One discharge unit equals 100 cubic feet of wastewater.
(3) There was no rate increase in Fiscal Year 2022-23.
(4) Does not include stormwater component of the sewer service charge. See "Table 12 – Historical Simplified Residential Monthly Stormwater Component of the Sewer Service Charge By Tier" below.
(5) Rates approved on May 23, 2023.
Source: SFPUC, Financial Services.

Beginning July 1, 2023, the stormwater component is based on the property characteristics of the City assessor's parcel on which a sewer account is located. Single- and multi-family residential wastewater customers with 6,000 square feet or less net parcel area and having six or fewer dwelling units are assessed a "Simplified Residential" amount, one of three tiered amounts based on their total parcel area. Residential parcels greater than 6,000 square feet of net parcel area or having more than six dwelling units, and any other parcels which do not meet the eligibility criteria for the "Simplified Residential" amount are assessed a "Standard Stormwater" amount based on the measured permeable and impermeable areas of the parcel. See "– Historical Non-Residential" below. If there is more than one active sewer account on a parcel, the calculated stormwater component for the City assessor's parcel amount is either split equally to all accounts or, in certain cases, allocated based upon agreement from entities that share a parcel. The following table sets forth the historical "Simplified Residential" monthly stormwater component of the sewer service charge by tier for Fiscal Years 2023-24 through 2025-26.

TABLE 12
HISTORICAL SIMPLIFIED RESIDENTIAL MONTHLY STORMWATER COMPONENT OF THE SEWER SERVICE CHARGE BY TIER[(1)]
FOR FISCAL YEARS 2023-24 THROUGH 2025-26

Fiscal Year	Tier 1[(2)] (per 1,000 square feet)	Tier 2[(2)] (per 1,000 square feet)	Tier 3[(2)] (per 1,000 square feet)
2023-24[(3)]	$2.31	$ 3.60	$ 5.41
2024-25[(3)]	5.04	7.84	11.79
2025-26[(3)]	8.24	12.82	19.27

(1) For single- and multi-family residential customers with 6,000 square feet or less net parcel area and with six or fewer dwelling units.
(2) Tier 1: 0-1,700 square feet parcel area; Tier 2: 1,701-3,300 square feet parcel area; and Tier 3: 3,301-6,000 square feet parcel area.
(3) Rates approved on May 23, 2023.
Source: SFPUC, Financial Services.

The following table sets forth historical single- and multi-family residential estimated average monthly bills for Fiscal Years 2021-22 through 2025-26. The estimated average monthly bills for Fiscal Years 2021-22 and 2022-

23 are comprised of the monthly service charge and the sewer service charge, whereas the estimated average monthly bills for Fiscal Years 2023-24 through 2025-26 are comprised of the monthly service charge, the sanitary sewer component of the sewer service charge and the stormwater component of the sewer service charge.

TABLE 13
HISTORICAL SINGLE-FAMILY AND MULTI-FAMILY RESIDENTIAL ESTIMATED AVERAGE MONTHLY BILL FOR FISCAL YEARS 2021-22 THROUGH 2025-26

Fiscal Year	Single-Family(1)	Multi-Family (per dwelling unit)(2)
2021-22(3)	$72.44	$64.95
2022-23(3)(4)	72.51	64.95
2023-24	77.78	69.75
2024-25	87.88	74.83
2025-26	99.08	80.29

(1) Average billable wastewater volume for single-family residential customers is based on annual historical mean.
(2) Average bill for multi-family residential customers is based on an assumed usage of 12.5 CCF of water usage for a three-dwelling unit account.
(3) A temporary drought surcharge of 5% on volumetric rates was in effect from April 1, 2022, through May 1, 2023. Single-family residential average monthly bill reflects actual historical average usage (including actual conservation achieved) and drought surcharge for Fiscal Year 2022-23. Multi-family residential average monthly bill reflects estimated historical average usage (including estimated conservation achieved) and drought surcharge for Fiscal Year 2022-23, resulting in no net change to the average monthly bill.
(4) There was no rate increase in Fiscal Year 2022-23.
Source: SFPUC, Financial Services.

Historical Non-Residential

Prior to July 1, 2023, the Wastewater Enterprise's rate structure for non-residential customers included a fixed monthly service charge and a variable sewer service charge per discharge unit based on the assumed percentage of metered water usage discharged into the sewer system and sewage loading, which measures the pollutant concentrations within customer discharges (*i.e.*, suspended solids, oil/grease and chemical oxygen demand). The standard flow factor applied to metered water usage to determine billable discharge units was 90% for non-residential accounts. Non-residential customers whose sewage loadings were not based on periodic sampling were charged based on standard parameter loadings established by the SFPUC for each Standard Industrial Classification code.

Beginning July 1, 2023, the Wastewater Enterprise's sewer service charges for non-residential customers include a fixed monthly service charge, a variable sanitary sewer component, and a stormwater component based on property size and/or parcel characteristics. The sanitary sewer component continues to be based on the assumed percentage of metered water usage discharged into the sewer system and sewage loading, which measures the pollutant concentrations within customer discharges. The standard flow factor and treatment of non-residential customers whose sewage loadings are not based on periodic sampling remains unchanged.

The following table sets forth the historical non-residential monthly service charge and sewage loading charges for each pollutant parameter for Fiscal Years 2021-22 through 2025-26. The following table also includes the sewer service charge for Fiscal Years 2021-22 and 2022-23, and the sanitary sewer component of the sewer service charge for Fiscal Years 2023-24 through 2025-26.

TABLE 14
HISTORICAL NON-RESIDENTIAL
MONTHLY SERVICE CHARGES
FOR FISCAL YEARS 2021-22 THROUGH 2025-26

Fiscal Year	Monthly Service Charge	Sewer Service Charge (per discharge unit[1])	Sanitary Sewer Component (per discharge unit[1])	Suspended Solids (per pound)	Oil/Grease (per pound)	Chemical Oxygen Demand (per pound)
2021-22	$5.21	$9.46	-	$1.647	$1.661	$0.647
2022-23[2]	5.21	9.46	-	1.647	1.661	0.647
2023-24[3][4]	4.85	-	$9.74	1.681	1.053	0.861
2024-25[3][4]	5.28	-	10.09	1.808	1.142	0.925
2025-26[3][4]	5.76	-	10.43	1.944	1.239	0.994

(1) One discharge unit equals 100 cubic feet of wastewater.
(2) There was no rate increase in Fiscal Year 2022-23.
(3) Does not include stormwater component of the sewer service charge. See "Table 16 – Historical Standard Stormwater – Monthly Stormwater Component of the Sewer Service Charge" below.
(4) Rates approved on May 23, 2023.
Source: SFPUC, Financial Services.

In July 2018, the Commission adopted rules for billing stormwater-related sewer service charges for unmetered properties (*i.e.*, vacant lots, parking lots, and other properties that do not have water or wastewater service). Non-residential owners of unmetered properties were charged a monthly sewer service charge based on whether they had "low runoff" or "standard runoff." The following table sets forth the historical monthly service charges attributable to stormwater runoff for unmetered parcels for Fiscal Year 2021-22, and for Fiscal Year 2022-23, for which there was no rate increase.

TABLE 15
HISTORICAL MONTHLY SERVICE CHARGES
ATTRIBUTABLE TO STORMWATER RUNOFF FOR UNMETERED PARCELS[1]
FOR FISCAL YEARS 2021-22 AND 2022-23

Fiscal Year	Low Runoff	Standard Runoff
2021-22	$22.16	$36.31
2022-23[2]	22.16	36.31

(1) This was a monthly sewer service charge attributable to stormwater runoff for property owners who did not have water and wastewater accounts with the SFPUC.
(2) There was no rate increase in Fiscal Year 2022-23.
Source: SFPUC, Financial Services.

The stormwater component that became effective on July 1, 2023 is based on the property characteristics of the City assessor's parcel on which a sewer account is located. Non-residential parcels, mixed-use parcels, lots without wastewater service, residential parcels greater than 6,000 square feet of net parcel area or having more than six dwelling units, and any other parcels which do not meet the eligibility criteria for "Simplified Residential" are assessed the "Standard Stormwater" amount based on the measured permeable and impermeable areas of the parcel. Impermeable areas include sidewalks, roofs, pavement and other surfaces which do not allow for infiltration of stormwater and therefore generate greater runoff. Permeable areas include lawns, gardens, and other surfaces which do allow infiltration. Permeable and impermeable areas are determined for each parcel using geospatial analysis. If there is more than one active sewer account on a parcel, the calculated stormwater component for the City assessor's parcel amount is split equally to all accounts. The following table sets forth the historical "Standard Stormwater" monthly stormwater component of the sewer service charge for Fiscal Years 2023-24 through 2025-26.

TABLE 16
HISTORICAL STANDARD STORMWATER
MONTHLY STORMWATER COMPONENT
OF THE SEWER SERVICE CHARGE[(1)]
FOR FISCAL YEARS 2023-24 THROUGH 2025-26

Fiscal Year	Permeable Area (per 1,000 square feet)	Impermeable Area (per 1,000 square feet)
2023-24[(2)]	$0.19	$1.89
2024-25[(2)]	0.41	4.11
2025-26[(2)]	0.67	6.72

(1) For non-residential, mixed-use, and large residential parcels (over 6,000 square feet or with more than six dwelling units).
(2) Rates approved on May 23, 2023.
Source: SFPUC, Financial Services.

Current Wastewater Rates and Charges. In April 2026, the Commission approved two years of annual retail water and sewer service rate increases beginning July 1, 2026, and applicable to Fiscal Years 2026-27 and 2027-28. The structure of the wastewater rates and charges did not change. See "— Wastewater Enterprise Rates and Charges – *Historical Wastewater Rates and Charges*" above. The sewer service rates applicable to Fiscal Years 2026-27 and 2027-28 are described below, and reflect an average increase of 15.0% in Fiscal Year 2026-27 and 14.5% in Fiscal Year 2027-28. Separate rate schedules continue to apply to residential and non-residential customers.

Current Residential

As described above under "— Wastewater Enterprise Rates and Charges – *Historical Wastewater Rates and Charges*," the Wastewater Enterprise's sewer service charges for residential customers include a fixed monthly service charge, a variable sanitary sewer component, and a stormwater component based on property size and/or parcel characteristics. While the SFPUC can automatically implement a temporary drought surcharge, no drought surcharge is currently in place.

The following table sets forth the adopted single- and multi-family residential monthly service charges and sanitary sewer component of the sewer service charges for Fiscal Years 2026-27 and 2027-28, which were approved in April 2026. The rates approved in April 2026 reflect an increase in the monthly service charge of 15.0% in Fiscal Year 2026-27 and 14.5% in Fiscal Year 2027-28, and an increase in the sanitary sewer component of 10.8% in Fiscal Year 2026-27 and 10.1% in Fiscal Year 2027-28.

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TABLE 17
ADOPTED SINGLE-FAMILY AND MULTI-FAMILY RESIDENTIAL MONTHLY SEWER SERVICE CHARGES(1)
FOR FISCAL YEARS 2026-27 AND 2027-28

Fiscal Year	Monthly Service Charge	Sanitary Sewer Component (per discharge unit(2))
2026-27(3)	$6.62	$20.74
2027-28(3)	7.58	22.84

(1) Does not include stormwater component of the sewer service charge. See "Table 18 – Adopted Simplified Residential Monthly Stormwater Component of the Sewer Service Charge By Tier" below.
(2) One discharge unit equals 100 cubic feet of wastewater.
(3) Rates approved on April 28, 2026.
Source: SFPUC, Financial Services.

The following table sets forth the adopted "Simplified Residential" monthly stormwater component of the sewer service charge by tier for Fiscal Years 2026-27 and 2027-28. See "— Wastewater Enterprise Rates and Charges – *Historical Wastewater Rates and Charges*" above for a description of the residential stormwater component. The rates approved in April 2026 reflect an increase in the "Simplified Residential" monthly stormwater component of the sewer service charge of approximately 53.3% in Fiscal Year 2026-27 and 43.1% in Fiscal Year 2027-28.

TABLE 18
ADOPTED SIMPLIFIED RESIDENTIAL MONTHLY STORMWATER COMPONENT OF THE SEWER SERVICE CHARGE BY TIER(1)
FOR FISCAL YEARS 2026-27 AND 2027-28

Fiscal Year	Tier 1(2) (per 1,000 square feet)	Tier 2(2) (per 1,000 square feet)	Tier 3(2) (per 1,000 square feet)
2026-27(3)	$12.63	$19.66	$29.55
2027-28(3)	18.08	28.13	42.29

(1) For single- and multi-family residential customers with 6,000 square feet or less net parcel area and with six or fewer dwelling units.
(2) Tier 1: 0-1,700 square feet parcel area; Tier 2: 1,701-3,300 square feet parcel area; and Tier 3: 3,301-6,000 square feet parcel area.
(3) Rates approved on April 28, 2026.
Source: SFPUC, Financial Services.

The following table sets forth single- and multi-family projected average monthly bills (comprised of the monthly service charge, the sanitary sewer component of the sewer service charge and assuming Tier 2 of the stormwater component of the sewer service charge) for Fiscal Years 2026-27 and 2027-28.

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TABLE 19
SINGLE-FAMILY AND MULTI-FAMILY RESIDENTIAL
PROJECTED AVERAGE MONTHLY BILL
FOR FISCAL YEARS 2026-27 AND 2027-28

Fiscal Year	Single-Family[(1)]	Multi-Family (per dwelling unit)[(1)]
2026-27[(2)]	$113.39	$90.87
2027-28[(2)]	131.64	103.42

(1) Average billable wastewater volume for single-family residential customers is based on a projected volume of 420 cubic feet of billable wastewater discharges. Average water consumption amount for multi-family residential customers is assumed to be 1,200 cubic feet of water per month, or 1,140 cubic feet (11.40 discharge units), for 3 dwelling units. Assumes Tier 2 of the Simplified Residential amounts for the stormwater component of the sewer service charge.
(2) Rates approved on April 28, 2026.
Source: SFPUC, Financial Services.

Effective September 2023, the SFPUC's Customer Assistance Program offers a two-tiered discount off wastewater charges for individually metered single-family residential customers. Customers with incomes below 50% of the area median income receive a 25% discount and customers with incomes below 30% of the area median income receive a 40% discount. In addition, the SFPUC's Low-Income Non-Profit Housing Program offers a 15% discount off wastewater charges for residential customers in properties owned and operated by certain nonprofits. Finally, the SFPUC's Community Housing Program offers a 50% discount off wastewater charges for certain single-room-occupancy hotels providing transitional housing to the homeless and general assistance recipients.

Current Non-Residential

As described above under "— Wastewater Enterprise Rates and Charges – *Historical Wastewater Rates and Charges*," the Wastewater Enterprise's sewer service charges for non-residential customers include a fixed monthly service charge, a variable sanitary sewer component, and a stormwater component based on property size and/or parcel characteristics.

The following table sets forth the adopted non-residential monthly service charge, the sanitary sewer component of the sewer service charge, and sewage loading charges for each pollutant parameter for Fiscal Years 2026-27 and 2027-28, which were approved in April 2026. The rates approved in April 2026 reflect an increase in the monthly service charge of 15.0% in Fiscal Year 2026-27 and 14.5% in Fiscal Year 2027-28, an increase in the sanitary sewer component of 8.7% in Fiscal Year 2026-27 and 7.8% in Fiscal Year 2027-28, an increase in the suspended solids loading charges of 13.4% in Fiscal Year 2026-27 and 12.9% in Fiscal Year 2027-28, an increase in the oil/grease loading charges of 14.5% in Fiscal Year 2026-27 and 14.0% in Fiscal Year 2027-28, and an increase in the chemical oxygen demand loading charges of 13.3% in Fiscal Year 2026-27 and 12.8% in Fiscal Year 2027-28.

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TABLE 20
ADOPTED NON-RESIDENTIAL
MONTHLY SEWER SERVICE CHARGES[1]
FOR FISCAL YEARS 2026-27 AND 2027-28

Fiscal Year	Monthly Service Charge	Sanitary Sewer Component (per discharge unit[2])	Suspended Solids (per pound)	Oil/Grease (per pound)	Chemical Oxygen Demand (per pound)
2026-27[3]	$6.62	$11.34	$2.205	$1.418	$1.126
2027-28[3]	7.58	12.22	2.489	1.617	1.270

(1) Does not include stormwater component of the sewer service charge. See "Table 21 – Adopted Standard Stormwater – Monthly Stormwater Component of the Sewer Service Charge" below.
(2) One discharge unit equals 100 cubic feet of wastewater.
(3) Rates approved on April 28, 2026.
Source: SFPUC, Financial Services.

The following table sets forth the adopted "Standard Stormwater" monthly stormwater component of the sewer service charge for Fiscal Years 2026-27 and 2027-28. See "— Wastewater Enterprise Rates and Charges – *Historical Wastewater Rates and Charges*" above for a description of the non-residential stormwater component. The rates approved in April 2026 reflect an increase in the rates for permeable areas of approximately 53.3% in Fiscal Year 2026-27 and 43.1% in Fiscal Year 2027-28, and an increase in the rates for impermeable areas of approximately 53.3% in Fiscal Year 2026-27 and 43.1% in Fiscal Year 2027-28.

TABLE 21
ADOPTED STANDARD STORMWATER
MONTHLY STORMWATER COMPONENT
OF THE SEWER SERVICE CHARGE[1]
FOR FISCAL YEARS 2026-27 AND 2027-28

Fiscal Year	Permeable Area (per 1,000 square feet)	Impermeable Area (per 1,000 square feet)
2026-27[2]	$1.03	$10.30
2027-28[2]	1.47	14.75

(1) For non-residential, mixed-use, and large residential parcels (over 6,000 square feet or with more than six dwelling units).
(2) Rates approved on April 28, 2026.
Source: SFPUC, Financial Services.

Appeals. While most customers are billed for sewer usage based on standard flow factor assumptions, customers may appeal this determination. For example, it is assumed that 90% of the volume of water measured at the customer meter for a single-family residential user is discharged to the sewer system as wastewater requiring treatment. Customers who can demonstrate higher rates of consumptive use than that reflected in the applicable flow factor, such as irrigation, can apply to the Residential Users Appeals Board for a lower flow factor (*i.e.*, percentage of metered water returned to the sewage system).

Revenues

Sewer Service Charges. Sewer service charges are imposed based on discharge volume estimates and, in the case of non-residential users, suspended solids, oil and grease and chemical oxygen demand. See "– Wastewater Enterprise Rates and Charges." The following table shows billed discharge by category for Fiscal Years 2020-21 to 2024-25.

TABLE 22
ANNUAL BILLED DISCHARGE BY CATEGORY
FOR FISCAL YEARS 2020-21 TO 2024-25

Fiscal Year	Volume (Hundred Cubic Feet)	Suspended Solids (Thousand Pounds)[1]	Oil and Grease (Thousand Pounds)[1]	Chemical Oxygen Demand (Thousand Pounds)[1]
2020-21	21,242,770	35,796	11,335	91,729
2021-22	20,985,472	35,256	11,339	90,766
2022-23	21,014,073	35,288	11,357	91,226
2023-24	21,603,576	36,538	11,700	93,911
2024-25	21,066,588	35,410	11,413	90,892

(1) Listed pounds of strength parameters include both usage by non-residential users, for whom strengths are calculated and assessed separately, as well as assumed usage for residential users, for whom assumed strengths are embedded in the billed volumetric rate.

Source: SFPUC, Financial Services.

The following table shows sewer billings by customer class for Fiscal Years 2020-21 to 2024-25. For Fiscal Year 2024-25, the top 10 retail customers accounted for approximately 3.6% of sewer billings.

TABLE 23
ANNUAL SEWER BILLINGS BY USER TYPE
FOR FISCAL YEARS 2020-21 TO 2024-25
(IN THOUSANDS)

User Type	2020-21	2021-22	2022-23	2023-24	2024-25
Multi-Family Residential	$153,611	$161,553	$167,375	$170,687	$190,696
Single-Family Residential	95,297	96,687	96,545	99,207	113,853
Subtotal Residential	$248,908	$258,240	$263,920	$269,894	$304,549
Commercial	$61,071	$78,207	$86,205	$89,669	$99,077
Municipal Customers	7,605	8,829	9,197	10,825	13,550
Suburban	3	2	3	4	1
Total	**$317,587**	**$345,278**[1]	**$359,325**[2]	**$370,392**[3]	**$417,177**[4]

(1) Increase in Fiscal Year 2021-22 billings primarily due to planned rate increase implemented on July 1, 2021; also includes two months of mandatory temporary drought surcharge of 5% effective as of April 1, 2022.
(2) Increase in Fiscal Year 2022-23 billings primarily due to mandatory temporary drought surcharge of 5% in place through May 1, 2023.
(3) Increase in Fiscal Year 2023-24 billings primarily due to a 9% rate increase effective July 1, 2023.
(4) Increase in Fiscal Year 2024-25 billings related to implementation of citywide stormwater portion of sewer bill.

Source: SFPUC, Financial Services.

Sewer Account Billing. Sewer service charges are billed on a combined water and sewer utility bill on either a monthly or bi-monthly basis. Payments are due 15 days after the bill date. If payments are not made, late payment charges are assessed 15 days from the due date or 30 days from the bill date.

Delayed Billing. The SFPUC relies on Advanced Metering Infrastructure ("**AMI**") for the collection of its customer usage information for almost all of its customers. The AMI system uses a transmitter to relay water meter readings to the SFPUC billing system. The AMI system in use is nearing the end of its useful life and is beginning to experience an acceleration of transmitter malfunction with unit components requiring replacement. In summer 2023, the SFPUC experienced a procurement delay for transmitter replacement parts due to supply chain challenges with the vendor, resulting in a growing backlog of unbilled accounts across the SFPUC's San Francisco service area. Approximately $6.6 million in unbilled revenues were accrued as a receivable in Fiscal Year 2023-24.

The SFPUC immediately implemented an action plan to bill and collect the unbilled revenues that included prioritizing and accelerating field service visits to address malfunctioning meter transmission units and metering equipment; reassigning plumbers from other divisions to accelerate the replacement of the malfunctioning AMI components for usage data to be transmitted from affected meters; expediting the hiring of new staff and retaining contractors to accelerate processing of delayed bills for affected accounts; enhancing the billing system to increase the estimation threshold from 3 to 36 consecutive months; and developing an automated workflow to expedite the processing of affected accounts with delayed bills and payment plans. While the billing delays described above have been largely resolved, the SFPUC cannot ensure that such billing delays will not occur in the future.

Delinquencies. Accounts become delinquent 15 days after a second unpaid combined water and sewer utility bill. Water service may be subject to disconnection, or the placement of a lien against the property for non-payment of water and sewer services. Once an account is delinquent, a series of notices are sent to the customer and if payment is still not received, action to shut-off the water supply is initiated. If the delinquent account is in the name of the property owner, however, and payment is still not received despite such notices, the customer will receive a lien warning notice. After a lien notice is delivered, a lien hearing is held and, if the delinquent balance still remains outstanding, the lien is recorded and can only be removed upon full payment of all unpaid charges, together with administrative fees and interest. Liens that remain unpaid during the Fiscal Year in which they are recorded are transferred to the City Tax Collector's Office, Bureau of Delinquent Revenues for collection as a lien against the property. Closed accounts for which property transfers occurred prior to recording the lien and closed accounts with balances of less than $25 are generally written off as uncollectible.

The number of wastewater accounts that are delinquent and the amount of accounts receivable from delinquent bills grew significantly during the COVID-19 pandemic. As of July 1, 2020, the number of delinquent wastewater accounts more than 90 days past due was 12,552 and the amount of accounts receivable from such delinquent wastewater accounts totaled approximately $1.9 million. By contrast, as of July 1, 2025, the number of delinquent wastewater accounts more than 90 days past due was 31,892 and the amount of accounts receivable from such delinquent wastewater accounts totaled approximately $14.7 million. As of July 1, 2026, the SFPUC's unaudited financial results show the number of delinquent wastewater accounts more than 90 days past due was 25,936 and the amount of accounts receivable from such delinquent wastewater accounts totaled approximately $12.2 million. The table below presents the total accounts receivable from wastewater accounts by aging category as of July 1, 2023, July 1, 2024 and July 1, 2025. The delinquent account balances discussed above represent only a portion of the total wastewater accounts receivable reflected in the table below.

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TABLE 24
ACCOUNTS RECEIVABLES AGING REPORT

Period	As of July 1, 2023 Amount	As of July 1, 2023 Percent of Total	As of July 1, 2024 Amount	As of July 1, 2024 Percent of Total	As of July 1, 2025 Amount	As of July 1, 2025 Percent of Total
0 - 30 Days	$15,810,268	45.58%	$20,078,248	51.46%	$19,192,953	43.20%
31 - 60 Days	2,620,040	7.55%	4,513,322	11.57%	4,090,111	9.21%
61 - 90 Days	1,653,812	4.77%	1,566,211	4.01%	2,761,619	6.22%
Over 90 Days[1]	14,604,581	42.10%	12,862,175	32.96%	18,385,530	41.38%
Total[2]	$34,688,702	100.00%	$39,019,956	100.00%	$44,430,213	100.00%
Credit Balances	(1,306,835)		(1,231,106)		(1,658,322)	
Total Aged Receivables	$33,381,867		$37,788,850		$42,771,891	
Less Receivables from Municipal Customers						
Less Allowance for Doubtful Accounts	(10,626,516)		(13,215,376)		(12,378,082)	
Accounts Receivable, Net of Allowance	$22,755,351		$24,573,474		$30,393,809	

(1) Increase as of July 1, 2025 is primarily attributable to approximately $6.6 million of Fiscal Year 2023-24 unbilled broken-meter sewer charges that were billed in Fiscal Year 2024-25. Payment plans were offered to affected customers.
(2) Totals may not add due to rounding.
Source: SFPUC, Financial Services.

As part of the SFPUC's Customer Assistance Program effective July 1, 2023, the Commission approved the suspension of the application of late payment charges to single-family residential water and wastewater accounts which are past-due on their bills, as well as a shutoff and lien policy which establishes that all accounts with household incomes at or below 50% of area median income that are enrolled in the SFPUC's Customer Assistance Program and maintain engagement with the SFPUC are eligible to be exempted from disconnection or lien due to nonpayment. For more information regarding the SFPUC's Customer Assistance Program, see "– Wastewater Enterprise Rates and Charges – *Current Wastewater Rates and Charges* – Current Residential."

The SFPUC's annual write-offs for wastewater accounts remain relatively low. The following table shows a five-year history of write-offs for uncollectible accounts, excluding Municipal Customers:

TABLE 25
WRITE-OFFS FOR UNCOLLECTIBLE ACCOUNTS
FISCAL YEARS 2020-21 TO 2024-25

Fiscal Year	Amount
2020-21	$1,801
2021-22[1]	0
2022-23	1,784
2023-24	214,581
2024-25[2]	0

(1) No amount for write-offs for uncollectible accounts in Fiscal Year 2021-22 due in part to the suspension in collection activities from the COVID-19 pandemic.
(2) No amount for write-offs for uncollectible accounts in Fiscal Year 2024-25 as all uncollectible accounts had been written off in prior year.
Source: SFPUC, Financial Services.

Affordability. Nearly all retail customers are also served by the Water Enterprise and such retail customers receive a single monthly bill reflecting both charges for water service and charges for sewer service. The SFPUC's affordability efforts are therefore focused on the cost of water service and sewer service viewed as a whole. The SFPUC is engaged in a major capital program for the Wastewater Enterprise and anticipates that significant increases in sewer charges will be required in addition to anticipated retail rate increases for water service. The average single family residential combined water and sewer bill is projected to increase 11.4% and 11.7% in Fiscal Year 2026-27 and Fiscal Year 2027-28, respectively. Affordability concerns may impact discussions with respect to retail rates for water and wastewater service and may, among other things, require the SFPUC to prioritize and defer capital projects for the Water Enterprise and the Wastewater Enterprise. For information relating to the SFPUC's Affordability Policy, see " – Financial Management Policies – *Affordability Policy*" below.

Capacity Charges. Effective July 1, 2005, any customer requesting a new connection to the sewer system or requiring additional collection or treatment capacity because of any addition, improvement, modification or change in use of an existing connection as determined solely by the General Manager must pay a capacity charge for the new or additional capacity required to serve the customer. The capacity charge is site specific and may not be sold, traded or conveyed in a manner to another site or customer. The capacity charge does not convey or imply ownership in or of any facilities of the Wastewater Enterprise.

Effective July 1, 2014, capacity charges are assessed based on water meter equivalents, which provide a direct estimate of wastewater flow to the system, and Standard Industrial Classification code, which accounts for wastewater strength. For a single residential customer with a 5/8" water meter, the wastewater capacity charge fee for Fiscal Year 2026-27 is $6,155. The capacity charge is adjusted on July 1 of each subsequent year by the annual change in the 20-City Average Construction Cost Index published by Engineering News Record Magazine.

Capacity charges have averaged approximately 0.9% of revenues from Fiscal Year 2021-2022 through 2024-25.

Recent Factors Impacting Wastewater Revenues

Billed sewer discharge volumes are based on metered water usage; therefore, lower than anticipated water usage results in lower than anticipated revenues. Retail water usage was approximately 53.6 mgd in Fiscal Year 2020-21, and approximately 53.8 mgd in Fiscal Year 2024-25, approximately 12% lower than pre-pandemic Fiscal Year 2018-19 levels. Several factors have contributed to the SFPUC's reduced retail water sales in recent years, including, but not limited to, certain developments in the local San Francisco economy and weather conditions. See "THE WASTEWATER ENTERPRISE – Service Area – *General*." For example, there has been a general decline in San Francisco's population in recent years due to, among other factors, business closures, worker migration out of San Francisco as a result of remote work policies, a general decline in tourism, and unemployment concentrated recently in the technology-heavy information, professional and business services sectors, which can be attributed in some part to the COVID-19 pandemic.

Specifically, according to the United States Census Bureau, in calendar year 2019, prior to the onset of the COVID-19 pandemic, the daytime population in San Francisco was 1,150,041 people and the nighttime (resident) population was 881,549 people. In calendar year 2024 (most recent data available from the United States Census Bureau), the daytime population was 991,225 people (13.8% lower than calendar year 2019) and the nighttime population (resident) was 827,526 people (6.1% lower than calendar year 2019). See also "Table 5 – City and County of San Francisco Population – Calendar Years 2020 to 2024." While comparable data is not yet available from the United States Census Bureau for calendar year 2025, reports from the California Department of Finance, Demographic Research Unit, show a 0.4% decline in the resident population between July 2024 and July 2025. In addition, according to Kastle Systems, San Francisco still lags the State as a whole in time spent at workplaces, and weekly office attendance has only reached approximately 48.5% of pre-pandemic levels, as compared to 76.4% in Austin, Texas, 49.4% in Los Angeles, California and 66.6% in New York, New York, all as of July 15, 2026. The City also experienced the largest increase in office vacancy among major urban office markets in the United States. According to Cushman & Wakefield, office vacancy in San Francisco was estimated at approximately 30.1%, as compared to 26.9% in Austin, Texas, 23.4% in Los Angeles, California and 19.3% in New York, New York, all as of the end of the second quarter of 2026.

More recently, however, several economic measures have indicated some signs of the City's progress toward recovery. See "THE WASTEWATER ENTERPRISE – Service Area – *Recent Economic Developments*." See also "THE CITY AND COUNTY OF SAN FRANCISCO – *City Financial Challenges*."

Weather conditions and actions taken in response thereto over the past several years have resulted in reduced water usage. Water Years 2020 to 2022 represent the driest three-year period on record for California. During such time, retail water sales declined as customers were asked to conserve water. Precipitation and snowpack in Water Year 2023 was significantly above average, while precipitation and snowpack in Water Year 2024 was above average. Water Year 2025 was average, and Water Year 2026 is trending to be average. In years with greater than normal rainfall, retail water sales generally decline as customers typically reduce water use for outdoor irrigation. Because billed sewer discharge volumes are based on metered water usage, lower than anticipated water usage results in lower than anticipated revenues for the Wastewater Enterprise.

Operating and Maintenance Expenses

"**Operating and Maintenance Expenses**" cover the general operational expenses of the Wastewater Enterprise. These expenses include labor and employment benefits, contractual services, materials and supplies, depreciation, general and administrative, services from other departments and other miscellaneous costs. See "HISTORICAL OPERATING RESULTS" and "THE PUBLIC UTILITIES COMMISSION – Employee Relations." Services from other departments include payment for services from other City departments, such as the City Attorney's Office and the General Services Agency.

Allocation of Costs. Various common costs incurred by the SFPUC are allocated among the Wastewater Enterprise, the Water Enterprise and the Power Enterprise. Allocations are based on methodology established by an independent indirect cost study, and SFPUC management's best estimates and may change from year to year depending on activities undertaken by each enterprise and information available.

For Fiscal Years 2023-24 and 2024-25, the SFPUC allocated $35.8 million and $45.3 million, respectively, in administrative costs to the Wastewater Enterprise. For Fiscal Year 2025-26, the SFPUC has budgeted $49.9 million in administrative costs to the Wastewater Enterprise. Administrative costs are recorded as personal service expenses and also in other various operating expenses in the Wastewater Enterprise financial statements.

Payments to/from the City. The SFPUC receives payments from other City agencies for their share of the proportionate cost of the wastewater utility service provided to them. For Fiscal Years 2023-24 and 2024-25, these service deliveries generated approximately $7.2 million and $8.8 million in revenues, respectively. Over the past five Fiscal Years, including Fiscal Year 2024-25, revenues from service deliveries have averaged approximately 1.6% of Wastewater Enterprise revenues. For Fiscal Year 2025-26, the SFPUC has budgeted $11.7 million in revenues from service deliveries.

A variety of City departments provide services such as engineering, purchasing, legal, telecommunications and human resources to the SFPUC, and charge amounts designed to recover those costs. For Fiscal Years 2023-24 and 2024-25, these charges totaled approximately $38.8 million and $38.9 million, respectively. For Fiscal Year 2025-26, the SFPUC has budgeted $40.7 million for such charges.

The SFPUC makes payments to the City relating to the financing of the SFPUC's headquarters at 525 Golden Gate Avenue, San Francisco, California. See "OBLIGATIONS PAYABLE FROM NET REVENUES – Other Subordinate Obligations Payable from Net Revenues."

Financial Management Policies

The SFPUC makes no representation that the following policies and targets will not be revised or amended and, except to the extent required for compliance with the terms of the Indenture, makes no representation that these policies will be followed by the SFPUC or that targets will be met.

Debt Management Policies and Procedures. The SFPUC has established "Debt Management Policies and Procedures" (the "**Debt Policies**") for debt financing under its jurisdiction. The SFPUC has also established separate "SFPUC Municipal Securities Disclosure Policies and Procedures" (the "**Disclosure Policies**") which are appended to the Debt Policies. The Debt Policies, including the appended Disclosure Policies, apply to all SFPUC enterprises, including the Wastewater Enterprise, and are intended to enable the SFPUC to effectively manage its debt issuance and administration practices and comply with all debt issuance and administration rules and regulations. The Debt Policies are reviewed bi-annually and revised, as necessary, with Commission approval. Revisions to the Debt Policies were most recently adopted by the Commission in 2019.

Debt Service Coverage Policy. The Commission adopted a debt service coverage policy (the "**Debt Service Coverage Policy**") in 2017, which applies to all SFPUC enterprises, including the Wastewater Enterprise. Pursuant to the Debt Service Coverage Policy, to ensure that the SFPUC maintains access to low-cost capital and retains financial flexibility for contingencies, the SFPUC will aim to adopt budgets, rates and financial plans that generate revenues such that debt service coverage calculated on an Indenture basis (including certain available fund balances) will be at least 1.35 times and debt service coverage calculated on a current basis (Net Revenues divided by debt service on Bonds and Parity Loans) will be at least 1.10 times.

Separate from the Debt Service Coverage Policy, the Indenture includes a rate covenant that debt service coverage calculated on an Indenture basis (including certain available fund balances) will be at least 1.25 times. See "SECURITY FOR THE BONDS – Rate Covenants – *Debt Service Coverage*" in the forepart of this Official Statement, and see "HISTORICAL OPERATING RESULTS."

Capital Financing Policy. The Commission adopted a capital financing policy (the "**Capital Financing Policy**") in 2017, which applies to all SFPUC enterprises, including the Wastewater Enterprise. The SFPUC relies mainly on current revenue and debt financing to pay for capital assets or improvements. According to the Capital Financing Policy, the appropriate mix of current revenues versus debt financing depends, in part, on the capital investment lifecycle of the Wastewater Enterprise. Accordingly, the SFPUC has determined that over the 10-year financial planning horizon, the SFPUC will aim to pay for a minimum ranging between 15% and 30% of the Wastewater Enterprise's capital budget from current revenues.

Fund Balance Reserve Policy. The Commission adopted its most recent fund balance reserve policy (the "**Fund Balance Reserve Policy**") in 2022, which applies to the Wastewater Enterprise and the Water Enterprise. Pursuant to the Fund Balance Reserve Policy, for the time period covered in the 10-year financial plan, the SFPUC will aim to propose operating and capital budgets and rates for adoption such that the Fund Balance Reserve (including only unappropriated fund balances) totals a minimum of 90 days or 25% of operations and maintenance expenses (including programmatic projects and excluding debt service and revenue-funded capital) throughout the forecast period. Amounts in excess of such minimum will be considered for contingencies and rate stabilization. The Commission adopted a separate fund balance reserve policy for the Power Enterprise in 2022.

Affordability Policy. The Commission adopted its most recent affordability policy (the "**Affordability Policy**") in 2023, which applies to the Wastewater Enterprise and the Water Enterprise. Pursuant to the Affordability Policy, the SFPUC will, when adopting rates and approving budgets and financial plans, review the average residential combined water and sewer bill over the next 20 years, and aim to set rates that will result in the average residential combined bill not exceeding 3% of income for a "typical" customer (defined as the 40th percentile San Francisco household income), 7% of income for a "low-income" customer (defined as the 20th percentile San Francisco household income), and 5% of income for a "low-income" customer after accounting for enrollment in applicable low-income discount programs. See "FINANCIAL OPERATIONS – Wastewater Enterprise Rates and Charges." If such average residential combined bills are projected to exceed the targets within the 20-year period, the SFPUC must provide a rationale and develop strategies to reduce costs, including providing progress reports to the Commission in subsequent budget and financial plan adoptions. For Fiscal Years 2026-27 and 2027-28, the SFPUC expects that the average residential combined bill will be approximately 2.0% and 2.2%, respectively, of income for a "typical" customer, 4.9% and 5.3%, respectively, of income for a "low-income" customer, and 2.9% and 3.2%, respectively, of income for a "discount-enrolled low-income" customer after accounting for enrollment in applicable low-income discount programs.

Risk Management and Insurance

The SFPUC's risk management program encompasses both self-insured and insured coverage. Risk assessments and coverage are coordinated by the SFPUC Risk Manager through the Office of the City Administrator, Risk Management Division. With certain exceptions, the City and SFPUC's general approach is to first evaluate self-insurance for the risk of loss to which it is exposed. Based on this analysis, the SFPUC has determined that mitigating risk through a "self-retention" mechanism is more economical as it manages risks internally and administers, adjusts, settles, defends and pays claims from budgeted resources (*i.e.*, pay-as-you-go). When economically more viable or when required by debt financing covenants, the SFPUC obtains commercial insurance.

At least annually, the City reviews and actuarially determines general liability and workers' compensation liabilities, which are recorded as "Damages and Claims" and "Accrued Worker's Compensation" in the financial statements.

The SFPUC does not maintain commercial earthquake coverage, with certain minor exceptions, such as a sub-limit for fire-sprinkler leakage due to earthquake under the Property Insurance program.

The following is a summary of the SFPUC's coverage approach to risk:

Primary Risks	**Typical Coverage Approach**
General Liability	Purchased Insurance & Self Insured
Property	Purchased Insurance & Self Insured
Electronic Data Processing	Purchased Insurance & Self Insured
Workers' Compensation	Self Insured through Citywide Pool
Other Risks	**Typical Coverage Approach**
Surety Bonds	Contractual Risk Transfer
Professional Liability	Contractual Risk Transfer
Errors & Omissions	Contractual Risk Transfer
Builder's Risk	Contractual Risk Transfer
Public Officials Liability	Purchased Insurance
Employment Practices Liability	Purchased Insurance
Crime	Purchased Insurance
Cyber Liability	Purchased Insurance
Tenants' and Users' Liability Insurance Policy	Purchased Insurance
Active Assailant Policy	Purchased Insurance

The SFPUC's property risk management approach varies depending on whether the facility is currently under construction, or if the property is part of revenue-generating operations. The majority of purchased insurance is for revenue-generating facilities, debt-financed facilities and mandated coverage to meet statutory or contractual requirements. The SFPUC's insured coverage is through an insurance policy purchased by the City specifically for the SFPUC, which provides up to $500 million of coverage against certain losses with respect to scheduled property, including wildfire coverage. The schedule includes properties for the SFPUC's enterprises which have a total value of approximately $3.0 billion. See also "RISK FACTORS – Risks Related to Wastewater Enterprise Facilities and Operations – *Insurance Coverage*" in the forepart of this Official Statement.

Additionally, the SFPUC acknowledges the importance of aligning strategic planning to the risk management process and has implemented an Enterprise Risk Management program to meet this need. The framework provides a strategic approach to managing operational risks. The Enterprise Risk Management program has been implemented thus far for Information Technology Services, the Power Enterprise and CleanPowerSF and plans are in place to continue implementation across the remainder of the SFPUC as needed.

Capital Project Risk Management. For capital construction projects, similar to the City's practice, the SFPUC has utilized traditional contractual risk transfer, contractor-controlled insurance programs or other alternative insurance programs. Under the latter two approaches, the insurance program usually provides coverage for the entire construction project, along with multiple risk coverages, such as general liability and workers compensation. When a contractual risk transfer is used for capital construction risks, the SFPUC requires each contractor to provide its own insurance, while ensuring that the full scope of work be covered with satisfactory levels to limit the SFPUC's risk exposure balanced by that which is commercially available.

Performance bonds are required, and builder's risk insurance must be purchased, in most phases of the construction contracting process for such phases, as bid, performance, and payment or maintenance. Additionally, bonds may be required in other contracts where goods or services are provided to ensure compliance with applicable terms and conditions such as warranty.

Builder's risk policies of insurance are required to be provided either through an owner-controlled insurance program or the contractor on all construction projects for the full value of the construction.

Professional liability policies are either directly purchased insurance on behalf of the SFPUC, transferred through contract to the contracted professional, or retained through self-insurance on a case-by-case basis depending on the size, complexity or scope of construction or professional service contracts. Professional liability policies are typically purchased for services provided by engineers, architects, design professionals and other licensed or certified professional service providers. See also "RISK FACTORS – Risks Related to Wastewater Enterprise Facilities and Operations – *Casualty Losses*" in the forepart of this Official Statement.

Investment of SFPUC Funds

The SFPUC's pooled deposits and investments are invested pursuant to State law and the investment policy established from time to time by the City Treasurer and overseen by the Treasury Oversight Committee. The current policy seeks the preservation of capital, liquidity and yield, in that order of priority. Under the City Treasurer's current investment procedures, the SFPUC's pooled deposits and investments are invested in the City's larger pooled investment fund (the "**City Pool**"). Among other purposes, the City Pool serves in effect as a disbursement account for expenditures from the City's various segregated and pooled funds. Investments are generally made so that securities can be held to maturity. The City Treasurer calculated the weighted average maturity of these investments as of June 30, 2026, to be 584 days (most recent data available).

The following table sets forth the approximate book values of the investments held in the City Pool reported by the City Treasurer as of June 30, 2026. The Wastewater Enterprise's pooled deposits and investments accounted for approximately $536 million, or approximately 2.88%, of such amounts. The Water Enterprise and the Power Enterprise each have their own pooled deposits and investments that are separate from the Wastewater Enterprise.

TABLE 26
CITY POOLED INVESTMENT FUND
(AS OF JUNE 30, 2026)

Investments	Book Value (millions)
U.S. Treasuries	$ 5,156
Federal Agencies	8,344
Negotiable CDs	1,910
Commercial Paper	1,046
Medium Term Notes	163
Money Market Funds	1,654
Supranationals	142
Secured Bank Deposit	168
Total[(1)]	$18,583

Source: Office of the Treasurer and Tax Collector of the City and County of San Francisco.

The SFPUC's non-pooled deposits and investments consist primarily of funds related to the SFPUC's Outstanding Bonds, which are invested pursuant to policy established by the SFPUC, subject to the restrictions contained in the applicable bond documentation.

HISTORICAL OPERATING RESULTS

Summary of Historical Operating Results and Debt Service Coverage

The historical results of operations reflected in the following table are based on the tables contained in the SFPUC's audited financial statements entitled "Statements of Revenues, Expenses and Changes in Net Position" and "Statements of Cash Flows" for the Fiscal Years listed. This table excludes certain non-operating revenue and expenses included in the "Statements of Revenues, Expenses and Changes in Net Position" table in the audited financial statements. Consequently, "Operating and Investment Income" presented in this table differs from "Change in net position" in the "Statements of Revenues, Expenses and Changes in Net Position" table in the audited financial statements. The calculation of debt service coverage includes net operating income and funds not budgeted to be spent in the next twelve months and legally available to pay debt service, as permitted under the Indenture. The audited financial statements of the Wastewater Enterprise for Fiscal Years 2024-25 and 2023-24, prepared by the SFPUC, are attached as Appendix B to this Official Statement. The audited financial statements were audited by Macias Gini & O'Connell LLP, independent certified public accountants. The following table should be read in conjunction with such financial statements. Macias Gini & O'Connell LLP has not reviewed the following table. See "APPENDIX B – SFPUC WASTEWATER ENTERPRISE FINANCIAL STATEMENTS."

In the following discussion, all $'s are in thousands.

The Wastewater Enterprise's total revenues of $474,126 in Fiscal Year 2024-25 represented an increase of $54,167, or 12.9%, from the prior year. Increases included $42,339 in sewer service charges, $18,537 in investing activities, and $561 in capacity charges, partially offset by a decrease of $7,270 in other revenues. Since Fiscal Year 2020-21, revenues have increased by an average of approximately 9.9% per year.

In Fiscal Year 2024-25, sewer service charges were $426,052, an increase of $42,339 or 11.0% from the prior year, mainly due to a 9% rate increase adopted on July 1, 2024 and a 3.7% increase in sanitary flows from residential and non-residential customers. Investing activities increased mainly due to higher interest earned from City Treasury pooled investments, reflecting higher average cash balances and higher interest rates.

The Wastewater Enterprise's total operating expenses were $284,523, a decrease of $167,708 or 37.1% from the prior year. The decrease was mainly due to lower general and administrative expenses from reduced judgments and claims expenses, and lower other expenses related to decreased project costs for the Westside Pump Station Reliability Improvements, Biosolids Digester Facilities Project, and Treasure Island Capital Improvement projects. These decreases were partially offset by higher salary and fringe benefits, services of other departments, depreciation, materials and supplies, and contractual services.

The Wastewater Enterprise maintained debt service coverage exceeding the 1.25x level required by the Indenture. Debt service coverage was 3.64x on an Indenture basis and 2.09x on a current basis in Fiscal Year 2024-25.

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TABLE 27
HISTORICAL REVENUE, OPERATING & MAINTENANCE EXPENSE AND DEBT SERVICE COVERAGE FOR FISCAL YEARS ENDED JUNE 30 (IN THOUSANDS)[1]

	2021	2022	2023	2024	2025
OPERATING & INVESTMENT REVENUE					
Sewer Service Charges[2]	$316,766	$354,526	$352,986	$383,713	$426,052
Other Revenues[3]	5,719	7,037	7,048	8,456	1,186
Investing Activities[4]	(1,187)	(7,087)	2,556	25,528	44,065
Capacity Charges[5]	3,710	6,280	3,077	2,262	2,823
Total Revenues	$325,008	$360,756	$365,667	$419,959	$474,126
OPERATING & MAINTENANCE EXPENSE					
Salary and Fringe Benefits[6]	$90,449	$63,456	$89,726	$105,835	$128,217
Contractual Services[7]	18,861	19,115	20,777	23,885	24,527
Materials and Supplies[8]	9,091	11,844	14,306	14,474	15,673
Depreciation[9]	72,018	77,573	78,035	82,722	86,476
Services of Other Departments[10]	38,313	39,645	40,999	39,546	44,213
General and Administrative[11]	3,854	6,353	(950)	114,749	(28,959)
Other[12]	58,151	37,024	11,390	71,020	14,376
Total Operating Expenses	$290,737	$255,010	$254,283	$452,231	$284,523
OPERATING AND INVESTMENT INCOME	$34,271	$105,746	$111,384	$(32,272)	$189,604
COVERAGE CALCULATION[13]					
Operating and Investment Income	$34,271	$105,746	$111,384	$(32,272)	$189,604
+ Adjustment to Investing Activities[14]	4,356	8,422	2,392	(7,527)	(10,676)
+ Depreciation & Non-Cash Expenses[15]	78,368	77,806	84,450	133,324	86,628
+ Changes in Working Capital[16]	(8,596)	(36,470)	(19,376)	95,184	(26,165)
= "**Net Revenues**"	108,399	155,504	178,850	188,709	239,391
+ Other Available Funds[17]	197,778	155,331	134,593	165,972	176,917
Funds Available for Bond Debt Service	$306,177	$310,835	$313,443	$354,681	$416,307
Bond and Loan Debt Service[18]	$82,066	$86,619	$98,811	$91,601	$114,350
DEBT SERVICE COVERAGE[19]					
Indenture Basis[17][20]	3.73x	3.59x	3.17x	3.87x	3.64x
Current Basis[21]	1.32x	1.80x	1.81x	2.06x	2.09x

(1) Operating and Investment Income presented in this table differs from the "Change in net position" presented in the "Statements of Revenues, Expenses and Changes in Net Position" in the audited financial statements set forth in "APPENDIX B – SFPUC WASTEWATER ENTERPRISE FINANCIAL STATEMENTS." This table presents Debt Service Coverage as defined under the Indenture and excludes certain elements of non-operating revenue and expenses included in the "Statements of Revenues, Expenses and Changes in Net Position" table in the audited financial statements. Examples of excluded elements are grant revenue, interest expense and gains from sale of assets. Totals may not add due to independent rounding.

(2) Increase in Fiscal Year 2024-25 is mainly due to a 9% rate increase adopted on July 1, 2024, a sanitary flow increase of 797,494 ccf or 3.7% from residential and non-residential customers.

(3) Decrease in Fiscal Year 2024-25 is mainly due to the reclassification of service charges to other City departments of Other Revenue reclassified as Charges for Services.

(footnotes continue on following page)

(4) Increase in Fiscal Year 2024-25 is mainly due to an increase in interest earned from City Treasury pooled investments attributed to higher average cash balances resulting from issuances of the 2024ABCD Bonds and WIFIA loans, as well as higher interest rates.
(5) Increase in Fiscal Year 2024-25 is mainly due to an 8% increase in the average permit price and a 3% increase in the number of permits issued. This was further supported by a reduction in the allowance for doubtful accounts and write-offs compared to prior year.
(6) Increase in Fiscal Year 2024-25 is mainly due to a 3% increase in cost-of-living adjustment (COLA), a 3% increase in full-time equivalents, and increased other postemployment benefit and GASB 68 pension expenses.
(7) Increase in Fiscal Year 2024-25 is mainly due to building and construction, equipment maintenance, and sewage treatment at the Southeast Treatment Plant, reflecting higher maintenance costs.
(8) Increase in Fiscal Year 2024-25 is mainly due to building and construction, equipment maintenance, and sewage treatment at the Southeast Treatment Plant, reflecting higher maintenance costs.
(9) Increase in Fiscal Year 2024-25 is mainly due to more fixed assets put in service.
(10) Increase in Fiscal Year 2024-25 is mainly due to rise in electric utility services provided by Hetch Hetchy Power at the Southeast Treatment Plant.
(11) Decrease in Fiscal Year 2024-25 is mainly due to reduced judgments and claims expenses based on analysis performed by the City Attorney's Office and the Controller's Office.
(12) Increase in Fiscal Year 2023-24 is primarily driven by capital expenses related to the Biosolids Digester Facilities Project and the SEP New Headworks (Grit) Replacement Project. Decrease in Fiscal Year 2024-25 is mainly due to lower project costs associated with the Westside Pump Station Reliability Improvements, Biosolids Digester, and Treasure Island Capital Improvement projects.
(13) The Indenture defines "Net Revenues" on a cash basis.
(14) Represents adjustments to show investing activities on a cash basis.
(15) Increase in Fiscal Year 2023-24 is primarily due to a $47.8 million write-off of capital project costs related to the Channel Tunnel/Bayside Drainage project.
(16) Represents adjustments to bring net income to a cash basis.
(17) Per the Indenture, includes any fund balances of the SFPUC or the Wastewater Enterprise available for payment of debt service and not budgeted to be expended during the 12 months following a calculation date, excluding monies held in any Reserve Account established under the Indenture.
(18) Bond Debt Service and Debt Service Coverage calculated per Indenture are net of capitalized interest and Federal interest subsidy payments; these differ from amounts presented in previous Annual Reports and SFPUC Annual Comprehensive Financial Reports.
(19) Coverage does not include debt service on subordinate obligations, including the Wastewater Enterprise's share of lease payments associated with the 2009 Golden Gate COPs and debt service on Commercial Paper Notes.
(20) Calculated as the sum of Net Revenues plus "Other Available Funds," divided by debt service on Bonds and Parity Loans. The Indenture includes a rate covenant of 1.25x "Debt Service Coverage." See "SECURITY FOR THE BONDS – Rate Covenants – *Debt Service Coverage*" in the forepart of this Official Statement.
(21) Calculated as Net Revenues divided by debt service on Bonds and Parity Loans.
Source: SFPUC, Financial Services.

PROJECTED OPERATING RESULTS

Table 28 presents projected operating results for the Wastewater Enterprise. These projections are based on an analysis of historical trends, adjusted where appropriate for known or anticipated changes in operations. The projections are also based on the assumption that all rate increases necessary to finance future expenses, including the Wastewater Enterprise's capital program, will be approved and implemented.

THESE PROJECTIONS, ALL OR SOME OF WHICH MAY OR MAY NOT BE REALIZED, ARE BASED ON THE ISSUANCE OF ADDITIONAL BONDS FOR THE CAPITAL PROGRAM. CHANGES IN THE CIRCUMSTANCES THAT FORM THE BASES FOR THE ASSUMPTIONS USED IN DEVELOPING THESE PROJECTIONS, AS WELL AS UNANTICIPATED EVENTS, MAY OCCUR SUBSEQUENT TO THE DATE OF THIS OFFICIAL STATEMENT. THEREFORE, ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE PROJECTIONS SHOWN.

Assumptions Used in Projections

The projections are based on the 2027 Financial Plan, adopted by the Commission on February 10, 2026. In the preparation of the projections set forth in Table 28, the SFPUC has made certain assumptions with respect to conditions that may occur in the future. While the SFPUC believes these assumptions are reasonable for the purpose of the projections, they are dependent on future events, and actual conditions are likely to differ, perhaps materially, from those assumed. To the extent actual future conditions differ from those assumed by the SFPUC or provided to the SFPUC by others, actual results will vary from those projected. This projected information has not been compiled, reviewed or examined by the SFPUC's independent auditors.

The assumptions used in Table 28 include the following:

Projected Revenue and Rate Increases. Projected revenues are based on projected wastewater service sales and the schedules of rates to be effective in each year. Projected revenues assume the 9.0% annual rate increase for Fiscal Year 2025-26 approved by the Commission in May 2023, and the 15.0% and 14.5% annual rate increases for Fiscal Year 2026-27 and Fiscal Year 2027-28, respectively, approved by the Commission in April 2026. Projected revenues also assume a 13.0% annual rate increase for Fiscal Year 2028-29 and Fiscal Year 2029-30, which are subject to future approval by the Commission and the ability to reject rate increases by the Board of Supervisors and the voters to the extent permitted by Proposition 218. See "FINANCIAL OPERATIONS – Wastewater Enterprise Rates and Charges."

Projected Operation and Maintenance Costs of the Wastewater Enterprise. Operation and Maintenance Costs of the Wastewater Enterprise are projected to grow by 4.7% for Fiscal Year 2026-27, 8.7% for Fiscal Year 2027-28, 6.0% for Fiscal Year 2028-29, and 3.4% for Fiscal Year 2029-30. Assumptions reflect inflationary increases. See "THE PUBLIC UTILITIES COMMISSION – Employee Relations – *SFPUC*."

Projected Debt Service. Projected debt service consists of the projected, not actual, debt service on the 2010B Bonds (net of anticipated Refundable Credits), 2013B Bonds, 2016A Bonds, 2016B Bonds, 2018A Bonds, 2018B Bonds, 2021A Bonds, 2021B Bonds, 2022B Bonds, 2023A Bonds, 2023B Bonds, 2023C Bonds, 2024ABCD Bonds (all net of capitalized interest, and excluding principal on the 2024A Bonds, which qualifies as "Excluded Principal" under the Indenture), 2026A Bonds (which qualify as Balloon Indebtedness under the Indenture), Additional Bonds, nine existing Parity Loans, BDFP WIFIA Bond, STPI WIFIA Bond, and Project 1 WIFIA Bond. Assumes continuation of the current 5.7% sequestration rate for Refundable Credits. See "SECURITY FOR THE BONDS – Rate Covenants – *Debt Service Coverage*" in the forepart of this Official Statement.

Following the issuance of the 2026A Bonds and the 2026B Bonds, the SFPUC anticipates that it will issue approximately $1.9 billion of Additional Bonds between Fiscal Years 2026-27 and 2029-30 to finance Wastewater Enterprise capital projects pursuant to the 2027 Capital Plan. The projected debt service during the projection period for the 2026A Bonds and the 2026B Bonds and the Additional Bonds assumes a 30-year term with level debt service, a 4.75% interest rate for Fiscal Year 2026-27, a 5.0% interest rate for Fiscal Year 2027-28, and a 6.0% interest rate for Fiscal Years 2028-29 through 2029-30, no debt service reserve fund and up to 24 months of capitalized interest during the projection period. The actual issuance dates, borrowing rates and capitalized interest periods may vary from these assumptions. The SFPUC may also issue refunding bonds from time to time in response to market conditions in order to achieve debt service savings.

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TABLE 28
PROJECTED REVENUE, OPERATING AND MAINTENANCE EXPENSE AND DEBT SERVICE COVERAGE FOR FISCAL YEAR ENDING JUNE 30 (IN THOUSANDS)[1]

	2026	2027	2028	2029	2030
REVENUE					
Sewer Service[2]	$472,845	$538,407	$613,375	$690,702	$778,263
Capacity Charges	3,610	3,719	3,830	3,945	4,064
Interest Income[3]	6,907	4,815	3,996	3,451	3,714
Other Miscellaneous Income	8,933	9,586	10,032	18,045	18,446
Total Revenues	$492,295	$556,527	$631,233	$716,144	$804,486
OPERATION AND MAINTENANCE COSTS OF THE WASTEWATER ENTERPRISE[4]	$236,422	$247,690	$269,179	$285,374	$295,177
less FUND BALANCE BUDGETED AND APPROPRIATED[5]	(43,705)	(23,404)	(15,578)	--	(203)
add ESTIMATE FOR NON-CAPITALIZABLE EXPENSE[6]	2,541	1,687	2,675	2,617	2,680
NET REVENUES[7]	$297,037	$330,554	$374,957	$428,152	$506,832
plus OTHER AVAILABLE FUNDS[8]	$137,568	$114,165	$98,586	$106,104	$105,901
FUNDS AVAILABLE FOR DEBT SERVICE	$434,606	$444,718	$473,543	$534,256	$612,733
DEBT SERVICE[9][10]	$142,908	$244,667	$280,459	$329,002	$383,258
DEBT SERVICE COVERAGE[10]					
Indenture Basis[11]	3.04x	1.82x	1.69x	1.64x	1.61x
Current Basis[12]	2.08x	1.35x	1.34x	1.31x	1.33x

(1) Amounts set forth in the table are projections. Projections for Fiscal Years 2025-26 through 2029-30 are based on the 2027 Financial Plan, adopted by the Commission on February 10, 2026. Actual results may differ materially from these projections. See "FORWARD-LOOKING STATEMENTS" in the forepart of this Official Statement, and see "– Assumptions Used in Projections." Totals may not add due to independent rounding.

(2) Reflects approved annual rate increases of 9% for Fiscal Year 2025-26, 15.0% for Fiscal Year 2026-27, and 14.5% for Fiscal Year 2027-28, and estimated annual rate increases of 13.0% for Fiscal Year 2028-29 and Fiscal Year 2029-30 which are subject to future approval. See "– Assumptions Used in Projections."

(3) Assumes a 3.8% earnings rate on invested cash balance for Fiscal Year 2025-26 and 3.5% for Fiscal Year 2026-27 through Fiscal Year 2029-30.

(4) Operating and Maintenance Expenses net of depreciation and other non-cash items per Indenture.

(5) The SFPUC's budgeted and appropriated available fund balances may be used to offset Operating and Maintenance Expenses in deriving Net Revenues for purposes of calculations under the Indenture.

(6) Beginning with the 2027 Financial Plan, the projections include estimated non-capitalizable costs associated with appropriated revenue-funded capital projects. Such costs are expected to be recognized as expenses and are therefore reflected in the debt service coverage projections.

(7) Represents Net Revenues under the Indenture.

(8) Per the Indenture, includes any fund balances of the SFPUC or the Wastewater Enterprise available for payment of debt service and not budgeted to be expended during the 12 months following a calculation date, excluding monies held in any Reserve Account established under the Indenture.

(*footnotes continue on following page*)

[9] Projected debt service consists of the projected, not actual, debt service on the 2010B Bonds (net of anticipated Refundable Credits), 2013B Bonds, 2016A Bonds, 2016B Bonds, 2018A Bonds, 2018B Bonds, 2021A Bonds, 2021B Bonds, 2022B Bonds, 2023A Bonds, 2023B Bonds, 2023C Bonds, 2024ABCD Bonds (all net of capitalized interest, and excluding principal on the 2024A Bonds, which qualifies as "Excluded Principal" under the Indenture), 2026A Bonds (which qualify as Balloon Indebtedness under the Indenture), Additional Bonds, nine existing Parity Loans, BDFP WIFIA Bond, STPI WIFIA Bond, and Project 1 WIFIA Bond. Assumes continuation of the current 5.7% sequestration rate for Refundable Credits (see "SECURITY FOR THE BONDS – Rate Covenants – *Debt Service Coverage*" in the forepart of this Official Statement). See also "– Assumptions Used in Projections – *Projected Debt Service*."

[10] Debt Service and Debt Service Coverage does not include debt service on subordinate obligations, including the Wastewater Enterprise's share of lease payments associated with the 2009 Golden Gate COPs and debt service on Commercial Paper Notes.

[11] Calculated as the sum of Net Revenues plus "Other Available Funds," divided by debt service on Bonds and Parity Loans. The Indenture includes a rate covenant of 1.25x "Debt Service Coverage." See "SECURITY FOR THE BONDS – Rate Covenants – *Debt Service Coverage*" in the forepart of this Official Statement.

[12] Calculated as Net Revenues divided by debt service on Bonds and Parity Loans.

Source: SFPUC, Financial Services.

CONSTITUTIONAL, STATUTORY AND CHARTER LIMITATIONS

The activities of the SFPUC and the Wastewater Enterprise, including, without limitation, the establishment of rates for sewer service and the issuance of Bonds (which include Parity Loans), are subject to several limitations under both State and local law. Certain of such limitations are summarized below. Additionally, such limitations may be revised, enhanced, expanded or otherwise altered as provided under State and local law, including in certain instances by legislation adopted by State, regional or local authorities, including the State Legislature or the Board of Supervisors, or by California or San Francisco voters themselves through the power of initiative or referendum, by voting in favor of amendments to the Charter or in any other lawful manner.

State Law Limitations

Tax and Spending Limitations. The taxing powers of public agencies in the State are limited by Article XIIIA of the California Constitution, added by an initiative amendment approved by the voters on June 6, 1978, and commonly known as Proposition 13.

Article XIIIA limits the maximum ad valorem tax on real property to 1% of "full cash value," which is defined as "the County Assessor's valuation of real property as shown on the Fiscal Year 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or reduction in the consumer price index or comparable local data, or declining property value caused by damage, destruction, or other factors.

The tax rate limitation referred to above does not apply to ad valorem taxes to pay the debt service on any indebtedness approved by the voters before July 1, 1978, or on any bonded indebtedness for the acquisition or improvement of real property approved by two-thirds of the votes cast by the voters voting on the proposition.

Under the terms of Article XIIIA and pursuant to an allocation system created by implementing legislation, each county is required to levy the maximum ad valorem tax permitted by Article XIIIA and to distribute the proceeds to local agencies.

Assessed valuation growth allowed under Article XIIIA (new construction, change of ownership and up to 2% annual value growth) is allocated among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools share the growth of base revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenues from tax bases to such entities may be affected by the existence of certain successor agencies to former redevelopment agencies that, under certain circumstances, may be entitled to such revenues resulting from the upgrading of certain property values.

Under State law, any fee that exceeds the reasonable cost of providing the service for which the fee is charged may be considered a "special tax" that must be authorized by a two-thirds vote of the electorate. Accordingly, if a portion of the SFPUC's wastewater user rates or capacity charges were determined by a court to exceed the reasonable cost of providing service, the SFPUC might not be permitted to continue to collect that portion unless it were authorized to do so by a two-thirds majority of the votes cast in an election to authorize the collection of that portion of the rates or fees. If the SFPUC were unable to obtain such a two-thirds majority vote and were unable to reduce costs, such failure could adversely affect the SFPUC's ability to pay the debt service on the Bonds.

The United States Supreme Court has upheld Article XIIIA against a challenge alleging violation of equal protection under the Fourteenth Amendment to the United States Constitution.

Proposition 218. Proposition 218, a State ballot initiative known as the "Right to Vote on Taxes Act," was approved by California voters on November 5, 1996. The initiative added Articles XIIIC and XIIID to the California Constitution, creating additional requirements for the imposition by most local governments of "general taxes," "special taxes," "assessments," "fees," and "charges." Articles XIIIC and XIIID became effective, pursuant to their terms, as of November 6, 1996, although compliance with some of the provisions was deferred until July 1, 1997, and certain of the provisions purport to apply to any tax imposed for general governmental purposes (*i.e.*, "general taxes") imposed, extended or increased on or after January 1, 1995 and prior to November 6, 1996.

Article XIIID imposes substantive and procedural requirements on the imposition, extension or increase of any "fee" or "charge" subject to its provisions. A "fee" or "charge" subject to Article XIIID includes any levy, other than an ad valorem tax, special tax or assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership. Article XIIID prohibits, among other things, the imposition of any proposed fee or charge, and, possibly, the increase of any existing fee or charge, in the event written protests against the proposed fee or charge are presented at a required public hearing on the fee or charge by a majority of owners of the parcels upon which the fee or charge is to be imposed. Except for fees and charges for water, sewer and refuse collection services, the approval of a majority of the property owners subject to the fee or charge, or at the option of the agency, by a two-thirds vote of the electorate residing in the affected area, is required not less than 45 days following the public hearing on any such proposed new or increased fee or charge.

The California Supreme Court decisions in *Richmond v. Shasta Community Services District*, 32 Cal. 4th 409 (2004) ("**Richmond**"), and *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 206 (2006) ("**Bighorn**") have clarified uncertainty surrounding the applicability of Section 6 of Article XIIID to service fees and charges. In Richmond, the Shasta Community Services District charged a water connection fee, which included a capacity charge for capital improvements to the water system and a fire suppression charge. The Court held that both the capacity charge and the fire suppression charge were not subject to Article XIIID because a water connection fee is not a property-related fee or charge because it results from the property owner's voluntary decision to apply for the connection. In both Richmond and Bighorn, however, the Court stated that a fee for ongoing water service through an existing connection is imposed "as an incident of property ownership" within the meaning of Article XIIID, rejecting, in Bighorn, the water agency's argument that consumption-based water charges are not imposed "as an incident of property ownership" but as a result of the voluntary decisions of customers as to how much water to use.

The SFPUC provides public notice of proposed wastewater rate increases in accordance with the requirements of Article XIIID through means that include, among others, holding informational presentations at community group meetings, mailings to residential and commercial customers of public hearings on rate increases, and press releases and media campaigns regarding rate increases, followed by public hearings conducted by the SFPUC's Rate Fairness Board and by the SFPUC itself. The SFPUC also develops and adopts retail utility user rates and fees in accordance with the requirements of Article XIIID(6)(b) that limit property-related fees and charges.

Article XIIIC extends the people's initiative power to reduce or repeal previously authorized local taxes, assessments, fees and charges. This extension of the initiative power is not limited by the terms of Article XIIIC to fees, taxes, assessment fees and charges imposed after November 6, 1996 and absent other authority could result in retroactive reduction in any existing taxes, assessments, fees or charges. In Bighorn, the Court concluded that under Article XIIIC local voters by initiative may reduce a public agency's water rates and delivery charges. The Court noted, however, that it was not holding that the authorized initiative power is free of all limitations, stating that it was not determining whether the electorate's initiative power is subject to the public agency's statutory obligation to set water service charges at a level that will "pay the operating expenses of the agency, … provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due."

Article XIIID imposes the substantive requirement that any wastewater charges may not exceed the proportional cost of providing service to customers. The Fourth District of the California Court of Appeal decision in *Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano*, 235 Cal.App.4th 1493 (2015), clarified that tiered rate structures are compatible with the cost of service limitations of Article XIIID when each tier structure is supported by cost of service calculations. The court held that San Juan Capistrano's water rates violated Article XIIID because no evidence in the record adequately showed that each tier corresponded to the cost of providing service at a given level of usage.

The courts have not fully interpreted the provisions of Proposition 218. The SFPUC is unable to predict how courts will further interpret Article XIIIC and Article XIIID, and what, if any, further implementing legislation will be enacted. Under the Bighorn case, San Francisco voters could adopt an initiative measure that reduces or repeals the SFPUC's wastewater rates and charges, though it is not clear whether (and courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonded indebtedness. There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIIIC and Article XIIID to limit the ability of the SFPUC to impose, levy, charge and collect increased fees and charges for the Wastewater Enterprise, or to call into question wastewater rate increases previously adopted by the SFPUC. No assurance may be given that Articles XIIIC and XIIID will not have a material adverse impact on Net Revenues.

On December 12, 2023, the City was served with a purported class action lawsuit challenging the compliance of the rates charged by the Wastewater Enterprise with the requirements of Proposition 218. See "– *Proposition 218 Litigation*."

Proposition 218 Litigation. The Wastewater Enterprise provides sewer system services for the collection, treatment and disposal of sanitary wastewater and stormwater. Unlike most California municipal systems, where sanitary wastewater and stormwater are collected separately and stormwater is not treated, the Wastewater Enterprise is a combined sewer system providing treatment for sewage, wastewater, and sanitary waste. See "THE WASTEWATER ENTERPRISE – Combined Sewage and Stormwater System." To increase transparency about the elements of sewer service charges while simultaneously providing incentives for customers to manage stormwater on their properties and divert it from the collection system, the Wastewater Enterprise revised its sewer service charges, effective July 1, 2023, to include both a sanitary sewer component and a stormwater component. See "THE WASTEWATER ENTERPRISE – Wastewater Enterprise Rates and Charges."

On December 12, 2023, the City was served with a purported class action lawsuit filed in California Superior Court challenging the compliance of the rates charged by the Wastewater Enterprise with the requirements of Proposition 218. *Gluck, et al. v. City and County of San Francisco, et al.*, SF. Superior Court Case No. CGC-23-609954. See also "– *Proposition 218*." The complaint asserted that the Wastewater Enterprise sewer service charges exceed the cost of providing sewer service because a portion of the proceeds of such charges has been and will continue to be used to fund the cost of "stormwater management" and that the Wastewater Enterprise has imposed "stormwater charges" without required voter approval. The plaintiffs sought refunds of certain sewer service fees paid by customers, interest, attorneys' fees and other costs, and injunctive relief.

On February 26, 2024, the Superior Court issued an order sustaining the City's demurrer to the complaint without leave to amend as to all of the plaintiffs' claims and dismissing the case in full. The plaintiffs filed a notice of appeal of this order to the California Court of Appeal on March 29, 2024. On May 30, 2025, the California Court of Appeal issued an opinion that affirmed the Superior Court's order sustaining the City's demurrer as to the plaintiffs' claims that the Wastewater Enterprise improperly combined sewer service charges and stormwater charges without required voter approval. The California Court of Appeal reversed the Superior Court's order sustaining the City's demurrer as to the plaintiffs' claim that the sewer service charges exceed Proposition 218's proportionality requirement. Litigation regarding this surviving claim is pending before the Superior Court. On May 22, 2026, the Superior Court granted the City's motion for judgment on the pleadings, preventing the plaintiffs from continuing with their challenge to the sewer rates set in 2023 because they did not follow the reverse validation procedures to challenge those rates. The order limits plaintiffs' challenge to approximately eight months of sewer rates from October 2022 to June 2023. The City intends to continue vigorously defending the action.

Were the outcome of the lawsuit to be unfavorable to the City, there could be an adverse impact on the operations and/or financial condition of the Wastewater Enterprise. The SFPUC believes, though, that any settlement obligations or adjudicated liability could be lawfully funded through future sewer service charges.

Proposition 26. Proposition 26, which amended Article XIIIA and XIIIC of the California Constitution, was approved by the electorate at the November 2, 2010 election. Proposition 26 imposes a two-thirds voter approval requirement for the imposition of fees and charges by the State. It also imposes a majority voter approval requirement on local governments with respect to fees and charges for general purposes, and a two-thirds voter approval requirement with respect to fees and charges for special purposes. According to its supporters, Proposition 26 was designed to prevent the circumvention of tax limitations imposed by the voters pursuant to Proposition 13, approved in 1978, Proposition 218, and other measures through the use of non-tax fees and charges.

Proposition 26 expressly excludes from its scope "a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable cost to the governmental entity of providing the service or product to the payor" and "assessments and property-related fees imposed in accordance with the provisions of Article XIIID." The SFPUC believes that the initiative is not intended to, and would not, apply to fees for wastewater services charged by the SFPUC. The SFPUC, however, is unable to predict how Proposition 26 will be interpreted by the courts to apply to the provision of wastewater services by local governments such as the SFPUC.

Initiative and Referendum

Article XIIIA and Articles XIIIC and XIIID of the California Constitution were adopted pursuant to the State's constitutional initiative process. From time to time other initiative measures could be adopted by California or San Francisco voters, placing additional limitations on the SFPUC's revenues or ability to increase revenues.

Charter Limitations

The Charter requires that bonds (such as the Bonds) secured by revenues, other than refunding bonds, may be issued only with the assent of a majority of voters. However, under the Charter amendments enacted by the voters in November 2002 (Proposition E) and in June 2018 (Proposition A), the SFPUC may issue revenue bonds, including notes, commercial paper or other forms of indebtedness, when authorized by ordinance approved by a two-thirds vote of the Board of Supervisors, for the purpose of reconstructing, replacing, expanding, repairing or improving water facilities, clean water facilities, power facilities, or combinations of water, clean water and power facilities under the jurisdiction of the SFPUC or for any other lawful purpose of the water, clean water or power utilities of the City in furtherance of the purposes provided in the Charter, including the refunding of existing obligations (and subject to the further conditions contained in Proposition E and Proposition A). See "OBLIGATIONS PAYABLE FROM NET REVENUES – Authority for Issuance of Revenue Bonds and Other Obligations Payable from Net Revenues" and "SECURITY FOR THE BONDS – Additional Series of Bonds," "– Additional Parity Loans" and "– Refunding Bonds" in the forepart of this Official Statement.

Future Charter Amendments

San Francisco voters could adopt additional Charter amendments in the future which would limit the ability of the SFPUC to issue debt or to enact rate increases, affect the financial condition or operation of the Wastewater Enterprise or implement other changes affecting the financial condition or operations of the SFPUC and the Wastewater Enterprise. See "RISK FACTORS – Other Risks – *Initiative, Referendum and Charter Amendments and Future Legislation*" in the forepart of this Official Statement.

THE CITY AND COUNTY OF SAN FRANCISCO

THE FOLLOWING INFORMATION IS PROVIDED FOR CONVENIENCE ONLY. THE GENERAL FUND OF THE CITY IS NOT LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE 2026A BONDS OR THE 2026B BONDS, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE CITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE 2026A BONDS OR THE 2026B BONDS. THE 2026A BONDS AND THE 2026B BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN, OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE CITY.

General. San Francisco is the economic and cultural center of the Bay Area and northern California. The limits of San Francisco encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay. San Francisco is located at the northern tip of the San Francisco Peninsula, bounded by the Pacific Ocean to the west, the San Francisco Bay and the San Francisco-Oakland Bay Bridge to the east, the entrance to the San Francisco Bay and the Golden Gate Bridge to the north, and San Mateo County to the south. Silicon Valley is about an hour's drive to the south, and the Napa-Sonoma wine country is about an hour's drive to the north. The California Department of Finance estimates San Francisco's population as of January 1, 2026 was 845,658.

The economy of the Bay Area includes a wide range of industries, supplying local needs as well as the needs of national and international markets. Major business sectors in the Bay Area include technology, retail, entertainment and the arts, conventions and tourism, service businesses, banking, professional and financial services, corporate headquarters, international and wholesale trade, multimedia and advertising, healthcare, higher education and agriculture. The California State Supreme Court is also based in San Francisco.

San Francisco benefits from a highly skilled, educated and professional labor force. The City estimated the per-capita personal income of San Francisco for fiscal year 2024-25 was $176,317. The San Francisco Unified School District ("**SFUSD**"), which is a separate legal entity from the City, operated 64 elementary schools, eight alternative learning schools serving grades transitional kindergarten through eight, 13 middle schools, 14 high schools, 11 early education schools, nine County and Court schools, and three continuation schools as of the 2025-26 academic year. For the 2025-26 academic year, 11 fiscally independent charter schools operated within SFUSD's boundaries for which SFUSD is the charter-approving agency. Higher education institutions located in San Francisco include the University of San Francisco, California State University – San Francisco, University of California – San Francisco (a medical school and health science campus), the UC College of the Law, San Francisco (formerly University of California Hastings College of the Law), the University of the Pacific's School of Dentistry, Golden Gate University, City College of San Francisco (a public community college), the California College of the Arts (which is scheduled to permanently close at the end of the 2026–27 academic year), the San Francisco Conservatory of Music, and the Academy of Art University.

SFO, located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County, is owned by the City and is operated by the San Francisco Airport Commission (the "**Airport Commission**"), and is a principal commercial service airport for the Bay Area and one of the nation's principal gateways for Pacific Rim traffic. San Francisco is also served by the Bay Area Rapid Transit District ("**BART**") (an electric rail commuter service linking San Francisco with the East Bay and the San Francisco Peninsula, including SFO), Caltrain (a conventional commuter rail line linking San Francisco with the San Francisco Peninsula), and bus and ferry services between San Francisco and residential areas to the north, east and south of San Francisco. San Francisco Municipal Railway ("**Muni**"), operated by the San Francisco Municipal Transportation Agency ("**SFMTA**"), provides bus and streetcar service within San Francisco. The Port, which administers 7.5 miles of Bay waterfront held in "public trust" by the Port on behalf of the people of California, promotes a balance of maritime-related commerce, fishing, recreational, industrial and commercial activities, and natural resource protection.

TABLE 29
CITY AND COUNTY OF SAN FRANCISCO
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST FIVE FISCAL YEARS

Fiscal Year	Per Capita Personal Income[(1)(2)]	Average Unemployment Rate[(3)]
2021	$159,135	6.9%
2022	153,970	3.3
2023	162,763	2.7
2024	172,123	3.6
2025	176,317	3.9

(1) Source: U.S. Bureau of Economic Analysis.
(2) Per capita person income for 2025 was estimated by multiplying the latest quarterly State income by 100 and dividing by the estimated 2025 population. Fiscal years 2020, 2021, 2022, 2023, and 2024 were updated from the City and County of San Francisco's fiscal year 2024 Annual Comprehensive Financial Report with newly available data.
(3) Source: California Employment Development Department.

Government. San Francisco is a city and county chartered pursuant to Article XI, Sections 3, 4, 5 and 6 of the Constitution of the State of California and is the only consolidated city and county in California. Voters approved the City's current Charter at the November 1995 election. The City is governed by a Board of Supervisors elected from 11 districts to serve four-year terms, and a Mayor who serves as chief executive officer, elected citywide to a four-year term. The City's adopted budget for fiscal years 2026-27 and 2027-28 totals approximately $16.9 billion and $17.2 billion, respectively. The General Fund portion of each year's budget is approximately $7.6 billion in fiscal year 2026-27 and $7.9 billion in fiscal year 2027-28, with the balance allocated to all other funds, including enterprise fund departments, such as the Airport Commission, SFMTA, the Port Commission and the SFPUC. According to the Controller, fiscal year 2025-26 total net assessed valuation of taxable property in San Francisco was approximately $357.8 billion. Fiscal year 2026-27 local assessment roll values received by the Controller from the Assessor as of the beginning of July 2026 indicate secured roll growth of 2.3% and unsecured roll growth of -1.4%.

City Financial Challenges. The City continues to face financial challenges, including the uncertain outcome of several potential measures proposed for the November 2026 ballot that could result in the loss of hundreds of millions of dollars from the assumptions in the City's proposed budget, the increased costs and reduced revenues resulting from House Resolution 1 (Public Law 119-21) and uncertain general economic conditions. Pressures also include continued remote work by a significant portion of the regional workforce (which has led to vacancies and declining property taxes for certain office buildings, lower real estate property transfer taxes, and reductions in taxes based on employees physically located in San Francisco), continued weakness in the local hospitality and convention industries (resulting in declines in hotel and sales taxes from pre-pandemic levels), reduced funding to San Francisco in State budgets and fiscal effects of federal policy changes (including uncertainty about receipt of outstanding FEMA reimbursements). The City has experienced the largest increase in office vacancy among major urban office markets in the United States, according to the Controller's Office report on the status of the City economy through March 31, 2026. Despite recent improvements in economic activity levels in San Francisco, the high vacancy rate, along with continuing uncertainty regarding the return-to-office plans of major office tenants, has reduced both the volume of office transactions, and the per-square foot value of these sales. Such conditions have contributed to projected City budget deficits (absent corrective actions) in the hundreds of millions of dollars in future fiscal years, rising to approximately $1.1 billion in fiscal year 2029-30.

On May 15, 2026, the Controller's Office issued its most recent report on the status of the City economy through March 31, 2026. The report noted that economic indicators from early 2026 suggest that, while macroeconomic risks to the City's economy are real, the City's economy may have reached an inflection point, with recent positive employment trends a possible sign of bottoming in tech hiring. The report also notes that information sector jobs are showing year-over-year growth, job listings have recently trended positive in San Francisco and other tech hubs, and the City's unemployment rate also has declined in 2026. Additionally, the report notes that, for the first time since the COVID-19 pandemic, monthly hotel revenues (for March 2026) exceeded levels for the same month in 2019. The report further notes that downtown metrics are also improving: Muni and downtown BART ridership have also reached post-pandemic highs (although remain below pre-pandemic levels), office vacancy rates continue to drop driven by strong artificial intelligence activity, and foot traffic recovery is continuing. Lastly, the report notes that apartment asking rents continue to grow rapidly and have also surpassed 2019 levels (in nominal dollars), while condominium and single-family home price growth is also outpacing State levels.

On July 21, 2026, the San Francisco Board of Supervisors adopted the budget for fiscal years 2026-27 and 2027-28. The budget reflects $16.9 billion of expenditures (all funds) in fiscal year 2026-27 and $17.2 billion in fiscal year 2027-28. The budget addresses the projected $642.8 million two-year shortfall through projected revenue increases, reductions to positions, and the use of fund balance and reserves.

The City's financial challenges described above have not impacted the Wastewater Enterprise's operations or financial condition significantly, although reduced demand for service resulting from some of the factors has been one reason for required rate increases by the Wastewater Enterprise. See "THE WASTEWATER ENTERPRISE – Service Area – *Recent Economic Developments*" and "– Recent Factors Impacting Wastewater Revenues."

APPENDIX B

SFPUC WASTEWATER ENTERPRISE FINANCIAL STATEMENTS

Protecting Public Health
and the Environment.

San Francisco
Water Power Sewer
Services of the San Francisco Public Utilities Commission

Wastewater Enterprise

Financial Statements June 30, 2025 and 2024
(With Independent Auditor's Reports Thereon)

SAN FRANCISCO WASTEWATER ENTERPRISE

Table of Contents

MGO. | Certified Public Accountants

Independent Auditor's Report

Honorable Mayor and the Board of Supervisors
City and County of San Francisco, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the San Francisco Wastewater Enterprise (the Enterprise), an enterprise fund of the City and County of San Francisco (City), as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Enterprise as of June 30, 2025 and 2024, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Enterprise, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Enterprise and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2025 and 2024, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Enterprise's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Enterprise's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2025 on our consideration of the Enterprise's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Enterprise's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Enterprise's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 5, 2025

This section presents management's analysis of the San Francisco Wastewater Enterprise's (the Enterprise) financial condition and activities as of and for the fiscal years ended June 30, 2025 and 2024. Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the Enterprise's financial statements. This information should be read in conjunction with the audited financial statements that follow this section. All dollar amounts, unless otherwise noted, are expressed in thousands of dollars.

The information in this MDA is presented under the following headings:

- Organization and Business
- Overview of the Financial Statements
- Financial Analysis
- Capital Assets
- Debt Administration
- Rates and Charges
- Request for Information

Organization and Business

The San Francisco Public Utilities Commission (SFPUC or the Commission) is a department of the City and County of San Francisco (the City) that is responsible for the maintenance, operation, and development of three utility enterprises: Water, Hetch Hetchy Water and Power and CleanPowerSF, and Wastewater (the Enterprise). The primary responsibility of the Enterprise is to protect the public health and the surrounding bay and ocean receiving waters by collecting, transmitting, treating, and discharging storm and sanitary flows generated in the service area. This includes 1,139 miles of combined, sanitary, and storm collection system pipes including: gravity mains, force mains, culverts, transport storage boxes, and tunnels. San Francisco is the only coastal city in California with a combined sewer system that collects both wastewater and stormwater in the same network of pipes and provides treatment to remove harmful pollutants before discharging into the San Francisco Bay and Pacific Ocean. In addition, the Enterprise serves on a contractual basis certain municipal customers located outside of the City limits, including the North San Mateo County Sanitation District No. 3, Bayshore Sanitary District, and the City of Brisbane. The Enterprise recovers costs of service through user fees based on the volume and strength of sanitary flow. As of June 30, 2025, the Enterprise serves 149,672 residential accounts, which discharge approximately 15.9 million units of sanitary flow per year (measured in hundreds of cubic feet, or ccf), and 32,010 non-residential accounts, which discharge approximately 5.8 million ccf per year. These figures reflect increases of 0.67 million discharge units for residential accounts and 0.15 million discharge units for non-residential accounts, resulting from account growth of 217 and 4,367, respectively, compared to prior year.

Overview of the Financial Statements

The Enterprise's financial statements include the following:

Statements of Net Position present information on the Enterprise's assets, deferred outflows, liabilities, and deferred inflows as of year-end, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Enterprise is improving or worsening.

While the *Statements of Net Position* provide information about the nature and amount of resources and obligations at year-end, the *Statements of Revenues, Expenses, and Changes in Net Position* present the results of the Enterprise's operations over the course of the fiscal year and information as to how the net position changed during the year. These statements can be used as an indicator of the extent to which the Enterprise has successfully recovered its costs through user fees and other charges. All changes in net position are reported during the period in which the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in these statements from some items that will result in cash flows in future fiscal periods, such as delayed collection of operating revenues and the expenses of employee earned but unused vacation leave.

The *Statements of Cash Flows* present changes in cash and cash equivalents resulting from operational, capital financing, non-capital financing, and investing activities. These statements summarize the annual flow of cash receipts and cash payments, without consideration of the timing of the event giving rise to the obligation or receipt and exclude non-cash accounting measures of depreciation or amortization of assets.

The *Notes to Financial Statements* provide information that is essential to a full understanding of the financial statements that is not displayed on the face of the financial statements.

Financial Analysis

Financial Highlights for Fiscal Year 2025

- Total assets exceeded total liabilities by $1,323,663.
- Net position increased by $31,303 or 2.4% during the year.
- Capital assets, net of accumulated depreciation and amortization, increased by $796,443 or 14.5% to $6,284,853.
- Operating revenues increased by $36,150 or 9.2% to $431,191.
- Operating expenses decreased by $170,610 or 36.8% to $292,481.

Financial Highlights for Fiscal Year 2024

- Total assets exceeded total liabilities by $1,289,457.
- Net position decreased by $75,198 or 5.4% during the year.
- Capital assets, net of accumulated depreciation and amortization, increased by $802,064 or 17.1% to $5,488,410.
- Operating revenues increased by $31,105 or 8.5% to $395,041.
- Operating expenses increased by $201,741 or 77.2% to $463,091.

SAN FRANCISCO WASTEWATER ENTERPRISE

Management's Discussion and Analysis (Unaudited)
June 30, 2025 and 2024
(Dollars in thousands, unless otherwise stated)

Financial Position

The following table summarizes the Enterprise's net position.

Table 1
Comparative Condensed Net Position
June 30, 2025, 2024, and 2023

	2025	Restated* 2024	2023	2025-2024 Change	2024-2023 Change
Total assets:					
Current and other assets	$ 1,013,574	577,997	574,446	435,577	3,551
Capital assets, net of accumulated depreciation and amortization	6,284,853	5,488,410	4,686,346	796,443	802,064
Total assets	7,298,427	6,066,407	5,260,792	1,232,020	805,615
Deferred outflows of resources:					
Unamortized loss on refunding of debt	–	–	8	–	(8)
Pensions	44,997	42,685	32,592	2,312	10,093
Other postemployment benefits	11,099	12,816	11,493	(1,717)	1,323
Total deferred outflows of resources	56,096	55,501	44,093	595	11,408
Liabilities:					
Current liabilities:					
Revenue bonds	38,460	35,370	28,070	3,090	7,300
Certificates of participation	937	900	864	37	36
State revolving fund loans	6,419	5,629	2,526	790	3,103
Arbitrage rebate payable	290	–	–	290	–
Other liabilities	215,276	246,962	200,992	(31,686)	45,970
Subtotal current liabilities	261,382	288,861	232,452	(27,479)	56,409
Long-term liabilities:					
Commercial paper	–	341,373	–	(341,373)	341,373
Revenue bonds	3,710,386	2,649,681	2,708,840	1,060,705	(59,159)
Revenue notes	–	–	349,556	–	(349,556)
Certificates of participation	21,758	22,695	23,594	(937)	(899)
State revolving fund loans	360,187	312,033	316,163	48,154	(4,130)
Water Infrastructure Finance and Innovation Act (WIFIA) loans	1,394,652	922,431	122,357	472,221	800,074
Arbitrage rebate payable	4,254	8,521	188	(4,267)	8,333
Other liabilities	222,145	231,355	121,786	(9,210)	109,569
Subtotal long-term liabilities	5,713,382	4,488,089	3,642,484	1,225,293	845,605
Total liabilities:					
Revenue bonds	3,748,846	2,685,051	2,736,910	1,063,795	(51,859)
Revenue notes	–	–	349,556	–	(349,556)
Certificates of participation	22,695	23,595	24,458	(900)	(863)
Commercial paper	–	341,373	–	(341,373)	341,373
State revolving fund loans	366,606	317,662	318,689	48,944	(1,027)
Water Infrastructure Finance and Innovation Act (WIFIA) loans	1,394,652	922,431	122,357	472,221	800,074
Arbitrage rebate payable	4,544	8,521	188	(3,977)	8,333
Other liabilities	437,421	478,317	322,778	(40,896)	155,539
Total liabilities	5,974,764	4,776,950	3,874,936	1,197,814	902,014
Deferred inflows of resources:					
Unamortized gain on refunding of debt	15,217	10,255	11,353	4,962	(1,098)
Leases	954	1,203	1,453	(249)	(250)
Pensions	2,172	4,055	10,023	(1,883)	(5,968)
Other postemployment benefits	6,477	5,809	8,286	668	(2,477)
Total deferred inflows of resources	24,820	21,322	31,115	3,498	(9,793)
Net position:					
Net investment in capital assets	1,039,359	1,148,814	1,110,957	(109,455)	37,857
Restricted for debt service	2,112	–	3,510	2,112	(3,510)
Restricted for capital projects	140,768	31,782	53,137	108,986	(21,355)
Unrestricted	172,700	143,040	231,230	29,660	(88,190)
Total net position	$ 1,354,939	1,323,636	1,398,834	31,303	(75,198)

* Restated due to the implementation of GASB 101 - *Compensated Absences*.

Net Position, Fiscal Year 2025

As of June 30, 2025, the Enterprise's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $1,354,939. The Enterprise's total net position increased by $31,303 or 2.4% from prior year. This change reflects increases of $108,986 in restricted for capital projects, $29,660 in unrestricted net position, and $2,112 in restricted for debt service, offset by a decrease of $109,455 in net investment in capital assets. The $1,232,615 increase in total assets and deferred outflows of resources, as well as the increase of $1,201,312 in total liabilities and deferred inflows of resources, are described below (see Table 1).

During fiscal year 2025, current and other assets increased by $435,577 or 75.4%. The increase was primarily driven by a $404,591 increase in restricted and unrestricted cash and investments, resulting from proceeds of the 2024 Series ABCD revenue bonds issuance and new loans under the Water Infrastructure Finance and Innovation Act (WIFIA) and State Revolving Fund (SRF). Additional increases included a $30,301 rise in reimbursement receivables from the State Water Resources Control Board (SWRCB) for the Southeast Water Pollution Control Plant New Headworks (Grit) Replacement and OSP Digester Gas Utilization Upgrade projects; a $4,560 increase in restricted and unrestricted receivables and inventory, primarily due to higher interest receivables driven by elevated average annualized interest rates and cash balances; and a $2,097 increase in receivables from charges for services and prepaid expenses, net of allowance for uncollectible receivables, largely attributed to higher sales. These increases were partially offset by a $5,972 decrease in other receivables, mainly due to a $7,370 payment received from the University of California, San Francisco (UCSF) and the Golden State Warriors (GSW) for their fair share contribution to the Mariposa Sanitary Pump Station Upgrade Project.

Capital assets, net of accumulated depreciation and amortization, increased by $796,443 or 14.5%, primarily due to expanded capital improvement activities and the right-to-use lease and subscription assets. The largest component of the Enterprise's net position $1,039,359 or 76.7%, represents net investment in capital assets (see the Capital Assets section of the MD&A for further details). Deferred outflows of resources increased by $595, resulting from a $2,312 rise in pension contributions, offset by a $1,717 reduction in other postemployment benefits.

Total liabilities increased by $1,197,814 or 25.1%. As of June 30, 2025, the outstanding balance of $5,532,799 for revenue bonds, certificate of participation (COP), SRF, and WIFIA loans represented 92.6% of total liabilities, an increase of $1,242,687 or 29.0%. This increase was driven by the issuances of 2024 Series ABCD revenue bonds totaling $1,217,971, which included an original issue premium of $74,996; $472,221 in new WIFIA loans, including $16,324 of capitalized interest; $55,221 in new SRF loans; and additions from commercial paper. These increases in outstanding debt were offset by $465,325 in defeasance and repayment of outstanding debt, as well as $37,401 in amortization and defeasance of revenue bond premiums (see Table 4).

Other liabilities of $441,965, including arbitrage rebate payable, payables to vendors, contractors, and other government agencies for goods and services under contractual agreements, decreased by $44,873 or 9.2%. This is due to a $34,009 reduction in restricted and unrestricted payables to vendors and contractors mainly due to decreased capital project spending; $3,977 decrease in arbitrage rebate payable; and a $1,391 decrease resulting from revenue recognition of rental deposits, payments to other City departments, and a refund to the State for unspent Federal COVID-19 recovery pass-through grant funds under the California Water and Wastewater Arrearages Payment Program (CWWAPP). Additionally, there was a decrease of $36,310 in damage claims liability based on the analyses performed by the City Attorney's Office and Controller's Office and in pollution remediation obligation due to payments made for the

Yosemite Creek Remediation Project. Wastewater's damage claims liability as of June 30, 2025 was estimated by using probable exposure information provided by the City Attorney's Office and includes an estimate of incurred but not reported losses. These reductions were offset by an increase of $13,666 in interest payable primarily related to the newly issued 2024 Series ABCD revenue bonds; an $8,816 increase in lease and subscription liabilities, and higher accrued payroll and workers' compensation; and an increase of $8,332 in net pension and other postemployment benefits liability based on actuarial estimates.

Deferred inflows of resources increased by $3,498 due to an increase of $5,630 in the unamortized gain on refunding of debt by the 2024 ABCD revenue bonds and other postemployment benefits, offset by $2,132 decreases in pension and leases.

Net Position, Fiscal Year 2024

As of June 30, 2024, the Enterprise's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $1,323,636. The Enterprise's total net position decreased by $75,198 or 5.4% from prior year, comprised of decreases of $88,190 in unrestricted net position, $21,355 in restricted for capital projects, and $3,510 in restricted for debt service offset by an increase of $37,857 in net investment in capital assets. Increases in total assets and deferred outflows of resources of $817,023 and increases of $878,418 in total liabilities and deferred inflows of resources are described below (see Table 1).

During the fiscal year 2024, current and other assets increased by $3,551 or 0.6%. The increase was due to an $8,245 rise in charges for services resulting from a $10,835 increase in sewer charges receivable, as there were more billings than collections. This was offset by a $2,590 increase in allowance for doubtful accounts related to sewer charges receivable that were over 120 days old. Other increases included $7,558 in other receivable due to revenue accrual for the upgrades fair share contribution from the Golden State Warriors and the University of California, San Francisco for the Mariposa Project, $1,526 in unrestricted and restricted interest receivable due to higher average annualized interest rate, $458 in restricted and unrestricted cash and investments due to loan proceeds from Water Infrastructure Finance and Innovation Act (WIFIA) loans and commercial paper issuances offset by capital project spending and debt service principal and interest payments, $317 increase in inventory as there were more purchases than issuances during the year, $172 increase in capacity charges receivable, net of allowance for doubtful accounts, and $10 increase in custom work receivable. These increases were primarily offset by a $13,942 decrease in receivables from the State Water Resources Control Board (SWRCB), as a result of receipts from reimbursement requests for the Southeast Water Pollution Control Plant New Headworks (Grit) Replacement Project. Other decreases included $440 in prior year prepaid expenses recognized in current year, $212 in lease receivable, $46 in receivable from the Department of Public Works (DPW) for the Mission Bay South Project, $38 prepayments amortizations for the Civic Center Garage lease and the Mariposa Pump Station & Force Project, $32 decrease in Federal interest subsidy receivable, $22 in property rent receivable, and $3 in miscellaneous receivable.

Capital assets, net of accumulated depreciation and amortization, increased by $802,064 or 17.1% reflecting an increase in construction and capital improvement activities. The largest portion of the Enterprise's net position of $1,148,814 or 85.9%, represents net investment in capital assets (see Capital Assets section of the MDA for more information). Deferred outflows of resources increased by $11,408 mainly due to increases in pensions and other postemployment benefits of $10,093 and $1,323, respectively, based on actuarial report, offset by $8 amortization of the 2013 Series A bond refunding loss.

Total liabilities increased by $902,014 or 23.3%. As of June 30, 2024, total outstanding balance of $4,290,112 for revenue bonds, certificates of participation (COP), commercial paper, State Revolving Fund (SRF) loans, and WIFIA loans represented 90.1% of total liabilities, an increase of $738,142 or 20.8%. The increase was mainly due to $800,074 new WIFIA loans (included $7,506 of capitalized interest) for the Biosolids Digester Facilities Project and the Southeast Treatment Plant Improvement Project, $341,373 new issuance of commercial paper, and $1,498 SRF loan capitalized interest for the OSP Digester Gas Utilization Upgrade and SEP New Headworks (Grit) Replacement projects, offset by $347,465 defeasance of 2021 Series AB revenue notes by the WIFIA loans, principal repayments of $28,070 in bonds, $2,525 in SRF loans, and $863 in COP, and $25,880 in revenue bonds and notes premium amortization and defeasance. Other liabilities of $486,838, including arbitrage rebate payable, payables to vendors, contractors, and other government agencies for goods and services under contractual agreements, increased by $163,872 or 50.7% due to increases of $110,733 in damage claims liability based on actuarial report, $17,750 in net pension liability based on actuarial report, $15,732 increase in employee related benefits including workers' compensation, accrued payroll, vacation and sick leave from the implementation of GASB Statement No. 101, and 4.75% increase in cost of living adjustment (COLA), $8,549 in restricted and unrestricted payable to vendors and contractors mainly due to increased capital project spending, $8,333 in arbitrage rebate payable due to actuarial calculation, $4,488 in bond, loan, lease, and subscription interest payable mainly due to higher outstanding debt principal resulting from the issuance of 2023 Series ABC revenue bonds and commercial paper, $3,166 in unearned revenue mainly due to $1,429 in unspent Federal pass-through grant relating to California Water and Wastewater Arrearages Payment Program (CWWAPP), $1,169 in liens payable, and $652 in customer credit balances due to overpayments, offset by $84 decrease in deposits from Pacific Gas & Electric due to expenses incurred for the Cross Bore Project, and $225 increase in other postemployment benefits obligations based on actuarial report. The increase in other liabilities were offset by $2,102 in payment of prior year payable that was made in current year to Municipal Transportation Agency for its share of the Walsh Construction Settlement, $1,349 decrease in pollution remediation obligation due to payments made for the Yosemite Creek Remediation project, $1,297 in leases due to payments made, $243 decrease in subscription liability, and $113 payment to Hetch Hetchy Power related to the 525 Golden Gate Living Machine System. Deferred inflows of resources decreased by $9,793 due to decreases in pensions and other postemployment benefits of $5,968 and $2,477, respectively, based on actuarial reports, $1,098 in unamortized gain on refunding of debt due to amortization and refunding gain, and $250 in leases.

(Continued)

(Dollars in thousands, unless otherwise stated)

Results of Operations

The following table summarizes the Enterprise's revenues, expenses, and changes in net position.

Table 2
Comparative Condensed Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2025, 2024, and 2023

		2025	Restated** 2024	2023	2025-2024 Change	2024-2023 Change
Revenues:						
Charges for services	$	427,493	392,040	360,037	35,453	32,003
Rents and concessions		875	739	822	136	(83)
Other operating revenues		2,823	2,262	3,077	561	(815)
Interest and investment income		44,065	25,528	2,556	18,537	22,972
Other non-operating revenues		4,646	24,297	9,910	(19,651)	14,387
Total revenues		479,902	444,866	376,402	35,036	68,464
Expenses:						
Operating expenses		292,481	463,091	261,350	(170,610)	201,741
Interest expenses*		154,566	91,584	81,133	62,982	10,451
Non-operating expenses		225	505	535	(280)	(30)
Total expenses		447,272	555,180	343,018	(107,908)	212,162
Change in net position before capital contributions and transfers		32,630	(110,314)	33,384	142,944	(143,698)
Capital contributions		145	48,080	2,740	(47,935)	45,340
Transfers from the City and County of San Francisco		—	—	75	—	(75)
Transfers to the City and County of San Francisco		(1,472)	(209)	(32)	(1,263)	(177)
Capital contributions and net transfers		(1,327)	47,871	2,783	(49,198)	45,088
Change in net position		31,303	(62,443)	36,167	93,746	(98,610)
Net position at beginning of year:						
Beginning of year, as previously reported		1,323,636	1,398,834	1,362,667	(75,198)	36,167
Cumulative effect of accounting change		—	(12,755)	—	12,755	(12,755)
Beginning of year as restated		1,323,636	1,386,079	1,362,667	(62,443)	23,412
Net position at end of year	$	1,354,939	1,323,636	1,398,834	31,303	(75,198)

* Net of amortization of premium, refunding gain/loss, and issuance cost.
** Restated due to the implementation of GASB 101 - *Compensated Absences.*

Results of Operations, Fiscal Year 2025

The Enterprise's total revenues were $479,902, an increase of $35,036 or 7.9% from prior year (see Table 2). Charges for services increased by $35,453 or 9.0% mainly due to a 9.0% rate increase adopted on July 1, 2024, and an increase in sanitary flow of 797,494 ccf, or 3.7% from both residential and non-residential customers.

Interest and investment income increased by $18,537 or 72.6%, driven by a $19,939 increase in interest earned from City Treasury pooled investments. This was attributed to higher average cash balances resulting from issuances of the 2024 Series ABCD revenue bonds and WIFIA loans, as well as higher interest rates.

Other operating revenues increased by $561 or 24.8%, mainly due to increased capacity fees, driven by an 8% increase in the average permit price and a 3% increase in the number of permits issued. This was further supported by a reduction in the allowance for doubtful accounts and write-offs compared to prior year.

Rents and concessions increased by $136 or 18.4% mainly due to higher lease payments and the recognition of non-refundable deposits as revenue.

Other non-operating revenues decreased by $19,651 or 80.9%, primarily due to prior year receipts of $12,104 in federal and state grants under the CWWAPP and revenue recognized from fair share contributions totaling $7,558 from the GSW and the UCSF for the Mariposa Project.

Total expenses were $447,272, reflecting a decrease of $107,908 or 19.4% compared to prior year. This reduction was primarily driven by a $170,610 decrease in operating expenses and a $280 decrease in City grants program expenses for community-based organization services and floodwater management program. These decreases were offset by a $62,982 increase in interest expenses, mainly resulting from an increase of $75,292 in bonds and loans interest, amortization of premiums, refunding gains, and issuance cost, primarily due to the issuance of the 2024 ABCD revenue bonds and the new WIFIA loans, offset by a $12,310 decrease in arbitrage rebate interest expense based on the computation from the BLX interim arbitrage rebate analysis report.

The $170,610 decrease in operating expenses was primarily due to a $202,206 decline in general and administrative and other operating expenses, largely due to reduced judgments and claims expenses based on analyses performed by the City Attorney's Office and Controller's Office, as well as lower project costs associated with the Westside Pump Station Reliability Improvement, Biosolids Digester, and Treasure Island Capital Improvement projects. These reductions were partially offset by several increases, including a $21,334 increase in personnel services – driven by a 3% increase in cost-of-living adjustment (COLA), a 3% increase in full-time equivalents, and increased other postemployment benefit and pension expenses. Additional increases included a $4,667 rise in electric utility services provided by Hetch Hetchy Power at the Southeast Treatment Plant; a $3,754 increase in assets depreciation and amortization expenses; and a $1,841 increase in materials and supplies and contractual services for building and construction, equipment maintenance, and sewage treatment at the Southeast Treatment Plant reflecting higher maintenance costs.

Capital contributions totaled $145, representing a decrease of $47,935 compared to prior year. This is primarily due to the Developer Built Infrastructure transferred to capital assets, comprising $25,923 for Pier 70 Phase 1, $17,550 for the Treasure Island Stage 1, and $4,607 for the Yerba Buena Island Street Improvements projects in prior year. Transfer out totaled $1,472, which included allocations to Culture and Recreation Fund for art enrichment, to Recreation and Park for the Green Infrastructure Grant Program at Buchanan Street Mall, and to the Office of the City Administrator for the Surety Bond Program.

Results of Operations, Fiscal Year 2024

The Enterprise's total revenues were $444,866, an increase of $68,464 or 18.2% from prior year (see Table 2). Charges for services increased by $30,360 or 8.6% mainly due to a 9% rate increase adopted on July 1, 2023, offset by a decrease in sanitary flow of 95,679 ccf, or 0.4% from both residential and non-residential customers. Interest and investment income increased by $22,972 or 898.7% mainly due to $10,485 increase in unrealized gain in City Treasury pooled investments, attributed to improved fair value of investments and a $12,487 increase in interest earned mainly due to higher average cash balances from issuance of WIFIA loans and 2023 Series AB bonds and increase in interest rates. Other non-operating revenues increased by $14,387, primarily due to a $12,104 rise in Federal and State grants received mainly for the CWWAPP and a revenue accrual of $7,558 for the upgrades fair share contribution from the Golden State Warriors and the University of California, San Francisco for the Mariposa Project. This increase was offset by the Monsanto settlement related to water pollution of $5,000 and the $196 Baker Beach grant received in the prior year, as well as decreases of $85 in Federal interest subsidy and $37 in gains from the sale of assets. Other operating revenues increased by $828 or 9.6% mainly due to a $1,643 increase in revenues from other City departments, including Recreation & Park, Zuckerberg San Francisco

General Hospital and Trauma Center, and the San Francisco Municipal Transportation Agency. This increase was offset by an $815 decrease in capacity fees, driven by a $544 increase in the allowance for doubtful accounts and write-offs, along with a $271 decline in revenue due to lower permits prices and issuance. Rents and concessions decreased by $83 or 10.1% mainly due to a decrease of $345 from three terminated leases offset by increases in rental income of $189 from tenants with 3.5% consumer price index average rate increase, $70 from short-term conference room rentals at Southeast Community Center and $3 related to leases.

Total expenses were $555,180, reflecting an increase of $212,162 or 61.9% compared to prior year. This was primarily due to increases of $201,741 in operating expenses, $43,363 in interest expenses mainly due to higher bond and WIFIA principal debt and arbitrage rebate liability, offset by an increase of $32,912 in amortization of premium, refunding loss, and issuance cost and $30 decrease in City grants program expenses due to $195 decrease in expenditures for community based organization services for the Youth Employment & Environment Project, offset by $165 increase in floodwater grant for the UC Wastewater Collection Project. The increase of $201,741 in operating expenses was primarily driven by several factors: a $178,078 rise in general and administrative and other operating expenses largely attributed to judgments and claims expenses based on actuarial report, along with increased project costs associated with the WIFIA Headworks New Grit Removal/Influent Pump and Biosolids Digester projects; a $17,157 increase in personnel services, mainly due to a $15,239 rise related to the GASB 68 pension adjustment and a 4.75% cost-of-living adjustment (COLA); a $4,683 increase in depreciation and amortization expenses resulting from more assets being placed in service, a $3,108 rise in contractual services primarily due to higher maintenance costs for service equipment at the Southeast Treatment Plant and leasing activities; and a $168 increase in materials and supplies for sewage treatment at the Southeast Treatment Plant, all offset by a $1,453 decrease in expenses for services of other departments mainly in electric services provided by Hetch Hetchy Power at the Southeast Treatment Plant.

Capital contributions of $48,080 were for the Developer Built Infrastructure transferred to capital assets, comprised of $25,923 for the Pier 70 Phase 1, $17,550 for the Treasure Island Stage 1, and $4,607 for the Yerba Buena Island Street Improvements projects. Transfer out of $209 included $177 transfers to Culture and Recreation Fund for art enrichment allocation and $32 to the Office of the City Administrator for the Surety Bond Program.

(Dollars in thousands, unless otherwise stated)

Capital Assets

The following table summarizes changes in the Enterprise's capital assets.

Table 3
Capital Assets, Net of Accumulated Depreciation and Amortization
As of June 30, 2025, 2024, and 2023

	2025	2024	2023	2025-2024 Change	2024-2023 Change
Facilities, improvements, machinery, and equipment	$ 3,365,635	2,549,177	2,393,051	816,458	156,126
Intangible assets	5,090	6,373	7,333	(1,283)	(960)
Land and rights-of-way	44,572	44,572	44,572	—	—
Land Improvements	7,630	9,311	6,733	(1,681)	2,578
Construction work in progress	2,855,921	2,878,789	2,232,963	(22,868)	645,826
Right-to-use lease and subscription assets	6,005	188	1,694	5,817	(1,506)
Total	$ 6,284,853	5,488,410	4,686,346	796,443	802,064

Capital Assets, Fiscal Year 2025

The Enterprise has capital assets of $6,284,853 net of accumulated depreciation and amortization, invested in a broad range of utility capital assets as of June 30, 2025 (see Table 3). This amount represents an increase of $796,443 or 14.5% from prior fiscal year. As of June 30, 2025, the Enterprise had capital commitments of $547,063. The investment in capital assets includes land, buildings, improvements, wastewater treatment plants, sewer pipes and mains, underground transport and storage boxes, pump stations, machinery, and equipment. Facilities, improvements, machinery, and equipment increased by $816,458 or 32.0%. Right-to-use lease and subscription assets increased by $5,817 or 3,094.1% due to lease and subscriptions additions in current year, net of amortization. Construction work in progress decreased by $22,868 or 0.8%. Land improvements decreased by $1,681 or 18.1% due to depreciation. Intangible assets decreased by $1,283 or 20.1% due to amortization.

(Dollars in thousands, unless otherwise stated)

Major additions to construction work in progress during the year ended June 30, 2025 include the following:

Southeast Plant Biosolids Digester Facilities Project	$ 507,033
New Treasure Island Wastewater Treatment Plant Capital Improvements	85,564
Southeast Plant New Headworks (Grit) Replacement	43,824
Large Diameter Sewer Projects and Channel Force Main Intertie	25,430
Oceanside Plant Digester Gas Handling Utilization Upgrade	12,729
WW-753 Hayes Valley Sewer Improvements	12,386
WW-748 As Needed Spot Sewer Replacement Number 45	11,788
Southeast Plant Power Feed and Primary Switchgear Upgrades	9,962
Southeast Plant Facility-Wide Distributed Control System Upgrades	6,837
WW-726 Various Locations Sewer Replacement Number 15	6,549
Westside Pump Station Reliability Improvements	6,525
Lower Alemany Area Stormwater Improvement Project	6,223
Southeast Plant / Southeast Community Heating Ventilation Air Conditioning & Mechanical Upgrades	5,806
Folsom Area Stormwater Improvement Project	5,720
Folsom Area Stormwater Phase 2	5,568
New Trades and Maintenance Buildings	5,469
Primary Treatment Southeast Plant Buildings 040 and 041	5,357
WW-725 Various Locations Sewer Replacement Number 14	5,336
Oceanside Plant Condition Assessment Improvements - Part 2	4,611
Channel Pump Station Improvements	4,301
Other project additions individually below $4,000	94,001
	$ 871,019

Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service, including transfers of completed projects from construction work in progress, during the year ended June 30, 2025 include the following:

Southeast Plant New Headworks (Grit) Replacement	$ 712,664
North Shore Pump Station Wet Weather Improvements	44,914
Large Diameter Sewer Projects and Channel Force Main Intertie	17,672
Taraval Sewer Improvements	17,481
WW-716 As-Needed Sewer Replacement Number 44	12,036
Folsom Area Stormwater Phase 2	10,454
Public Works Various Locations Number 55 Infrastructure Improvements	10,393
Public Works Various Location Number 53 Infrastructure Improvements	7,849
WW-705 Sewer Replacement Number 10	7,082
Oceanside Plant Condition Assessment Improvements - Part 2	6,229
Southeast Plant Facility-Wide Distributed Control System Upgrades	4,944
Other project additions individually below $4,000	45,340
	$ 897,058

See Note 4 for additional information about capital assets.

(Dollars in thousands, unless otherwise stated)

Capital Assets, Fiscal Year 2024

The Enterprise has capital assets of $5,488,410, net of accumulated depreciation and amortization, invested in a broad range of utility capital assets as of June 30, 2024 (see Table 3). This amount represents an increase of $802,064 or 17.1% from prior fiscal year. As of June 30, 2024, the Enterprise had capital commitments of $667,703. The investment in capital assets includes land, buildings, improvements, wastewater treatment plants, sewer pipes and mains, underground transport and storage boxes, pump stations, machinery, and equipment. Construction work in progress increased by $645,826 or 28.9%. Facilities, improvements, machinery, and equipment increased by $156,126 or 6.5%. Land improvements increased by $2,578 or 38.3% relating to improvements for the Ocean Beach Project. Right-to-use lease and subscription assets decreased by $1,506 or 88.9% due to termination of leases and subscriptions and amortization. Intangible assets decreased by $960 or 13.1% due to amortization.

Major additions to construction work in progress during the year ended June 30, 2024 include the following:

Southeast Plant Biosolids Digester Facilities Project	$ 486,344
Southeast Plant New Headworks (Grit) Replacement	91,920
New Treasure Island Wastewater Treatment Plant Capital Improvements	57,168
Large Diameter Sewer Projects and Channel Force Main Intertie	27,993
WW-716 As-Needed Sewer Replacement Number 44	11,693
Taraval Sewer Improvements	10,455
Southeast Plant Power Feed and Primary Switchgear Upgrades	9,968
Westside Pump Station Reliability Improvements	9,691
Southeast Plant / Southeast Community Heating Ventilation Air Conditioning & Mechanical Upgrades	9,117
45th Avenue, 46th Avenue, 47th Avenue, Vicente Street, Wawona Street, and Sloat Boulevard Sewer Replacement	7,810
Oceanside Plant Condition Assessment Improvements - Part 2	7,666
Oceanside Plant Digester Gas Handling Utilization Upgrade	7,173
North Shore Pump Station Wet Weather Improvements	6,278
WW-715 As-Needed Sewer Replacement Number 43	6,272
Lower Alemany Area Stormwater Improvement Project	5,983
Southeast Plant Facility-Wide Distributed Control System Upgrades	5,583
Folsom Area Stormwater Improvement Project	5,578
Folsom Area Stormwater Phase 2	4,825
Green Infrastructure Grant Projects	4,716
Public Works Various Location Number 53 Infrastructure Improvements	4,377
Public Works Various Locations Number 55 Infrastructure Improvements	4,194
Other project additions individually below $4,000	94,639
	$ 879,443

(Dollars in thousands, unless otherwise stated)

Major depreciable facilities, improvements, intangible assets, machinery, and equipment placed in service, including transfers of completed projects from construction work in progress, during the year ended June 30, 2024 include the following:

Wawona Area Stormwater Improvement Project	$	27,262
Contributed Capital: Pier 70 Phase 1		25,923
Contributed Capital: Treasure Island Stage 1		17,550
Public Works 19Th Avenue Infrastructure Improvements		14,755
WW-715 As-Needed Sewer Replacement Number 43		11,292
Large Diameter Sewer Projects And Channel Force Main Intertie		11,141
45th Avenue, 46th Avenue, 47th Avenue, Vicente Street, Wawona Street, and Sloat Boulevard Sewer Replacement		8,940
Public Works Various Locations Infrastructure Improvements Number 48		6,998
Public Works Number 56 Infrastructure Improvements		6,668
16th Street Sewer Replacement (Segment 2)		6,528
As-Needed Main Sewer Replacement Number 9 (WW-713)		6,416
Public Works Various Locations Pavement Improvements Number 38		6,240
Public Works Golden Gate Ave And Laguna Street Project		6,051
Public Works Various Locations Number 57 Infrastructure Improvements		5,711
WW-707 Various Locations Number 11		5,171
WW-704 Sewer Replacement Number 9		4,946
WW-708 Various Locations Number 12		4,772
Public Works Richmond Residential Streets Pavement Renovation		4,753
Contributed Capital: Yerba Buena Island Street Improvements		4,607
Public Works Various Locations Pavement Renovations Number 59		4,245
Public Works Various Locations Number 54 Infrastructure Improvements		4,136
Public Works Various Locations Number 52 Infrastructure Improvements		4,066
Other project additions individually below $4,000		40,791
	$	238,962

See Note 4 for additional information about capital assets.

Sewer System Improvement Program

The Sewer System Improvement Program (SSIP) is a SFPUC's wastewater capital improvement program which includes multiple projects to improve the existing wastewater system. The implementation of the SSIP projects were originally phased over 20 years to maintain ratepayer affordability and minimize impacts to communities throughout the City. On March 22, 2016, the refined program scope and budget for $7.0 billion was endorsed by the Commission along with the baseline for scope, schedule, and budget for Phase 1 projects totaling $2.9 billion. The revised program is referred to as the "2016 SSIP Baseline". The SSIP Phase 1 Baseline Budget and Schedule were revised starting in 2018, resulting in an approved budget of $4.7 billion as of June 30, 2025.

SSIP, Fiscal Year 2025

As of June 30, 2025, SSIP Phase 1 includes 70 projects in various stages: 54 projects or 77.1% totaling $570 million were completed, 2 projects in multiple phases, 4 projects in pre-construction phase, 7 projects in construction phase, and 3 projects in close-out phase. The Mariposa Dry-Weather Pump Station & Force Main Improvements Project was completed on December 31, 2024 with reported project expenditures of $31.3 million. The project scope consists of demolishing the existing pump station building, underground structure, wet well, electrical system, and associated assets to make room for a new pump station. The existing dry weather force main downstream of the pump station was also replaced to accommodate the increased flows. Additionally, construction at the Southeast Plant on the New Headworks (Grit) Replacement is progressing, with the New Headworks Facility reaching substantial completion and demolition of the old headworks facility underway. The project is currently over 90% complete, with project completion forecasted for Fall 2027. As of June 30, 2025, total SSIP program expenditures totaled $3.9 billion. Additional details regarding the SSIP are available at https://sfpuc.gov/construction-contracts/sewer-system-improvement-program.

SSIP, Fiscal Year 2024

As of June 30, 2024, 49 projects or 70.0% totaling $525 million were completed, 1 project in multiple phases, 5 projects in pre-construction phase, 7 projects in construction phase, and 8 projects in close-out phase. The Central Bayside System Improvement Project (CBSIP) was completed on June 30, 2023 with reported project expenditures of $36.7 million. The CBSIP provides collection system enhancement to the Channel and Islais Creek urban watersheds, including needed redundancy for the existing Channel Force Main, infrastructure improvements to sewers/pump stations, and stormwater management through elements of both green and grey infrastructure. Major components of the project consist of a tunnel to transport, via gravity, dry and wet-weather flows from the Channel and North Shore watersheds to the Southeast Water Pollution Control Plant (SEP), a large all-weather pump station to lift the flows into the SEP, improvements to Channel Pump Station, and green/gray infrastructure improvements within the watersheds. The New Headworks (Grit) Replacement Project is on-going construction. The project is reported at 86.8% complete and forecasted final completion is on May 30, 2025. As of June 30, 2024, total SSIP program expenditures totaled $3.2 billion. Additional details regarding the SSIP are available at https://sfpuc.gov/construction-contracts/sewer-system-improvement-program.

(Dollars in thousands, unless otherwise stated)

Debt Administration

As of June 30, 2025, 2024, and 2023, the Enterprise's outstanding debt comprising revenue bonds, revenue notes, commercial paper, certificates of participation, SRF, and WIFIA loans were $5,532,799, $4,290,112, and $3,551,970, respectively, as shown in Table 4. Additional information about the Enterprise's debt activity is provided in Notes 6, 7, and 8 to the financial statements.

Table 4
Outstanding Debt, Net of Unamortized Costs
As of June 30, 2025, 2024, and 2023

		2025	2024	2023	2025-2024 Change	2024-2023 Change
Revenue bonds	$	3,748,846	2,685,051	2,736,910	1,063,795	(51,859)
Revenue notes		—	—	349,556	—	(349,556)
Commercial paper		—	341,373	—	(341,373)	341,373
Certificates of participation		22,695	23,595	24,458	(900)	(863)
State revolving fund loans		366,606	317,662	318,689	48,944	(1,027)
Water Infrastructure Finance and Innovation Act (WIFIA) loans		1,394,652	922,431	122,357	472,221	800,074
Total	$	5,532,799	4,290,112	3,551,970	1,242,687	738,142

The increase of $1,242,687 was mainly due to $1,217,971 new issuances of 2024 Series ABCD revenue bonds, including $74,996 original issue premium, $472,221 in new WIFIA loans including $16,324 capitalized interest for the Biosolids Digester Facilities Project, the Southeast Treatment Plant Improvement Project, and the Wastewater Capital Plan Resilience Program – Project 1, $55,221 in new SRF loans for the OSP Digester Gas Utilization Upgrade and SEP New Headworks (Grit) Replacement projects, and commercial paper additions. The increase in outstanding debt was offset by $342,021 in defeasance of commercial paper by the 2024 Series C and D revenue bonds issuance, $81,405 in defeasance of 2023 Series B and 2018 Series B revenue bonds by the 2024 Series B revenue bonds issuance, principal repayments of $35,370 in bonds, $5,629 in SRF loans, $900 in COP, and $37,401 in revenue bonds premium amortization and defeasance.

Credit Ratings and Bond Insurance – As of June 30, 2025 and 2024, the Enterprise carried underlying ratings of "Aa2" and "AA" from Moody's and S&P Global Ratings (S&P), respectively.

Debt Service Coverage – Pursuant to the Amended and Restated Indenture, the Enterprise is required to collect sufficient net revenues each fiscal year, together with any Enterprise funds (except Bond Reserve Funds), which are available for payment of debt service and are not budgeted to be expended, at least equal to 1.25 times annual debt service for said fiscal year, and for the SFPUC's debt service coverage policy, at least equal to 1.35 times annual debt service for said fiscal year. During fiscal years 2025 and 2024, the Enterprise's net revenues, together with fund balances available to pay debt service and not budgeted to be expended, were sufficient to meet the rate covenant requirements under the Enterprise's Amended and Restated Indenture and the SFPUC's debt service coverage policy (see Note 8).

Debt Authorization – Pursuant to the Charter Section 8B.124, the Enterprise can incur indebtedness upon two-thirds vote of the Board of Supervisors. As of June 30, 2025, the Enterprise had $8,052,607 in combined debt issuance authorization from the Board of Supervisors under Proposition E, with $5,625,155 issued against this authorization. The Enterprise has a $1,250,000 authorized interim funding program, with $0 in tax-exempt commercial paper outstanding as of June 30, 2025 and $341,373 in tax-exempt commercial paper outstanding as of June 30, 2024.

Cost of Debt Capital – The coupon interest rates on the Enterprise's outstanding revenue bonds and revenue notes ranged from 1.0% to 5.8%, net of federal interest subsidy receipts on Build America Bonds at June 30, 2025. The 2009 Series D certificates of participation carried coupon interest rates from 6.4% to 6.5% in fiscal years 2025 and 2024, respectively. Short-term debt instruments bore interest rates between 3.6% to 3.8% in both fiscal years 2025 and 2024. The State revolving fund loans (CWSRF loans) carried original interest rates ranging from 0.8% to 1.8% during fiscal year 2025. In certain agreements, the State opted to apply administrative service and grant charges in lieu of interest payments; these charges do not affect the installment payments or increase total repayment amounts. The WIFIA loan carried interest rate of 1.5% during fiscal year 2025 and capitalized interest added to the principal balance of the WIFIA loan on each Semi-Annual Payment Date occurring during the Capitalized Interest Period.

Rates and Charges

Rate Setting Process

Proposition E, as approved by the voters in November 2002, amended the City Charter by adding the new Article VIIIB, entitled "Public Utilities," which established the Commission's authority to issue new revenue bonds and set wastewater rates. The Commission is required to:

- Establish rates, fees, and charges based on cost of service;
- Retain an independent rate consultant to conduct cost of service studies at least every five years;
- Consider establishing new connection fees;
- Consider conservation incentives and lifeline rates;
- Adopt a rolling five-year forecast annually; and
- Establish a Rate Fairness Board.

Pursuant to the City and County of San Francisco Charter section 8B.125, an independent rate study is performed at least once every five years. In compliance with City Charter section 8B.125, a water and wastewater rate study were completed in May 2023. The Commission subsequently adopted three years of wastewater rate increases from July 1, 2023 through June 30, 2026. Other miscellaneous fees for service and charges were last approved in April 2024 to be effective July 1, 2024, and generally increase annually by the Consumer Price Index from the Controller's Office of the City and County of San Francisco, or the 20-City Average Construction Index (CCI) published by Engineering News-Record (ENR) Magazine. All current SFPUC Rates Schedules and Fees are available at https://sfpuc.gov/accounts-services/water-power-sewer-rates/rates.

(Dollars in thousands, unless otherwise stated)

The following table is the Enterprise's ten-year approved average rate adjustments:

Ten-year Average Rate Adjustments

Effective Date	Adjustment
July 1, 2016	7.0 [1]
July 1, 2017	11.0 [1]
July 1, 2018	7.0 [2]
July 1, 2019	7.0 [2]
July 1, 2020	8.0 [2]
July 1, 2021	8.0 [2]
July 1, 2022	— [3]
July 1, 2023	9.0 [4]
July 1, 2024	9.0 [4]
July 1, 2025	9.0 [4]

[1] Four-year rate increases adopted and effective July 1, 2014.

[2] Four-year rate increases adopted and effective July 1, 2018.

[3] No retail rate adjustment.

[4] Three-year rate increases adopted and effective July 1, 2023.

Request for Information

This report is designed to provide our citizens, customers, investors, and creditors with an overview of the Enterprise's finances and to demonstrate the Enterprise's accountability for the money it receives. Questions regarding any of the information provided in this report or requests for additional financial information should be addressed to San Francisco Public Utilities Commission, Chief Financial Officer, Financial Services, 525 Golden Gate Avenue, 13th Floor, San Francisco, CA 94102.

This report is available at https://sfpuc.gov/about-us/reports/audited-financial-statements-reports.

SAN FRANCISCO WASTEWATER ENTERPRISE
Statements of Net Position
June 30, 2025 and 2024
(In thousands)

		2025	Restated* 2024
Assets			
Current assets:			
Cash and investments with City Treasury	$	396,961	376,658
Cash and investments outside City Treasury		45	152
Receivables:			
Charges for services (net of allowance for doubtful accounts of $12,045 as of June 30, 2025 and $12,865 as of June 30, 2024)		50,300	48,338
Due from other City departments, current portion		70	82
Interest		3,619	3,896
Leases receivable, current portion		241	226
Restricted due from other governments		30,301	—
Restricted interest, other receivable, and prepaid (net of allowance for doubtful accounts of $383 as of June 30, 2025 and $345 as of June 30, 2024)		6,889	689
Total current receivables		91,420	53,231
Prepaid charges, advances, and other receivables, current portion		729	8,142
Inventory		4,052	3,657
Restricted cash and investments outside City Treasury, current portion		83,614	41,778
Total current assets		576,821	483,618
Non-current assets:			
Restricted cash and investments with City Treasury		398,588	31,613
Restricted cash and investments outside City Treasury, less current portion		35,514	59,930
Restricted interest, other receivable, and prepaid (net of allowance for doubtful accounts of $0 as of June 30, 2025 and as of June 30, 2024)		371	388
Charges for services, less current portion (net of allowance for doubtful accounts of $333 as of June 30, 2025 and $351 as of June 30, 2024)		343	342
Leases receivable, less current portion		777	1,019
Prepaid charges, advances, and other receivables, less current portion		1,160	1,087
Capital assets, not being depreciated and amortized		2,903,540	2,926,407
Capital assets, net of accumulated depreciation and amortization		3,381,313	2,562,003
Total non-current assets		6,721,606	5,582,789
Total assets		7,298,427	6,066,407
Deferred outflows of resources			
Pensions		44,997	42,685
Other postemployment benefits		11,099	12,816
Total deferred outflows of resources	$	56,096	55,501

SAN FRANCISCO WASTEWATER ENTERPRISE
Statements of Net Position
June 30, 2025 and 2024
(In thousands)

		2025	Restated* 2024
Liabilities			
Current liabilities:			
Accounts payable	$	21,325	18,841
Accrued payroll		9,782	8,119
Accrued compensated absences, current portion		14,531	13,705
Accrued workers' compensation, current portion		1,602	1,685
Due to other City departments, current portion		115	114
Damage claims liability, current portion		15,885	28,742
Unearned revenues, refunds, and other		8,346	9,623
Arbitrage rebate payable, current portion		290	—
Bond, loan, lease, and subscription interest payable, current portion		42,174	30,300
Revenue bonds, current portion		38,460	35,370
Certificates of participation, current portion		937	900
State revolving fund loans payable, current portion		6,419	5,629
Lease liability, current portion		1,766	—
Subscription liability, current portion		503	93
Current liabilities payable from restricted assets		99,247	135,740
Total current liabilities		261,382	288,861
Long-term liabilities:			
Net other postemployment benefits liability		50,552	49,260
Net pension liability		74,339	67,299
Accrued compensated absences, less current portion		12,726	12,187
Accrued workers' compensation, less current portion		7,299	7,327
Due to other City departments, less current portion		176	291
Damage claims liability, less current portion		63,216	86,341
Bond, loan, lease, and subscription interest payable, less current portion		3,898	2,106
Arbitrage rebate payable, less current portion		4,254	8,521
Commercial paper		—	341,373
Revenue bonds, less current portion		3,710,386	2,649,681
Certificates of participation, less current portion		21,758	22,695
State revolving fund loans payable, less current portion		360,187	312,033
Water Infrastructure Finance and Innovation Act (WIFIA) loans		1,394,652	922,431
Lease liability, less current portion		3,722	—
Subscription liability, less current portion		94	93
Pollution remediation obligation		6,123	6,451
Total long-term liabilities		5,713,382	4,488,089
Total liabilities		5,974,764	4,776,950
Deferred inflows of resources			
Unamortized gain on refunding of debt		15,217	10,255
Leases		954	1,203
Pensions		2,172	4,055
Other postemployment benefits		6,477	5,809
Total deferred inflows of resources		24,820	21,322
Net position			
Net investment in capital assets		1,039,359	1,148,814
Restricted for debt service		2,112	—
Restricted for capital projects		140,768	31,782
Unrestricted		172,700	143,040
Total net position	$	1,354,939	1,323,636

* Restatement due to implementation of GASB 101- *Compensated Absences.*

See accompanying notes to financial statements.

SAN FRANCISCO WASTEWATER ENTERPRISE

Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2025 and 2024
(In thousands)

		2025	Restated** 2024
Operating revenues:			
Charges for services	$	427,493	392,040
Rents and concessions		875	739
Capacity fees		2,823	2,262
Total operating revenues		431,191	395,041
Operating expenses:			
Personnel services		128,217	106,883
Contractual services		24,527	23,885
Materials and supplies		15,673	14,474
Depreciation and amortization		86,476	82,722
Services provided by other departments		44,213	39,546
General and administrative and other		(6,625)	195,581
Total operating expenses		292,481	463,091
Operating (loss) income		138,710	(68,050)
Non-operating revenues (expenses):			
Federal and state grants		562	12,256
Interest and investment income		44,065	25,528
Interest expenses*		(154,566)	(91,584)
Net gain from sale of assets		18	77
Other non-operating revenues		4,066	11,964
Other non-operating expenses		(225)	(505)
Net non-operating expenses		(106,080)	(42,264)
Change in net position before capital contributions and transfers		32,630	(110,314)
Capital contributions		145	48,080
Transfers to the City and County of San Francisco		(1,472)	(209)
Capital contributions and net transfers		(1,327)	47,871
Change in net position		31,303	(62,443)
Net position at beginning of year:			
Beginning of year, as previously reported		1,323,636	1,398,834
Cumulative effect of accounting change		—	(12,755)
Beginning of year as restated		1,323,636	1,386,079
Net position at end of year	$	1,354,939	1,323,636

* Net of amortization of premium, refunding loss/gain, and issuance costs.

** Restatement due to implementation of GASB 101 - *Compensated Absences*.

See accompanying notes to financial statements.

SAN FRANCISCO WASTEWATER ENTERPRISE

Statements of Cash Flows

Years Ended June 30, 2025 and 2024

(In thousands)

		2025	2024
Cash flows from operating activities:			
Cash received from customers, including cash deposits	$	428,084	380,336
Cash received from tenants for rent		829	496
Cash received from miscellaneous revenues		7,904	6,648
Cash paid to employees for services		(116,892)	(104,126)
Cash paid to suppliers for goods and services		(105,702)	(116,262)
Cash paid for judgments and claims		(7,046)	(6,851)
Cash paid for rebates and program incentives		(225)	(505)
Net cash provided by operating activities		206,952	159,736
Cash flows from non-capital financing activities:			
Cash received from grants		591	13,688
Cash refund of grant		(1,459)	—
Transfers to the City and County of San Francisco		(1,472)	(209)
Net cash (used in) provided by non-capital financing activities		(2,340)	13,479
Cash flows from capital and related financing activities:			
Proceeds from sale of capital assets		14	79
Proceeds from bond issuance, net of premium		786,743	—
Proceeds from commercial paper borrowings		648	341,373
Proceeds from State revolving fund loans		24,273	13,942
Proceeds from WIFIA loans, net of premium and interest		455,896	811,356
Receipts from leases		260	250
Principal paid on revenue notes		—	(347,465)
Principal paid on long-term debt		(36,270)	(28,933)
Principal paid on State revolving fund loans		(5,629)	(2,525)
Lease interest payment		(198)	(6)
Subscription interest payment		(22)	(4)
Interest paid on long-term debt		(146,305)	(112,460)
Interest paid on commercial paper		(647)	(1,372)
Interest paid on State revolving fund loans		(2,727)	(1,479)
Issuance cost paid on long-term debt		(3,291)	(195)
Acquisition and construction of capital assets		(914,791)	(873,239)
Federal interest income subsidy for Build America Bonds		2,144	3,911
Net cash provided by (used in) capital and related financing activities		160,098	(196,767)
Cash flows from investing activities:			
Interest income received		33,389	17,963
Proceeds from sale of investments outside City Treasury		1,476,445	1,860,653
Purchase of investments outside City Treasury		(1,463,839)	(1,898,189)
Net cash provided by (used in) investing activities		45,995	(19,573)
Increase (decrease) in cash and cash equivalents		410,705	(43,125)
Cash and cash equivalents:			
Beginning of year		479,099	522,224
End of year	$	889,804	479,099
Reconciliation of cash and cash equivalents to the statements of net position:			
Cash and investments with City Treasury:			
Unrestricted	$	396,961	376,658
Restricted		398,588	31,613
Add: Unrealized loss on investments with City Treasury		862	6,504
Cash and investments outside City Treasury:			
Unrestricted		45	152
Restricted		119,128	101,708
Less: Restricted (with maturity more than 90 days - see table in Note 3)		(24,663)	(37,269)
Less: Unrealized (gain) on investments outside City Treasury		(1,117)	(267)
Cash and cash equivalents at the end of year on statements of cash flows	$	889,804	479,099

(continued)

SAN FRANCISCO WASTEWATER ENTERPRISE

Statements of Cash Flows
Years Ended June 30, 2025 and 2024
(In thousands)

		2025	Restated** 2024
Reconciliation of operating (loss) income to net cash provided by operating activities:			
Operating (loss) income	$	138,710	(68,050)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization		86,476	82,722
Lease revenue amortization		(249)	(250)
Miscellaneous revenues		7,904	6,647
Provision for uncollectible accounts		(800)	2,807
Write-off of capital assets		1,309	47,795
Rebates and program incentives		(225)	(505)
Changes in operating assets and liabilities:			
Receivables:			
Charges for services		(1,125)	(10,835)
Prepaid charges, advances, and other		(418)	(7,452)
Inventory		(395)	(317)
Accounts payable		2,484	(4,366)
Accrued payroll		1,663	488
Net other postemployment benefits obligations liability*		3,677	(3,575)
Net pension liability*		2,845	1,689
Accrued compensated absences		1,365	1,475
Accrued workers' compensation		(111)	1,014
Due to other City departments		—	(2,101)
Pollution remediation obligation		(328)	(1,349)
Damage claims liability		(35,982)	110,733
Unearned revenues, refunds, and other liabilities		152	3,166
Total adjustments		68,242	227,786
Net cash provided by operating activities	$	206,952	159,736
Noncash transactions:			
Accrued capital asset costs	$	99,247	135,740
Leases and subscription assets additions		11,630	—
Interfund payable		291	405
Unrealized loss on investments with City Treasury		862	6,504
Unrealized (gain) on investments outside City Treasury		(1,117)	(267)
Capital contribution		145	48,080
Commercial paper refunded		344,246	—
Bond proceeds paid to refunding escrow		86,982	—

* Includes related deferred outflows/inflows.

** Restatement due to implementation of GASB 101 - *Compensated Absences.*

See accompanying notes to financial statements.

(1) Description of Reporting Entity

The San Francisco Wastewater Enterprise (the Enterprise), formerly known as the San Francisco Clean Water Program (the Program), was established in 1977 following the transfer of all sewage system-related assets and liabilities of the City and County of San Francisco (the City) to the Program.

In 1976, the electorate of the City approved a proposition authorizing the City to issue $240,000 in revenue bonds pursuant to the Revenue Bond Law of 1941 of the State of California for the purpose of acquiring, constructing, improving, and financing improvements to the City's municipal sewage treatment and disposal system. Since then, the City's Board of Supervisors has adopted resolutions (Wastewater Resolutions) providing for the issuance of various sewer revenue and refunding bond series. The Wastewater Resolutions require the City to keep separate books of records and accounts of the Enterprise.

The Enterprise was placed under the jurisdiction of the San Francisco Public Utilities Commission (SFPUC or the Commission) in 1996. The Commission, established in 1932, is responsible for providing operational oversight of the public utility enterprises of the City, which includes the Enterprise along with the City's power and water utilities (i.e., Hetch Hetchy Water and Power and CleanPowerSF, of which the Power Enterprise is a component, and the San Francisco Water Enterprise). The Commission is responsible for determining such matters as the rates and charges for services, approval of contracts, and organizational policy.

The City Charter was amended in 2008 by Proposition E, a City and County of San Francisco Charter Section 4.112 amendment approved by the voters in the June 3, 2008 election, terminated the terms of all five existing members of the SFPUC, changed the process for appointing new members, and set qualifications for all members. Under the amended Charter, the Mayor continues to nominate candidates to the SFPUC, but nominees do not take office until the Board of Supervisors votes to approve their appointments by a majority (at least six members). The amended Charter provides for staggered four-year terms for the SFPUC members and requires them to meet the following qualifications:

- Seat 1 must have experience in environmental policy and an understanding of environmental justice issues.
- Seat 2 must have experience in ratepayer or consumer advocacy.
- Seat 3 must have experience in project finance.
- Seat 4 must have experience in water systems, power systems, or public utility management.
- Seat 5 is an at-large member.

The SFPUC is a department of the City, and as such, the financial operations of the Enterprise, Hetch Hetchy Water and Power and CleanPowerSF, and the Water Enterprise are included in the Annual Comprehensive Financial Report of the City as enterprise funds. These financial statements are intended to present only the financial position, and the changes in financial position and cash flows of only that portion of the City that is attributable to the transactions of the Enterprise. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2025 and 2024, the changes in its financial position, or, where applicable, the cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles (GAAP).

(Continued)

(2) Significant Accounting Policies

(a) Basis of Accounting and Measurement Focus

The accounts of the Enterprise are organized on the basis of a proprietary fund type, specifically an enterprise fund of the City. The activities of this Enterprise are accounted for with a separate set of self-balancing accounts that comprise the Enterprise's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The financial activities of the Enterprise are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting in accordance with U.S. GAAP. Under this method, all assets and liabilities associated with operations are included on the statements of net position; revenues are recognized when earned, and expenses are recognized when liabilities are incurred. Operating revenues are defined as charges to customers, rental income, and capacity fees. Non-operating revenues include grants, investment income, and other income from non-operating activities. When both restricted and unrestricted resources are available for use, it is the Enterprise's policy to use restricted resources first, then unrestricted resources as they are needed.

The Enterprise applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

(b) Cash and Cash Equivalents

The Enterprise considers its pooled deposits and investments held with the City Treasury to be demand deposits and, therefore, cash and cash equivalents for financial reporting. The City Treasury also holds non-pooled cash and investments for the Enterprise. Non-pooled restricted deposits and restricted deposits and investments held outside the City Treasury with original maturities of three months or less are also considered to be cash equivalents.

(c) Investments

Money market funds are carried at cost, which approximates fair value. All other investments are stated at fair value based upon quoted market prices. Changes in fair value are recognized as investment gains or losses and are recorded as a component of non-operating revenues.

(d) Inventory

Inventory consists primarily of construction materials and maintenance supplies and is valued at average cost. Inventory is expensed as it is consumed.

(e) Capital Assets

Capital assets are defined as assets with an initial individual cost of more than $10 and an estimated useful life in excess of one year. Capital assets with an original acquisition date prior to July 1, 1977 are recorded in the financial statements at estimated cost, as determined by an independent professional appraisal, or at cost, if known. All subsequent acquisitions have been

(Continued)

recorded at cost. All donated capital assets at the time of donation and capital assets received in a service concession arrangement, are valued at acquisition value. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, which range from 1 to 100 years for equipment and 1 to 200 years for building, structures, and improvements. No depreciation or amortization is recorded in the year of acquisition, and depreciation or amortization is recorded in the year of disposal.

(f) Intangible Assets

Intangible assets are defined as identifiable, non-financial assets capable of being separated, sold, transferred, or licensed, and include contractual or legal rights. Examples of intangible assets include rights-of-way easements, land use rights, water rights, licenses, permits, and right-to-use capital assets for leases and subscription-based information technology arrangements (SBITAs).

The Enterprise capitalizes purchased or internally developed intangible assets with a useful life extending beyond one reporting period. It has established a capitalization threshold of $100. Intangible assets are amortized over the benefit period or the contract term for leases and SBITAs, except for certain assets having an indefinite useful life. Assets with an indefinite useful life generally provide a benefit that is not constrained by legal or contractual limitations or any other external factor, and therefore, are not amortized (see Note 4).

(g) Construction Work in Progress

The cost of acquisition and construction of major plant and equipment is recorded as construction work in progress. Costs of construction projects that are discontinued are recorded as an expense in the year in which the decision is made to discontinue such projects.

(h) Bond Discount, Premium, and Issuance Costs

Bond issuance costs related to prepaid insurance costs are capitalized and amortized using the effective interest method. Other bond issuance costs are expensed when incurred. Original issue bond discount or premium are offset against the related debt and are also amortized using the effective interest method.

(i) Deferred Inflow of Resources and Deferred Outflow of Resources

Deferred inflows of resources represent an acquisition of net assets that applies to future periods. Deferred outflows of resources represent a consumption of net assets that applies to future periods.

(j) Accrued Compensated Absences

City employees may accumulate earned, but unused leave benefits up to a specified maximum, as outlined in their applicable leave policies. In accordance with GASB Statement No. 101, *Compensated Absences*, the Enterprise recognizes liabilities for leaves that are attributable to services already rendered, will be paid upon separation or usage, and are more likely than not to be used or paid. Compensated absences that meet these criteria consist of vacation, sick, compensatory time, and other holidays and leaves. The Enterprise records the compensated absences liability, including employer payroll taxes and the employer's share of social security and Medicare taxes, as both current and noncurrent liabilities in the Statement of Net Position. The Enterprise applies the current pay rates of active employees to leave balances in effect at fiscal year-end.

(k) Workers' Compensation

The Enterprise is self-insured for workers' compensation claims and accrues the estimated cost of those claims, including the estimated cost of incurred but not reported claims (see Note 12(b)).

(l) General Liability

The Enterprise is self-insured for general liability and uninsurable property damage claims. Commercially uninsurable property includes assets that are underground or provide transmission and distribution. Maintained commercial coverage does not cover claims attributed to loss from earthquake, contamination, pollution remediation efforts, and other specific naturally occurring contaminants such as mold. As of June 30, 2025, the Enterprise estimated its liability for pending and threatened lawsuits based on the Office of the City Attorney's assessment of probable claims and historical trends for incurred but not reported losses. The recorded liability represents management's best estimate of the Enterprise's potential exposure based on currently available information (see Note 12(a)).

During Fiscal Year 2025, the Enterprise changed its methodology for estimating claims liability. The Enterprise's claims liability had historically been actuarially determined. The revised measurement methodology aligns more closely with the Office of City Attorney's judgment of the Enterprise's potential exposure based on currently available information. This prospective change in accounting estimate is intended to enhance the understandability, relevance, and timeliness of the financial information.

Affected financial statement items include: current and noncurrent estimated claims payables; and general and administrative expenses in the Enterprise's statement of revenues, expenses, and changes in fund net position.

(m) Arbitrage Rebate Payable

Certain bonds are subject to arbitrage rebate requirements in accordance with regulations issued by the U.S. Treasury Department. The requirements generally stipulate that earnings from the investment of the tax-exempt bond proceeds that exceed related interest costs on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. The arbitrage liability due as of June 30, 2025 and 2024 was $4,544 and $8,521, respectively (see Note 7).

(n) Refunding of Debt

Gains or losses occurring from refunding of debt prior to maturity are reported as deferred outflows and deferred inflows of resources from refunding of debt. Deferred outflows and deferred inflows of resources are recognized as a component of interest expense using the effective interest method over the remaining life of the old debt or the life of the new debt, whichever is shorter.

(o) Income Taxes

As a department of a government agency, the Enterprise is exempt from both federal income taxes and California State franchise taxes.

(p) Revenue Recognition

Sewer service charges are based on water usage as determined by the San Francisco Water Enterprise. The majority of residential and non-residential customers are billed on a monthly basis except for building and contractor customers which are billed on a bi-monthly basis. Revenues earned but unbilled are accrued as charges for services and reflected as a receivable on the statements of net position. The unbilled amounts for the fiscal years ended June 30, 2025 and 2024 were $19,103 and $23,256, respectively.

(q) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, deferred outflows and deferred inflows, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(r) Accounting and Financial Reporting for Pollution Remediation Obligations

According to GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, as amended, a government would have to estimate its expected outlays for pollution remediation if it knows a site is polluted and any of the following recognition triggers occur:

- Pollution poses an imminent danger to the public or environment and a government has little or no discretion to avoid fixing the problem;
- A government has violated a pollution prevention-related permit or license;
- A regulator has identified (or evidence indicates it will identify) a government as responsible (or potentially responsible) for cleaning up pollution, or for paying all or some of the cost of the cleanup;
- A government is named (or evidence indicates that it will be named) in a lawsuit to compel it to address the pollution; or
- A government begins or legally obligates itself to begin cleanup or post-cleanup activities (limited to amounts the government is legally required to complete).

As a part of ongoing operations, situations may occur requiring the removal of pollution or other hazardous material. These situations typically arise in the process of acquiring an asset, preparing an asset for its intended use, or during the design phase of projects under review by the project managers. Other times, pollution may arise during the implementation and construction of a major or minor capital project. Examples of pollution may include but are not limited to: asbestos or lead paint removal, leaking of sewage in underground pipes or neighboring areas, chemical spills, removal, and disposal of known toxic waste, harmful biological and chemical pollution of water, or contamination of surrounding soils by underground storage tanks (see Note 13(d)).

(s) Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability (asset) and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Retiree Healthcare Trust Fund (RHCTF) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Plan member contributions are recognized in the period in which the contributions are due. Investments are reported at fair value (see Note 10(b)).

(Dollars in thousands, unless otherwise stated)

(t) Pensions

For purposes of measuring the net pension liability (asset) and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the San Francisco Employees' Retirement System (SFERS) plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan member contributions are recognized in the period in which the contributions are due. Investments are reported at fair value (see Note 10(a)).

(u) New Accounting Standards Adopted in Fiscal Year 2025

1) In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. GASB Statement No. 101 requires that liabilities for compensated absences be recognized if the leave is attributable to services rendered and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means and establishes definitions, guidance, and disclosure requirements related to compensated absences. The new standard is effective for periods beginning after December 15, 2023. Application of this statement is effective for the Enterprise's year ending June 30, 2025. In accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*, the Enterprise reported the implementation of GASB 101 as a change in accounting principle. The cumulative effect of applying the new recognition and measurement guidance as of July 1, 2023 was recorded as a restatement of beginning balances for the following accounts. The impact is presented in the following table.

	7/1/2023 As Previously Reported	Changes in Accounting Principle	7/1/2023 As Restated
Net Position	$ 1,398,834	(12,755)	1,386,079

2) In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures.* This statement requires state and local governments to disclose significant risks related to concentrations or constraints that could lead to substantial impacts. The new standard is effective for periods beginning after June 15, 2024. Application of this statement is effective for the Enterprise's year ending June 30, 2025. Application of this statement did not have a significant effect on its financial statements.

(v) GASB Statements Implemented in Fiscal Year 2024

1) In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. GASB Statement No. 99 addresses a variety of topics. The requirements related to extension of the use of the London Interbank Offered Rate, accounting for Supplemental Nutrition Assistance Program distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, and terminology updates related to Statement No. 53 and Statement No. 63 were adopted by the Enterprise for the year ended June 30, 2022. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023. The Enterprise adopted the provisions of Statement No. 99 in fiscal year 2024 which did not have a significant effect on its financial statements.

2) In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections.* This statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The new standard is effective for periods beginning after June 15, 2023. The Enterprise adopted the provisions of Statement No. 100 in fiscal year 2024, which did not have a significant effect on its financial statements.

(w) Future Implementation of New Accounting Standards

1) In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The new standard is effective for periods beginning after June 15, 2025. The Enterprise will implement the provisions of Statement No. 103 in fiscal year 2026.

2) In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This statement requires certain types of capital assets, such as lease assets recognized in accordance with Statement No. 87, *Leases* and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* to be disclosed separately by major classes of underlying assets in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements* are also required to be disclosed separately. Furthermore, the statement requires intangible assets other than those three types to be disclosed separately by major class. Finally, the statement requires additional disclosures for capital assets held for sale. The new standard is effective for periods beginning after June 15, 2025. The Enterprise will implement the provisions of Statement No. 104 in fiscal year 2026.

(x) Reclassifications

The Enterprise has reclassified certain amounts relating to the prior period to conform to its current period presentation. Certain other operating revenues, specifically charges to City municipal departments have been reclassified to charges for services for fiscal year 2024. In addition, the cash paid for rebates and program incentives in the direct cashflows statement has been reclassified under operating activities, lease receipts were reclassified from operating activities to capital and related financing activities in the direct cash flow, and lease and subscription payments were reclassified to acquisition and construction of capital assets under cash flows from capital and related financing activities for fiscal year 2024. These reclassifications had no effect on previously reported changes in net position.

(3) Cash, Cash Equivalents, and Investments

The Enterprise's cash, cash equivalents, and investments with the City Treasury are invested in an unrated City pool pursuant to investment policy guidelines established by the City Treasurer. The objectives of the policy guidelines are, in order of priority, preservation of capital, liquidity, and yield. The policy addresses soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity. The City Treasurer allocates income from the investment of pooled cash at month-end in proportion to the Enterprise's average daily cash balances. The primary objectives of the Enterprise's investment policy are consistent with the City's policy.

The restricted cash and investments for bond reserves are held by an independent trustee outside the City investment pool. The balances as of June 30, 2025 and 2024 were $119,128 and $101,708, respectively. Funds held by the trustee established under the 2003 Indenture are invested in "Permitted Investments" as defined in the Indenture. "Permitted Investments" include money market funds, registered under the Federal Investment Company Act of 1940 and whose shares are registered under the Federal Securities Act of 1933 and having a rating by S&P of "AAAm-G," "AAAm," or "AAm" and a rating by Moody's of "Aaa-mf," "Aa1," or "Aa2." "Permitted Investments" also include commercial paper, and US treasury and agency securities.

The Enterprise categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The inputs and techniques used for valuing securities are not necessarily an indication of risk associated with investing in those securities.

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Enterprise will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The California Government Code requires California banks and savings loan associations to secure the Enterprise's deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance by pledging government and/or local agency securities as collateral. The fair value of such pledged securities must equal at least 110% and be of the type authorized in California Government Code, Section 53561 (a) through (i). The collateral must be held the pledging bank's trust department or another bank, acting as the pledging bank's agent, in the Enterprise's name. At June 30, 2025, all banks with funds deposited by the Treasurer secured deposits with sufficient collateral or FDIC insurance.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. Information about the sensitivity to the fair values of the Enterprise's investments to interest rate fluctuations is provided by the tables below, which show the distribution of the Enterprise's investments by maturity.

(Continued)

(Dollars in thousands, unless otherwise stated)

Credit Risk

Credit risk is the risk that an issue of an investment will not fulfill its obligation to pay the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The ratings for each of the investment types are provided by the table below.

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Enterprise will not be able to recover that value of its investment or collateral securities that are in the possession of another party.

The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments, however, it is the practice of the City Treasurer that all investments are insured, registered or held by the Treasurer's custodial agent in the Enterprise's name. The Enterprise also has investments with trustees related to the issuance of bonds that are uninsured, unregistered and held by the counterparty's trust departments but not in the Enterprise's name. These amounts are included in the investments outside City Treasury and are provided by the tables below.

The following is a summary of the restricted and unrestricted cash and investments outside City Treasury, including commercial paper issuers, credit ratings, and the fair value hierarchy as of June 30, 2025 and 2024.

Cash and Investments outside City Treasury

Investments	Credit Ratings (S&P/Moody's)	June 30, 2025 Maturities	June 30, 2025 Fair Value	Investments exempt from fair value	Fair Value Measurements Using: Quoted prices in active markets for identical assets (Level 1)
U.S. Treasury Money Market Funds	AAAm/Aaa-mf	< 90 days	$ 51,443	51,443	—
Money Market Funds	A-1/P-1	< 90 days	53	53	—
Commercial Paper - Royal Bank of Canada	A-1+/P-1	< 90 days	24,765	—	24,765
U.S. Treasury Bonds & Notes	A-1+/P-1	< 90 days	18,180	—	18,180
U.S. Treasury Bonds & Notes	A-1+/P-1	March 31, 2026	24,663	—	24,663
Cash and Cash Equivalents	N/A		24	24	—
Total Restricted Cash and Investments outside City Treasury			$ 119,128	51,520	67,608
Cash and Cash Equivalents	N/A		$ 45	45	—
Total Unrestricted Cash and Investments outside City Treasury			$ 45	45	—

(Dollars in thousands, unless otherwise stated)

Cash and Investments outside City Treasury

Investments	Credit Ratings (S&P/Moody's)	June 30, 2024 Maturities	June 30, 2024 Fair Value	Investments exempt from fair value	Fair Value Measurements Using: Quoted prices in active markets for identical assets (Level 1)
U.S. Treasury Money Market Funds	AAAm/Aaa-mf	< 90 days	$ 37,830	37,830	—
Money Market Funds	A-1/P-1	< 90 days	52	52	—
Commercial Paper - Toyota Motor Corp	A-1+/P-1	< 90 days	6,935	—	6,935
Commercial Paper - Toronto-Dominion Bank	A-1+/P-1	< 90 days	19,342	—	19,342
Commercial Paper - Toyota Motor Corp	A-1+/P-1	October 11, 2024	1,859	—	1,859
U.S. Agency Securities	AA+/Aaa	March 21, 2025	17,538	—	17,538
U.S. Treasury Bonds & Notes	A-1+/P-1	September 15, 2025	17,872	—	17,872
Cash and Cash Equivalents	N/A		280	280	—
Total Restricted Cash and Investments outside City Treasury			$ 101,708	38,162	63,546
Cash and Cash Equivalents	N/A		$ 152	152	—
Total Unrestricted Cash and Investments outside City Treasury			$ 152	152	—

Certain investments such as money market investments, and cash and cash equivalents are not subject to the fair value hierarchy.

The restricted cash and investments outside City Treasury as of June 30, 2025 and 2024 included an unrealized gain due to changes in fair values on Commercial Paper, U.S. Treasury Bonds & Notes, and U.S. Agency Securities of $1,117 and $267, respectively.

The Enterprise's cash, cash equivalents, and investments are shown on the accompanying statements of net position as follows:

	2025	2024
Current assets:		
Cash and investments with City Treasury	$ 396,961	376,658
Cash and investments outside City Treasury	45	152
Restricted cash and investments outside City Treasury	83,614	41,778
Non-current assets:		
Restricted cash and investments with City Treasury	398,588	31,613
Restricted cash and investments outside City Treasury	35,514	59,930
Total cash, cash equivalents, and investments	$ 914,722	510,131

(Dollars in thousands, unless otherwise stated)

The following table shows the percentage distribution of the City's pooled investments by maturity:

	Investment maturities (in months)			
Fiscal years ended June 30	Under 1	1 to less than 6	6 to less than 12	12 to 60
2025	20.8%	18.9%	17.5%	42.8%
2024	22.2%	19.5%	16.3%	42.0%

As of June 30, 2025, the Enterprise has the following commercial paper investments that represent 5.0% or more of the total investments outside City Treasury:

	Fair Value	% of Investments
Royal Bank of Canada	$ 24,765	20.8%

As of June 30, 2024, the Enterprise has the following commercial paper investments that represent 5.0% or more of the total investments outside City Treasury:

	Fair Value	% of Investments
Toronto Dominion Holding	$ 19,342	19.1 %
Toyota Motor Corp	8,794	8.7

(Dollars in thousands, unless otherwise stated)

(4) Capital Assets

Capital assets as of June 30, 2025 and 2024 consisted of the following:

	2024	Increases	Decreases	2025
Capital assets not being depreciated and amortized:				
Land and rights-of-way	$ 44,572	–	–	44,572
Intangible assets	3,046	–	–	3,046
Construction work in progress	2,878,789	871,019	(893,887) *	2,855,921
Total capital assets not being depreciated and amortized	2,926,407	871,019	(893,887)	2,903,539
Capital assets being depreciated and amortized:				
Facilities and improvements	4,153,796	892,722	–	5,046,518
Land improvements	10,712	–	–	10,712
Intangible assets	11,029	–	–	11,029
Machinery and equipment	109,914	4,336	(501)	113,749
Right-to-use lease assets	–	10,362	(2,902)	7,460
Right-to-use subscription assets	522	1,269	(64)	1,727
Total capital assets being depreciated and amortized	4,285,973	908,689 *	(3,467)	5,191,195
Less accumulated depreciation and amortization for:				
Facilities and improvements	(1,626,208)	(75,629)	–	(1,701,837)
Land improvements	(1,401)	(1,681)	–	(3,082)
Intangible assets	(7,702)	(1,283)	–	(8,985)
Machinery and equipment	(88,325)	(4,971)	501	(92,795)
Right-to-use lease assets	–	(2,052)	–	(2,052)
Right-to-use subscription assets	(334)	(860)	64	(1,130)
Total accumulated depreciation and amortization	(1,723,970)	(86,476)	565	(1,809,881)
Total capital assets being depreciated and amortized, net	2,562,003	822,213	(2,902)	3,381,314
Total capital assets, net	$ 5,488,410	1,693,232	(896,789)	6,284,853

* Decrease in construction work in progress is less than increase in capital assets being depreciated is due to additions of $11,630 to right-to-use lease and subscription assets, direct additions of $4,336 to machinery and equipment, and contributed capital of $145 to buildings structures, offset by $1,309 in capital project write-offs, mainly related to the Interim Sidestream Nutrient Removal Project.

(Dollars in thousands, unless otherwise stated)

	2023	Increases	Decreases	2024
Capital assets not being depreciated and amortized:				
Land and rights-of-way	$ 44,572	—	—	44,572
Intangible assets	3,046	—	—	3,046
Construction work in progress	2,232,963	879,443	(233,617) *	2,878,789
Total capital assets not being depreciated and amortized	2,280,581	879,443	(233,617)	2,926,407
Capital assets being depreciated and amortized:				
Facilities and improvements	3,923,910	229,886	—	4,153,796
Land improvements	6,965	3,747	—	10,712
Intangible assets	10,760	269	—	11,029
Machinery and equipment	105,661	5,060	(807)	109,914
Right-to-use lease assets	8,247	—	(8,247)	—
Right-to-use subscription assets	1,487	—	(965)	522
Total capital assets being depreciated and amortized	4,057,030	238,962 *	(10,019)	4,285,973
Less accumulated depreciation and amortization for:				
Facilities and improvements	(1,551,767)	(74,441)	—	(1,626,208)
Land improvements	(232)	(1,169)	—	(1,401)
Intangible assets	(6,473)	(1,229)	—	(7,702)
Machinery and equipment	(84,753)	(4,379)	807	(88,325)
Right-to-use lease assets	(6,975)	(1,272)	8,247	—
Right-to-use subscription assets	(1,065)	(232)	963	(334)
Total accumulated depreciation and amortization	(1,651,265)	(82,722)	10,017	(1,723,970)
Total capital assets being depreciated and amortized, net	2,405,765	156,240	(2)	2,562,003
Total capital assets, net	$ 4,686,346	1,035,683	(233,619)	5,488,410

* Decrease in construction work in progress is less than increase in capital assets being depreciated is due to direct additions to buildings structures and machinery and equipment by $48,080 and $5,060, respectively, offset by $47,795 in capital project write-offs, mainly related to the Channel Tunnel/Bayside Drainage Project. It was decided to shelve this project by management and expense the design costs due to higher than expected costs, reprioritization of other various projects and uncertain future regulatory requirements.

(5) Restricted Assets

The Bond indenture is a legally binding agreement between the SFPUC and U.S. Bank, N.A. (trustee) regarding the issuance of bonds and requires all net revenues of the Enterprise (except amounts on deposit in the rebate fund) are irrevocably pledged to the punctual payment of debt service on the Wastewater revenue bonds. Accordingly, the net revenues of the Enterprise shall not be used for any other purpose while any of its revenue bonds are outstanding except as expressly permitted by the indenture. Further, all net revenues shall be deposited by the City Treasurer, by instruction of the Enterprise, in special funds designated as the Revenue Fund, which must be maintained in the City Treasury. These funds, held at the City Treasury, are recorded in the statements of net position of the Enterprise as cash and investments. Deposits in the Revenue Fund, including earnings thereon, shall be appropriated, transferred, expended, or used for the following purposes and only in accordance with the following priority:

1. The payment of operation and maintenance costs of the Enterprise;
2. The payment of bonds, parity State revolving and Federal fund loans, policy costs, and amounts due as reimbursement under any letter of credit agreement; and
3. Any other lawful purpose of the Enterprise.

(Dollars in thousands, unless otherwise stated)

In accordance with the indenture, the Enterprise maintains certain restricted cash and investment balances in trust. Restricted assets held in trust consisted of the following as of June 30, 2025 and 2024:

	2025	2024
Cash and investments with City Treasury:		
Wastewater revenue bond construction fund	$ 398,588	31,613
Cash and investments outside City Treasury:		
2009 Series C Certificates of Participation - 525 Golden Gate	2	255
2009 Series D Certificates of Participation - 525 Golden Gate	2,267	1,942
2010 Series A Wastewater revenue bond fund	151	145
2010 Series B Wastewater revenue bond fund	7,318	9,027
2013 Series B Wastewater revenue bond fund	2	1
2016 Series A Wastewater revenue bond fund	4	3
2016 Series B Wastewater revenue bond fund	2	1
2018 Series A Wastewater revenue bond fund	9	3
2018 Series B Wastewater revenue bond fund	15	4
2018 Series C Wastewater revenue bond fund	3	2
2021 Series A Wastewater revenue bond fund	8	2,239
2021 Series B Wastewater revenue bond fund	1	397
2022 Series B Wastewater revenue bond fund	46	43
2023 Series A Wastewater revenue bond fund	18,169	43,212
2023 Series B Wastewater revenue bond fund	6,936	15,998
2023 Series C Wastewater revenue bond fund	10	8
2021 Series A Wastewater revenue note fund	228	218
2021 Series B Wastewater revenue note fund	1	1
Commercial Paper - Tax Exempt	77	76
2020 WIFIA Biosolids Digester	15,981	15,248
2020 WIFIA Southeast Treatment Plant	13,509	12,885
2024 Series A Wastewater revenue bond	21,269	—
2024 Series B Wastewater revenue bond	7	—
2024 Series C Wastewater revenue bond	28,621	—
2024 Series D Wastewater revenue bond	4,492	—
Total cash and investments outside City Treasury	119,128	101,708
Interest and other receivables:		
Wastewater revenue bond construction fund including interest, prepaid, and other receivables	7,260	1,077
Due from other government for State Revolving Fund	30,301	—
	37,561	1,077
Total restricted assets	$ 555,277	134,398

Restricted assets listed above as cash and investments with City Treasury are held in fund accounts within the Sewer Revenue Fund of the City Treasury.

(6) Short-Term Debt

The Commission and Board of Supervisors have authorized the overall Interim Funding Program issuance of up to $750,000, pursuant to the voter-approved 2002 Proposition E. In December 2024, the Board of Supervisors approved an expansion of the Wastewater Enterprise Interim Funding Program by $500,000 for a total Wastewater Enterprise Interim Funding Program size of $1,250,000. The program is made up of three components: (1) five series totaling $675,000 (aggregate principal amount) that are for the issuance of either tax-exempt or taxable commercial paper and which are each supported by a high-grade bank credit facility in the form of a letter of credit or bank liquidity facility; and (2) one series that is for a $75,000 direct bank loan that can be used to make tax-exempt or taxable draws from a high-grade bank pursuant to a revolving credit agreement; and (3) unused authority totaling $500,000 as of June 30, 2025. The Enterprise had $0 and $341,373 in commercial paper outstanding as of June 30, 2025 and 2024, respectively. The $341,373 was repaid by the 2024 Series CD Wastewater Revenue Bonds issued in July 2024 and was reclassed to long-term liabilities on the financial statements as of June 30, 2024.

The commercial paper notes can be issued or direct loan draws in the aggregate principal amounts of up to $750,000, and may be marketed and re-marketed with maturities up to 270 days (or if directly drawn, subject to repayment provisions per the respective agreements) and are secured by six separate bank credit facilities, as set forth below. The commercial paper notes are payable from revenues and are secured on a parity lien basis with each other, collectively the “Subordinate Obligations”. The Subordinate Obligations are secured on a subordinate basis to the payment of debt service on the Wastewater Revenue Bonds.

As of June 30, 2025, the Commercial Paper Notes are secured by the following series: Series A-1 secured by a $150,000 letter of credit from Sumitomo Mitsui Bank expires on March 2, 2029. The agreement for the Series A-1 facility stipulates a commitment fee of 0.30%, on the maintenance of ratings of at least “Aa3” by Moody’s and “AA-” by S&P. Series A-2 secured by a $150,000 letter of credit facility stipulates a commitment fee of 0.27%, on the maintenance of ratings of at least “Aa3” by Moody’s and “AA-“ by S&P. Series A-4 secured by a $150,000 liquidity facility from TD Bank expires on July 3, 2028. The agreement for the Series A-4 facility stipulates a commitment fee of 0.25% on the maintenance of ratings of at least “Aa2” by Moody’s and “AA“ by S&P. Series A-6 secured by a $125,000 liquidity facility from Bank of America expires on August 2, 2027. The agreement for the Series A-6 facility stipulates a commitment fee of 0.42%, on the maintenance of ratings of at least "Aa3” by Moody’s and “AA-“ by S&P. Series A-7 secured by a $100,000 letter of credit from Sumitomo Mitsui Bank expires on May 31, 2027. The agreement for the Series A-7 facility stipulates a commitment fee of 0.30%, on the maintenance of ratings of at least “Aa3” by Moody’s and “AA-“ by S&P.

Series R-1 secured by a $75,000 revolving credit agreement with U.S. Bank National Association expires on July 31, 2027. The revolving credit agreement stipulates an unutilized quarterly commitment fee of 0.21%, on the maintenance of ratings of at least “Aa3” by Moody’s and “AA-“ by S&P. The revolving credit agreement had $0 outstanding as of June 30, 2025.

Morgan Stanley & Co. LLC, RBC Capital Markets, LLC, and U.S. Bancorp Investments, Inc. serve as dealers for the commercial paper notes. The annual fee is 0.05% paid to Morgan Stanley & Co. LLC, and U.S. Bancorp Investments, Inc. and 0.045% paid to RBC Capital Markets, LLC.

(Dollars in thousands, unless otherwise stated)

The commercial paper reimbursement agreements and the commercial paper revolving credit and term loan agreements for the Enterprise, contain a provision that in the event advances (or drawings) remain unpaid, such advances (or drawings) will convert into term loans and will be subject to the repayment provisions relating thereto.

The Enterprise had $1,250,000 and $408,627 in unused authorization as of June 30, 2025 and 2024, respectively. Significant events of default include 1) payment defaults 2) material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements (not cured within applicable grace periods), and 3) bankruptcy and insolvency events, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amount plus interest coverage, and/or termination of the respective agreement. As of June 30, 2025 and 2024, there were no such events described herein.

(7) Changes in Long-Term Liabilities

Long-term liability activities for the years ended June 30, 2025 and 2024 are as follows:

	Interest rate	Maturity (Calendar Year)	Restated* 2024	Additions	Reductions	2025	Due within one year
Revenue Bonds:							
2010 Series B (Build America)	4.65% - 5.82%	2040	$ 177,730	–	(7,745)	169,985	8,000
2013 Series B	4.00 - 5.00	2042	93,095	–	–	93,095	–
2016 Series A	4.00 - 5.00	2046	235,105	–	(5,760)	229,345	6,055
2016 Series B	4.00 - 5.00	2046	66,275	–	(1,625)	64,650	1,705
2018 Series A	4.00 - 5.00	2043	214,175	–	(6,580)	207,595	6,915
2018 Series B	5.00	2043	173,880	–	(11,690)	162,190	5,610
2021 Series A	4.00 - 5.00	2051	260,835	–	–	260,835	–
2021 Series B	5.00	2051	37,045	–	–	37,045	–
2022 Series B	5.00	2034	137,080	–	(8,325)	128,755	10,175
2023 Series A	5.00 - 5.25	2042	530,565	–	–	530,565	–
2023 Series B	4.00 - 5.00	2042	278,155	–	(75,050)	203,105	–
2023 Series C	4.00	2048	165,660	–	–	165,660	–
2024 Series A	4.65	2027	–	431,110	–	431,110	–
2024 Series B	4.65	2037	–	87,250	–	87,250	–
2024 Series C	5.00	2054	–	539,720	–	539,720	–
2024 Series D	5.00	2054	–	84,895	–	84,895	–
For issuance premiums			315,451	74,996	(37,401)	353,046	–
Total revenue bonds and notes payable			2,685,051	1,217,971	(154,176)	3,748,846	38,460
Bond, loan, lease, and subscription interest payable			32,406	165,565	(151,899)	46,072	42,174
Commercial Paper	3.57 - 3.75		341,373	648	(342,021)	–	–
2009 Series D COPs (Build America)	6.36 - 6.49	2041	23,595	–	(900)	22,695	937
State Revolving Fund Loans (CWSRF loans)	0.80 - 1.80	2056	317,662	54,573	(5,629)	366,606	6,419
Water Infrastructure Finance and Innovation Act (WIFIA) Loans	1.45 - 3.65	2062	922,431	472,221	–	1,394,652	–
Arbitrage rebate payable			8,521	–	(3,977)	4,544	290
Net other postemployment benefits liability			49,260	1,292	–	50,552	–
Net pension liability			67,299	7,040	–	74,339	–
Accrued compensated absences			25,892	1,365 **	–	27,257	14,531
Accrued workers' compensation			9,012	1,886	(1,997)	8,901	1,602
Due to other City departments			405	–	(114)	291	115
Lease liability			–	5,488	–	5,488	1,766
Subscription liability			186	411	–	597	503
Damage claims liability			115,083	4,968	(40,950)	79,101	15,885
Pollution remediation obligation			6,451	–	(328)	6,123	–
Total			$ 4,604,627	1,933,428	(701,991)	5,836,064	122,682

* Restated due to the implementation of GASB 101- *Compensated Absences*.

** Compensated absences activities are shown as net.

(Dollars in thousands, unless otherwise stated)

	Interest rate	Maturity (Calendar Year)	2023	Additions	Reductions	Restated** 2024	Due within one year
Revenue Bonds:							
2010 Series B (Build America)	4.65% - 5.82%	2040	$ 185,235	–	(7,505)	177,730	7,745
2013 Series A	1.00 - 5.00	2025	575	–	(575)	–	–
2013 Series B	4.00 - 5.00	2042	93,095	–	–	93,095	–
2016 Series A	4.00 - 5.00	2046	240,580	–	(5,475)	235,105	5,760
2016 Series B	4.00 - 5.00	2046	67,820	–	(1,545)	66,275	1,625
2018 Series A	4.00 - 5.00	2043	221,335	–	(7,160)	214,175	6,580
2018 Series B	5.00	2043	179,690	–	(5,810)	173,880	5,335
2021 Series A	4.00 - 5.00	2051	260,835	–	–	260,835	–
2021 Series B	5.00	2051	37,045	–	–	37,045	–
2022 Series B	5.00	2034	137,080	–	–	137,080	8,325
2023 Series A	5.00 - 5.25	2042	530,565	–	–	530,565	–
2023 Series B	4.00 - 5.00	2042	278,155	–	–	278,155	–
2023 Series C	4.00	2048	165,660	–	–	165,660	–
For issuance premiums			339,240	–	(23,789)	315,451	–
Revenue Notes:							
2021 Series A - Biosolids	1.00	2025	218,355	–	(218,355)	–	–
2021 Series B - SEP Headworks	1.00	2026	129,110	–	(129,110)	–	–
For issuance premiums			2,091	–	(2,091)	–	–
Total revenue bonds and notes payable			3,086,466	–	(401,415)	2,685,051	35,370
Bond, loan, lease, and subscription interest payable			–	32,406	–	32,406	30,300
Commercial Paper*	3.15 - 3.74	2024	–	341,373	–	341,373	–
2009 Series D COPs (Build America)	6.36 - 6.49	2041	24,458	–	(863)	23,595	900
State Revolving Fund Loans (CWSRF loans)	0.80 - 1.80	2056	318,689	1,498	(2,525)	317,662	5,629
Water Infrastructure Finance and Innovation Act (WIFIA) Loans	1.45	2062	122,357	800,074	–	922,431	–
Arbitrage rebate payable			188	8,333	–	8,521	–
Net other postemployment benefits liability			49,035	225	–	49,260	–
Net pension liability			49,549	17,750	–	67,299	–
Accrued compensated absences			11,662	14,230 ***	–	25,892	13,705
Accrued workers' compensation			7,998	2,680	(1,666)	9,012	1,602
Due to other City departments			2,620	–	(2,215)	405	114
Lease liability			1,297	–	(1,297)	–	–
Subscription liability			429	–	(243)	186	93
Damage claims liability			4,350	112,467	(1,734)	115,083	28,742
Pollution remediation obligation			7,800	–	(1,349)	6,451	–
Total			$ 3,686,898	1,331,036	(413,307)	4,604,627	116,455

* As of June 30, 2024, the Enterprise had $341,373 in outstanding commercial paper which were repaid by 2024 Series CD Wastewater Revenue Bonds in July 2024. The $341,373 has been reclassified to long-term liabilities on the financial statements.

** Restated due to the implementation of GASB 101- *Compensated Absences*.

*** Compensated absences activities are shown as net.

The payments of principal and interest amounts on various bonds and notes are secured by net revenues of the Enterprise.

(a) *Wastewater Revenue Bonds 2010 Series B*

During fiscal year 2010, the Enterprise issued revenue bonds 2010 Series B (Federally Taxable – Build America Bonds – Direct Payment) in the amount of $192,515 with interest rates ranging from 4.7% to 5.8%. Proceeds from the bonds were used to redeem $53,500 in outstanding commercial paper notes, provide funding for capital projects in the amount of $112,429, fund a cash debt service reserve fund, and pay financing costs for the bonds. The bonds were rated “Aa3” and “AA-” by Moody’s and S&P, respectively, at the time of issuance. Bonds mature through October 1, 2040. The true interest cost is 3.7%. As of June 30, 2025 and 2024, the 2010 Series B bonds’ principal amount outstanding was $169,985 and $177,730, respectively.

(b) Wastewater Revenue Bonds 2013 Series A

In January 2013, the Enterprise issued tax-exempt revenue bonds 2013 Series A in the amount of $193,400 for the purpose of refunding the remaining portion of the outstanding 2003 Series A bonds maturing on and after October 1, 2013. The bonds carried “Aa3” and “AA-” ratings from Moody’s and S&P, respectively, at the time of issuance. The 2013 Series A refunding bonds include serial bonds with interest rates varying from 1.0% to 5.0% and have a final maturity in October 2025. The Series A bonds had a true interest cost of 1.2% at issuance. The 2013 Series A bonds also refunded the remaining portion of the outstanding state revolving fund loans. The refunding resulted in the recognition of a deferred accounting loss of $2,986, gross debt service savings of $35,107 over the next 13 years, and an economic gain of $32,783 or 15.4% of the refunded principal.

A portion of the proceeds of the 2022 Series B refunding bonds was deposited with the trustee, acting as escrow agent under the irrevocable Escrow Agreements, dated July 1, 2022 to refund and legally defease a portion of the outstanding 2013 Series A bonds. This deposit, together with certain other available monies was held by the escrow agent under the Escrow Agreement and invested in non-callable Federal Securities. As of June 30, 2025 and 2024, the principal amount outstanding of the 2013 Series A bonds was $0.

(c) Wastewater Revenue Bonds 2013 Series B

In February 2013, the Enterprise issued revenue bonds 2013 Series B in the amount of $331,585 with interest rates ranging from 4.0% to 5.0%. Proceeds from the bonds were used for Wastewater capital projects, pay off all outstanding Wastewater commercial paper notes, and pay the costs of issuing the bonds. The bonds were rated “Aa3” and “AA-” by Moody’s and S&P, respectively, at the time of issuance. Bonds mature through October 1, 2042. The true interest cost was 3.6% at issuance.

A portion of the proceeds of the 2022 Series B and 2023 Series B refunding bonds was deposited with the trustee, acting as escrow agent under the irrevocable Escrow Agreements, date July 1, 2022 and April 1, 2023, respectively to refund and legally defease a portion of the outstanding 2013 Series B bonds. This deposit, together with certain other available monies was held by the escrow agent under the Escrow Agreement and invested in non-callable Federal Securities. The 2013 Series B bonds were defeased by the 2022 Series B and 2023 Series B bonds for $147,920 and $90,570, respectively. The remaining bonds mature through October 1, 2042. As of June 30, 2025 and 2024, the principal amount outstanding of the 2013 Series B bonds was $93,095.

(d) Wastewater Revenue Bonds 2016 Series A

In May 2016, the Enterprise issued tax-exempt revenue bonds 2016 Series A (Green Bonds) in the amount of $240,580 with interest rates ranging from 4.0% to 5.0%. Proceeds from the bonds were used for Wastewater capital projects, to pay off $53,439 of outstanding commercial paper notes, to fund capitalized interest, and pay the costs of issuing the bonds. The bonds carried ratings of “AA” and “Aa3” from S&P and Moody’s, respectively, at the time of issuance. Bonds mature through October 1, 2046. The bonds have a true interest cost of 3.2%. As of June 30, 2025 and 2024, the principal amount outstanding of the 2016 Series A bonds was $229,345 and $235,105, respectively.

(e) Wastewater Revenue Bonds 2016 Series B

In May 2016, the Enterprise issued tax-exempt revenue bonds 2016 Series B in the amount of $67,820 with interest rates ranging from 4.0% to 5.0%. Proceeds from the bonds were used for Wastewater capital projects, to pay off $20,560 of outstanding commercial paper notes, to fund capitalized interest, and pay the costs of issuing the bonds. The bonds carried ratings of "AA" and "Aa3" from S&P and Moody's, respectively, at the time of issuance. Bonds mature through October 1, 2046. The bonds have a true interest cost of 3.2%. As of June 30, 2025 and 2024, the principal amount outstanding of the 2016 Series B bonds was $64,650 and $66,275, respectively.

(f) Wastewater Revenue Bonds 2018 Series A

In August 2018, the Enterprise issued tax-exempt revenue bonds 2018 Series A (SSIP) (Green Bonds) in the amount of $229,050 with interest rates ranging from 4.0% to 5.0%. Proceeds from the bonds were used for Wastewater capital projects in furtherance of the SFPUC's Sewer System Improvement Program ("SSIP"), to pay off $25,000 of outstanding commercial paper notes, to fund capitalized interest, and to pay the costs of issuing the bonds. The bonds carried ratings of "AA" and "Aa3" from S&P and Moody's, respectively, at the time of issuance. Bonds mature through October 1, 2043. The bonds have a true interest cost of 3.4%. As of June 30, 2025 and 2024, the principal amount outstanding of the 2018 Series A bonds was $207,595 and $214,175, respectively.

(g) Wastewater Revenue Bonds 2018 Series B

In August 2018, the Enterprise issued tax-exempt revenue bonds 2018 Series B (Non-SSIP) in the amount of $185,950 with 5.0% interest rate. Proceeds from the bonds were used for Wastewater capital projects, to fund capitalized interest, and pay the costs of issuing the bonds. The bonds carried ratings of "AA" and "Aa3" from S&P and Moody's, respectively, at the time of issuance. Bonds mature through October 1, 2043. The bonds have a true interest cost of 3.5%. A portion of the proceeds of the 2024 Series B Bonds were deposited with the trustee, acting as escrow agent under the irrevocable Escrow Agreement, dated July 1, 2024, to refund and legally defease a portion of the outstanding 2018 Series B bonds. This deposit was held by the escrow agent under the Escrow Agreement and invested in non-callable federal securities. The principal and interest on monies held by the escrow agent will be sufficient to redeem the maturities of the 2018 Series B bonds starting on October 1, 2026 and thereafter. As of June 30, 2025 and 2024, the principal amount outstanding of the 2018 Series B bonds was $162,190 and $173,880, respectively.

(h) Wastewater Revenue Bonds 2021 Series AB

In November 2021, the Enterprise issued tax-exempt revenue bonds, 2021 Series AB in the aggregate amount of $297,880. The purpose of the 2021 Series AB Bonds was to refund approximately $340,000 aggregate principal amount of commercial paper notes which funded various capital projects of the Wastewater Enterprise. The bonds carried "Aa2" and "AA" ratings from Moody's and S&P, respectively.

The $260,835 2021 Series A Bonds were issued as tax-exempt Green Bonds to refund approximately $296,000 of commercial paper notes for SSIP capital projects. The Series A bonds were issued as serial bonds with coupons of 4.0% and 5.0% and a final maturity of 2051. The 2021 Series A bonds have a true interest cost of 3.0%. As of June 30, 2025 and 2024, the principal amount of the 2021 Series A bonds outstanding was $260,835.

The $37,045 2021 Series B bonds were issued as tax-exempt bonds to refund approximately $44,000 of commercial paper notes for Wastewater capital projects. The Series B bonds were issued as serial bonds with coupons of 5.0% and have a final maturity of 2051. The Series B bonds have a true interest cost of 3.2%. As of June 30, 2025 and 2024, the principal amount of the 2021 Series B bonds outstanding was $37,045.

(i) Wastewater Revenue Notes 2021 Series AB

In November 2021, the Enterprise issued tax-exempt revenue (Green) notes, 2021 Sub-Series A and Sub-Series B together with an aggregate principal of $347,465 to finance a portion of the design, acquisition and construction of the Biosolids Digester Facility Project and Southeast Water Pollution Control Plant improvements. The SFPUC intends to pay principal of the 2021A Notes and 2021B Notes from the proceeds of one or more draws under WIFIA Loan Agreements for the Biosolids Digester Facility Project and Southeast Treatment Plant Improvements, respectively, or from the proceeds of future obligations.

The $218,355 2021 Series A Notes were issued as tax-exempt Green Notes to fund a portion of the Biosolids Digester Facilities Project. The Series A Notes were issued with 1.0% coupons and a final maturity of 2025. The 2021 Series A Notes have a true interest cost of 0.8%. As of June 30, 2025 and 2024, the principal amount of 2021 Series A Notes outstanding was $0.

The $129,110 2021 Series B Notes were issued as tax-exempt Green Notes to fund a portion of Southeast Water Pollution Control Plant improvements. The Series B Notes were issued with 1.0% coupons and a final maturity of 2026. The 2021 Series B Notes have a true interest cost of 0.8%. As of June 30, 2025 and 2024, the principal amount of 2021 Series B Notes outstanding was $0.

In March 2024, the Enterprise deposited a portion of WIFIA disbursements with the trustee, acting as escrow agent under the irrevocable Escrow Agreements, dated March 1, 2024 to refund and legally defease the outstanding 2021 Series A Notes and 2021 Series B Notes. This deposit, together with certain other available monies was held by the escrow agent under the Escrow Agreement and invested in non-callable Federal Securities. The principal and interest on monies held by the escrow agent were sufficient to redeem 2021 Series A Notes and 2021 Series B Notes with maturities October 1, 2025 and October 1, 2026, respectively. The defeased principal amount outstanding for 2021 Series A Notes and 2021 Series B Notes were $218,355 and $129,110, respectively, as of June 30, 2025. The refunding resulted in the recognition of an accounting gain in an aggregate amount of $22,212.

(j) Wastewater Revenue Refunding Bonds 2022 Series B

In July 2022, the Enterprise issued tax-exempt revenue bonds, 2022 Series B in the aggregate principal amount of $137,080 on a forward delivery basis. The 2022 Series B bonds were issued for the purpose of refunding a portion of the outstanding 2013 Series A bonds maturing on October 1, 2024 and October 1, 2025 and a portion of the outstanding 2013 Series B bonds maturing on October 1, 2024 through October 1, 2034. The 2013 Series A bonds were defeased by 2022 Series B bonds for $1,870 in July 2022. The bonds carried “Aa2” and “AA” ratings from Moody’s and S&P, respectively.

The 2022 Series B bonds include serial bonds, each with an interest rate of 5% and have a final maturity in 2034. The Series B bonds have a true interest cost of 3.2%. The refunding resulted in the recognition of a deferred accounting gain of $6,868, gross debt service savings of $12,446, and an economic gain of $12,012 or 8.0% of refunded bonds. As of June 30, 2025 and 2024, the principal amount of the 2022 Series B bonds outstanding was $128,755 and $137,080, respectively.

(k) Wastewater Revenue Refunding Bonds 2023 Series ABC

In April 2023, the Enterprise issued tax-exempt revenue bonds, 2023 Series ABC in the aggregate principal amount of $974,380. The purpose of the 2023 Series ABC bonds was to refund approximately $557,845 aggregate principal amount of commercial paper notes, finance various capital projects of the Enterprise, and refund certain outstanding revenue bonds. The bonds carried "Aa2" and "AA" ratings from Moody's and S&P, respectively.

The $530,565 2023 Series A bonds were issued as tax-exempt Green Bonds to refund approximately $400,900 of commercial paper notes for SSIP capital projects and finance certain capital projects benefitting the Enterprise. The Series A bonds were issued as serial bonds with coupons of 5.0% and 5.3% and a final maturity of 2042. The 2023 Series A bonds have a true interest cost of 2.9%. As of June 30, 2025 and 2024, the principal amount of the 2023 Series A bonds outstanding was $530,565.

The $278,155 2023 Series B bonds were issued as tax-exempt bonds to refund a portion of the outstanding 2013 Series B bonds maturing on October 1 2035 through October 1, 2039, refund approximately $156,900 of commercial paper notes for certain capital projects benefitting the Enterprise and finance certain capital projects benefitting the Enterprise. The Series B bonds were issued as serial bonds with coupons of 4.0% and 5.0% and a final maturity of 2042. The Series B bonds have a true interest cost of 3.0%. The refunding resulted in the recognition of a deferred accounting gain of $5,316, gross debt service savings of $10,626, and an economic gain of $7,647 or 8.4% of refunded bonds. A portion of the proceeds of the 2024 Series B Bonds were deposited with the trustee, acting as escrow agent under the irrevocable Escrow Agreement, dated July 1, 2024, to refund and legally defease a portion of the outstanding 2023 Series B bonds. This deposit was held by the escrow agent under the Escrow Agreement and invested in non-callable federal securities. The principal and interest on monies held by the escrow agent will be sufficient to redeem the maturities of the 2023 Series B bonds starting on October 1, 2026 and thereafter. As of June 30, 2025 and 2024, the principal amount of the 2023 Series B bonds outstanding was $203,105 and $278,155, respectively.

The $165,660 2023 Series C bonds were issued as tax-exempt Green Bonds to refund all of the outstanding 2018 Series C bonds. The Series C bonds were issued as serial bonds with a coupon of 4.0% and a final maturity of 2048. The 2023 Series C bonds have a true interest cost of 3.5%. The refunding resulted in the recognition of a deferred accounting gain of $963, gross debt service savings of $24,606, and an economic gain of $15,785 or 8.8% of refunded bonds. As of June 30, 2025 and 2024, the principal amount of the 2023 Series C bonds outstanding was $165,660.

(l) Wastewater Revenue Refunding Bonds 2024 Series ABCD

In July 2024, the Enterprise issued taxable and tax-exempt, 2024 Series ABCD, in the total aggregate principal amount of $1,142,975. The purpose of the 2024 Series ABCD bonds were issued to retire approximately $342,021 aggregate principal amount of commercial paper notes, finance various capital projects of the enterprise, and refund certain outstanding revenue bonds.

The $431,110 2024 Series A Bonds were issued as taxable Green Bonds for the Sewer System Improvement Program (SSIP) to fund the Biosolids Digester Facility Project. The Series A were issued with a coupon rate of 4.7% and have a single maturity of 2027.The Series A have a true interest cost of 4.7%. The bonds carried a Aa2 rating from Moody's. As of June 30, 2025, the principal amount of the 2024 Series A bonds outstanding was $431,100.

The $87,250 2024 Series B bonds were issued as taxable bonds for non-SSIP projects. The bonds were issued to defease a portion of the outstanding 2018 Series B bonds maturing on October 1, 2026 through October 1, 2043, and a portion of outstanding 2023 Series B bonds maturing October 1, 2026. The 2024 Series B bonds were issued as serial bonds with coupons of 4.6% to 5.1% and have a final maturity of 2037. The Series B bonds have a true interest cost of 5.0% The refunding resulted in the recognition of a deferred accounting gain/loss of $8,135 of refunded bonds. The Series B bonds carried of "AA" and "Aa2" ratings from S&P and Moody's, respectively. As of June 30, 2025, the principal amount of the 2024 Series B bonds outstanding was $87,250.

The $539,720 2024 Series C bonds were issued as tax-exempt Green Bonds to retire approximately $270,189 of commercial paper notes for SSIP capital projects and finance certain capital projects benefitting the Enterprise. The Series C bonds were issued as serial bonds and term bonds with coupons of 5.0% and final maturity of 2054. The Series C bonds have a true interest cost of 4.2%. The bonds carried of "AA" and "Aa2" ratings from S&P and Moody's, respectively. As of June 30, 2025, the principal amount of the 2024 Series C bonds outstanding was $539,720.

The $84,895 2024 Series D bonds were issued as tax-exempt bonds to retire approximately $71,832 of commercial paper for non-SSIP projects and to finance certain capital project benefiting the Enterprise. The Series D were issued as serial bonds and term bonds with 5.0% coupons and a final maturity of 2054. The 2024 Series D bonds have a true interest cost of 4.2%. The bonds carried "Aa2" and "AA" ratings from Moody's and S&P, respectively. As of June 30, 2025, the principal amount of the 2024 Series D bonds outstanding was $84,895.

(Dollars in thousands, unless otherwise stated)

(m) Future Annual Debt Service of Revenue Bonds and Refunding Bonds

The following table presents the future annual debt service relating to the revenue and refunding bonds outstanding as of June 30, 2025. The interest before subsidy amounts includes the interest for 2010 Series B, 2013 Series B, 2016 Series A and B, 2018 Series A and B, 2021 Series A and B bonds, 2022 Series B, 2023 Series A, B, and C bonds, and 2024 Series A, B, C, and D bonds. The federal interest subsidy amounts represent 35.0% of the interest, excluding sequestration, for the 2010 Series B revenue bonds.

	Principal	Interest before subsidy	Federal interest subsidy*	Interest net of subsidy
Fiscal years ending June 30:				
2026	$ 38,460	161,374	(3,105)	158,269
2027	59,895	158,944	(2,968)	155,976
2028	528,685	144,966	(2,822)	142,144
2029	112,720	129,667	(2,668)	126,999
2030	118,370	123,857	(2,506)	121,351
2031-2035	592,025	529,328	(9,771)	519,557
2036-2040	565,485	384,154	(4,393)	379,761
2041-2045	560,520	248,782	(133)	248,649
2046-2050	456,425	135,701	—	135,701
2051-2055	363,215	41,859	—	41,859
	3,395,800	2,058,632	(28,366)	2,030,266
Less: Current portion	(38,460)			
Add: Unamortized bond premiums	353,046			
Long-term portion as of June 30, 2025	$ 3,710,386			

* The SFPUC received an IRS notice, dated April 8, 2025, that the federal interest subsidy on the 2010 Series B bonds is reduced by 5.7% through fiscal year 2030, or a total reduction of $1,715, due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same after fiscal year 2025.

As defined in the Indenture, the principal and interest of the Enterprise's refunding bonds are payable from its corresponding revenue as well as monies deposited in certain funds and accounts pledged thereto (see Note 5).

(n) Certificates of Participation Issued for the 525 Golden Gate Avenue Headquarters Building

In October 2009, the City issued $167,670 in certificates of participation to fund the headquarters building of the SFPUC at 525 Golden Gate Avenue. The 2009 Series C were issued for $38,120 and 2009 Series D for $129,550 as "Build America Bonds" on a taxable basis under the 2009 American Recovery and Reinvestment Act. The 2009 Series C certificates carry interest rates ranging from 2.0% to 5.0% and matured on November 1, 2022. The 2009 Series D certificates carry interest rates ranging from 6.4% to 6.5% and mature on November 1, 2041. After adjusting for the federal interest subsidy, the true interest cost averages 3.4% and 4.3% for Series C and Series D, respectively.

Under the terms of a memorandum of understanding (MOU) between the City and the SFPUC dated October 1, 2009, the City conveyed the real property to the Trustee, the Bank of New York Mellon Trust Company, N.A., which was replaced by U.S. Bank in March 2014 under a property lease in exchange for the proceeds of the sale of the certificates. The Trustee has leased the property back to the City for the City's use under a project lease. The City is obligated under the project lease to pay base rental payments and other payments to the Trustee each year during the 32-year term of the project lease. The Commission makes annual base rental payments to the City for the building equal to annual debt service on the certificates. There are no events of default stated in this MOU.

(Dollars in thousands, unless otherwise stated)

Each of the three Enterprises has an ownership interest in the building equal to their projected usage of space as follows: Water (73%), Wastewater (15%), and Power (12%). Similarly, each Enterprise is responsible for a portion of the annual base rental payment based on their ownership percentages less contributed equity. The percentage share of base rental payments for the Enterprises is as follows: Water (71.4%), Wastewater (18.9%), and Power (9.7%).

The future annual debt service relating to the certificates of participation 2009 Series D outstanding as of June 30, 2025 is as follows:

Certificates of Participation 2009 Series D (Taxable)		Principal	Interest before subsidy	Federal interest subsidy*	Interest net of subsidy
Fiscal years ending June 30:					
2026	$	937	1,436	(474)	962
2027		977	1,375	(454)	921
2028		1,019	1,312	(433)	879
2029		1,061	1,246	(411)	835
2030		1,105	1,177	(388)	789
2031-2035		6,276	4,723	(1,559)	3,164
2036-2040		7,740	2,458	(811)	1,647
2041-2042		3,580	234	(78)	156
Total		22,695	13,961	(4,608)	9,353
Less: Current portion		(937)			
Long-term portion as of June 30, 2025	$	21,758			

* The SFPUC received an IRS notice dated April 8, 2025, that the federal interest subsidy on the 2009 Series D bonds is reduced by 5.7% through fiscal year 2030, or a total reduction of $278, due to sequestration over the remaining life of the bonds assuming the sequestration rate will remain the same after fiscal year 2025.

(o) Lake Merced Green Infrastructure Project CWSRF Loan

In January 2016, then amended in May 2016, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund ("CWSRF") Loan to fund the Lake Merced Green Infrastructure Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is $7,435. The loan bears an interest rate of 1.6% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; completion was in October 2020. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received loan disbursements to date totaling $6,116 and a construction period interest of $166 transferred to principal. As of June 30, 2025 and 2024, the principal amount outstanding of the loan was $5,602 and $5,775, respectively.

(p) Southeast Plant (SEP) 521/522 and Disinfection Upgrade Project CWSRF Loan

In September 2017, then amended in December 2017 and May 2018, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP 521/522 and Disinfection Upgrade Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is $40,007. The loan bears an interest rate of 1.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in July 2019. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $39,741. As of June 30, 2025 and 2024, the principal amount outstanding of the loan was $34,272 and $35,350, respectively.

(q) North Point Facility Outfall Rehabilitation Project CWSRF Loan

In September 2017, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the North Point Facility Outfall Rehabilitation Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is $20,199. The loan bears an interest rate of 1.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in February 2018. The CWSRF loans is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $17,706. As of June 30, 2025 and 2024, the principal amount outstanding of the loan was $14,247 and $14,744, respectively.

(r) Southeast Plant (SEP) Primary/Secondary Clarifier Upgrade Project CWSRF Loan

In September 2017, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP Primary/Secondary Clarifier Upgrade Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is $34,446. The loan bears an interest rate of 0.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in June 2018. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $29,197. As of June 30, 2025 and 2024, the principal amount outstanding of the loan was $23,622 and $24,445, respectively.

(s) Oceanside Plant (OSP) Digester Gas Utilization Upgrade Project

In May 2020, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the OSP Digester Gas Utilization Upgrade Project of the Sewer System Improvement Program. The CWSRF loan is in the amount of $54,388, which includes $4,000 of principal forgiveness, or a grant. The loan bears an interest rate of 1.4% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $45,103, which included a loan forgiveness grant of $4,000 and a receivable for reimbursement of $9,285. As of June 30, 2025 and 2024, the principal amount outstanding of the loan including capitalized interest was $50,411 and $30,067, respectively.

(t) Southeast Plant (SEP) Biosolids Digester Facilities Project

In May 2020, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP Biosolids Digester Facilities Project of the Sewer System Improvement Program. The CWSRF loan is in the amount of $132,000, which includes $4,000 of principal forgiveness, or a grant. The loan bears an interest rate of 1.4% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion is expected in May 2026. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $132,000, which includes a $4,000 loan forgiveness grant. As of June 30, 2025 and 2024, the principal amount outstanding of the loan was $128,000.

(u) Southeast Plant (SEP) New Headworks (Grit) Replacement Project

In May 2021, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP New Headworks (Grit) Replacement Project of the Sewer System Improvement Program. The CWSRF loan is in the amount of $112,036. The loan bears an interest rate of 1.1% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion is expected in August 2027. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $91,020 and a receivable for reimbursement of $21,016. As of June 30, 2025 and 2024, the principal amount outstanding of the loan including capitalized interest was $110,452 and $79,281, respectively.

(v) New Treasure Island Wastewater Treatment Plant

In June 2025, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the New Treasure Island Wastewater Treatment Plant. The CWSRF loan is in the amount of $110,000. The loan bears an interest rate of 1.7% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion is expected in February 2027. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. As of June 30, 2025 the Enterprise has not submitted any reimbursement requests to date and the principal amount outstanding of the loan was $0.

(Dollars in thousands, unless otherwise stated)

(w) Folsom Area Stormwater Improvement Project

In June 2025 the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the Folsom Area Stormwater Improvement Project. The CWSRF loan is in the amount of $50,000. The loan bears an interest rate of 1.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion is expected in September 2028. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. As of June 30, 2025 the Enterprise has not submitted any reimbursement requests to date and the principal amount outstanding of the loan was $0.

(x) Future Annual Debt Service of State Revolving Fund Loans (CWSRF Loans)

The future annual debt service relating to the SRF Loans to fund the Lake Merced Green Infrastructure Project, the North Point Facility Outfall Rehabilitation Project, the SEP Primary/Secondary Clarifier Upgrade Project, the SEP 521/522 and Disinfection Upgrade Project, the OSP Digester Gas Utilization Upgrade Project, the SEP Biosolids Digester Facilities Project, and the SEP New Headworks (Grit) Replacement Project outstanding as of June 30, 2025 is as follows:

California Clean Water State Revolving Fund Loans		Principal	Interest and Fees*	Total
Fiscal years ending June 30:				
2026	$	6,419	3,172	9,591
2027		10,884	5,009	15,893
2028		11,036	4,856	15,892
2029		11,191	4,701	15,892
2030		11,348	4,544	15,892
2031-2035		59,182	20,281	79,463
2036-2040		63,469	15,994	79,463
2041-2045		68,077	11,385	79,462
2046-2050		68,944	6,467	75,411
2051-2055		50,874	2,195	53,069
2056		5,182	73	5,255
		366,606	78,677	445,283
Less: Current portion		(6,419)		
Long-term portion as of June 30, 2025	$	360,187		

* Interest and Fees included debt administrative fees for the North Point Facility and SEP Clarifier Upgrade SRF loans.

(y) WIFIA Loan Agreement-Biosolids Digester Facility Project

In July 2018, the SFPUC entered into a WIFIA Loan Agreement with the United States Environmental Protection Agency (EPA) in the amount of $699,242. The WIFIA Loan was entered into pursuant to the WIFIA statute authorized by Congress in 2014. The WIFIA Loan will fund 49% of the costs of the Wastewater Enterprise's Biosolids Digester Facility Project plus certain eligible expenses. Payment of the WIFIA Loan will be secured by a senior lien pledge of the Wastewater Enterprise's net revenues and is on a parity lien basis with the SFPUC's outstanding Wastewater Revenue Bonds and Clean Water SRF Loans entered into with the California State Water Resources Control Board.

The original 2018 loan bore a fixed interest rate of 3.09% for a 35-year term, with loan repayment expected to begin in fiscal year 2026, after substantial completion of project construction. In June 2020 the SFPUC re-executed the WIFIA Loan Agreement to have a fixed interest rate of 1.45% for a 35-year term. All other terms of WIFIA Loan Agreement are unchanged.

In March of 2023, the SFPUC received disbursement of $122,283 in respect to eligible project costs and a capitalized interest of $74 added to principal. In January of 2024, the SFPUC received a second disbursement of $439,995 in respect to eligible project costs. In February 2025, the SFPUC received a final disbursement of $136,964. As of June 30, 2025 and 2024, the principal amount outstanding of the loan including capitalized interest was $713,314 and $567,511, respectively.

(z) WIFIA Loan Agreement-Southeast Treatment Plant Improvements

In June 2020, another WIFIA Loan agreement with the United States Environmental Protection Agency in the amount of $513,862 was executed. The WIFIA Loan was entered into pursuant to the WIFIA statute authorized by Congress in 2014. The WIFIA Loan will fund 49% of the costs of the Wastewater Enterprise's SEP New Headworks Replacement Project and additional costs of the revised Biosolids Digester Facility Project plus certain eligible expenses. Payment of the WIFIA Loan will be secured by a senior lien pledge of the Wastewater Enterprise's net revenues and is on a parity lien basis with the SFPUC's outstanding Wastewater Revenue Bonds and Clean Water SRF Loans entered into with the California State Water Resources Control Board. The loan will bear a fixed interest rate of 1.45% for a 35-year term, with loan repayment expected to begin in fiscal year 2025, after substantial completion of project construction.

In January of 2024, the SFPUC received disbursement of $352,573 in respect to eligible project costs. In February 2025, the SFPUC received a final disbursement of $161,289. As of June 30, 2025 and 2024, the principal amount outstanding of the loan including capitalized interest was $522,056 and $354,920, respectively.

(aa) WIFIA Master Loan Agreement and Project 1 Loan Agreement

In April 2023, the SFPUC entered into a WIFIA Master Agreement and Project 1 Loan Agreement with the United States Environmental Protection Agency. The WIFIA Master Agreement and Project 1 Loan was entered into pursuant to the WIFIA authorized by Congress in 2014. The SFPUC entered the WIFIA Master Loan Agreement with the EPA in an amount not to exceed $791,337 to provide partial funding for projects in the Wastewater Enterprise Capital Plan. The Master Agreement defines the general terms for funding a series of WIFIA loans, the first of which is the "Project 1 Loan Agreement". The incurrence of the Project 1 Loan Agreement, in an aggregate initial principal amount not to exceed $369,335, will provide partial funding for six Wastewater Enterprise capital improvement projects. Those projects are Westside Pump Station Reliability Improvements, North Shore Pump Station Wet Weather Improvements, Wawona Area Stormwater Improvement, New Treasure Island Wastewater Treatment Plant, Folsom Area Stormwater Improvement, and Yosemite Creek Daylighting. Proceeds of the loan will fund 49% of project costs plus eligible expenses. The Project 1 Loan is on a parity lien basis with the SFPUC's outstanding Wastewater Revenue Bonds and Clean Water SRF Loans entered into with the California State Water Resources Control Board. The loan will bear a fixed interest rate of 3.65% for a 32-year term, with loan repayment expected to begin in fiscal year 2033. In February 2025, the SFPUC received disbursement of $157,643. As of

(Dollars in thousands, unless otherwise stated)

June 30, 2025 and 2024 the principal amount outstanding of the loan including capitalized interest was $159,282 and $0, respectively.

(ab) Future Annual Debt Service of WIFIA Loans

The future annual debt service relating to the WIFIA Loan to fund the Biosolids Digester Facility Project and the Southeast Treatment Plant Project outstanding as of June 30, 2025 is as follows:

Water Infrastructure Finance and Innovation Act (WIFIA) Loans	Principal	Interest	Total
Fiscal years ending June 30:			
2026	$ –	5,190	5,190
2027	–	10,381	10,381
2028	–	10,381	10,381
2029	–	10,380	10,380
2030	–	10,380	10,380
2031-2035	–	101,652	101,652
2036-2040	–	118,820	118,820
2041-2045	111,009	116,086	227,095
2046-2050	332,557	96,741	429,298
2051-2055	441,799	64,130	505,929
2056-2060	436,539	25,487	462,026
2061-2062	72,748	1,423	74,171
	1,394,652	571,051	1,965,703
Less: Current portion	–		
Long-term portion as of June 30, 2025	$ 1,394,652		

(ac) Events of Default and Remedies

Significant events of default as specified in the Wastewater Enterprise Indenture (applicable to Wastewater Revenue Bonds, SRF Loans, and WIFIA Loan include 1) Non-payment 2) material breach of warranty, representation, or indenture covenants (not cured within applicable grace periods), and 3) bankruptcy and insolvency events, which may result in the Trustee (upon written request by the majority of the owners (by aggregate amount of the bond obligations or of a credit provider), declaring the principal and the interest ***accrued*** thereon, to be due and payable immediately. As of June 30, 2025 and 2024, there were no such events described herein.

(ad) Leases

The Enterprise as a lessee has entered into long-term leases for office space and communication site. The terms and conditions for these leases vary, which range between 1-75 years.

Variable Lease Payments

Variable lease payments, other than those payments that depend on an index or rate or are fixed in substance, are excluded for the measurement of the lease liability. Such amounts are recognized as lease expenses in the period in which the obligation for those payments is incurred.

Certain facility rental leases require the Enterprise to make variable lease payments that based on usage, related to the property taxes levied on the lessor, and insurance payments made by the lessor, these amounts are generally determined annually. The amounts recognized as expense for variable lease payments not included in the measurement of the lease liability were $211 and $4 during the years ended June 30, 2025 and 2024, respectively.

(Dollars in thousands, unless otherwise stated)

Future annual lease payments as of June 30, 2025:

Year ending June 30:		Principal amount	Interest amount	Total
2026	$	1,766	135	1,901
2027		1,817	84	1,901
2028		1,209	37	1,246
2029		696	11	707
		5,488	267	5,755
Less: Current portion		(1,766)		
Long-term portion as of June 30, 2025	$	3,722		

There were no future lease payments or balances as of June 30, 2024.

(ae) Subscription-Based Information Technology Arrangements

Wastewater Enterprise as Subscriber

The Enterprise has noncancellable subscription arrangements (similar to a lease) for the right to use various information technology hardware and software (SBITAs). The terms and conditions for these subscriptions vary, which ranges between 1-5 years.

Future annual subscription payments as of June 30, 2025 and 2024 are as follows:

Year ending June 30:		Principal amount	Interest amount	Total
2026	$	503	13	516
2027		94	3	97
		597	16	613
Less: Current portion		(503)		
Long-term portion as of June 30, 2025	$	94		

Year ending June 30:		Principal amount	Interest amount	Total
2025	$	93	2	95
2026		93	1	94
		186	3	189
Less: Current portion		(93)		
Long-term portion as of June 30, 2024	$	93		

(8) Revenue Pledge

The Enterprise has pledged future revenues to repay various revenue bonds, SRF, and WIFIA loans. Proceeds from the revenue bonds, revenue notes, SRF, and WIFIA loans provided financing for various capital construction projects, and to refund previously issued bonds. The bonds, SRF, and WIFIA loans are payable through fiscal years 2055, 2056, and 2062, respectively, and are solely from revenues of the Enterprise.

(Dollars in thousands, unless otherwise stated)

The outstanding amount of revenue bonds issued, revenue notes issued, SRF loans, and WIFIA loans, total principal and interest remaining, principal and interest paid during fiscal years 2025 and 2024, applicable net revenues, and funds available for debt service are as follows:

		2025	2024
Bonds issued with revenue pledge	$	3,395,800	2,369,600
Clean Water State Revolving Fund (CWSRF) loans with revenue pledge		366,606	317,662
WIFIA loans with revenue pledge		1,394,652	922,431
Principal and interest remaining due at the end of the year		7,865,418	5,462,786
Principal and interest paid during the year		114,350	91,601
Net revenues for the year ended June 30		239,391	188,709
Funds available for debt service		416,307	354,681

(9) Leases

Wastewater Enterprise as Lessor

The Enterprise has leased facilities, easements, communication site and equipment to varies tenants. The terms and conditions for these leases varies, which ranges between 1–65 years.

Variable payments include percentage of sales, or payments depended on an index made by the lessee; these amounts are generally determined periodically. The Enterprise did not incur revenue related to residual value guarantees or lease termination penalties. The total amounts for lease revenue, interest revenue, and other lease-related revenues recognized during the years ended June 30, 2025 and 2024 were $23 and $37, respectively.

Principal and interest requirements to maturity for the lease receivable on June 30, 2025 are as follows:

Year ending June 30:		Principal	Interest	Total
2026	$	241	26	267
2027		257	19	276
2028		214	12	226
2029		105	8	113
2030		112	4	116
2031-2035		89	1	90
	$	1,018	70	1,088

(10) Employee Benefits

(a) Pension Plan

The Enterprise participates in a cost-sharing multiple-employer defined benefit pension Plan (SFERS Plan). The SFERS Plan is administered by the San Francisco City and County Employees' Retirement System (SFERS). Contributions are recognized in the period in which they are due pursuant to legal requirements. For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, pension expense, information about the fiduciary net position of the SFERS Plan, and additions to/deductions from the SFERS Plan's fiduciary net position have been determined on the same basis as they are reported by the SFERS Plan. Benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

(Dollars in thousands, unless otherwise stated)

GASB Statement No. 68 requires that the SFERS Plan reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Fiscal Year 2025	
Valuation Date (VD)	July 1, 2023 updated to June 30, 2024
Measurement Date (MD)	June 30, 2024
Measurement Period (MP)	July 1, 2023 to June 30, 2024

Fiscal Year 2024	
Valuation Date (VD)	July 1, 2022 updated to June 30, 2023
Measurement Date (MD)	June 30, 2023
Measurement Period (MP)	July 1, 2022 to June 30, 2023

SFERS Plan – The City is an employer of the SFERS Plan with a proportionate share of 94.70% as of June 30, 2024 (measurement date), and 94.85% as of June 30, 2023 (measurement date), a 0.15% decrease from prior year. The Enterprise's allocation percentage was determined based on the Enterprise's employer contributions divided by the City's total employer contributions for fiscal years 2024 and 2023. The Enterprise's net pension liability, deferred outflows/inflows of resources related to pensions, amortization of deferred outflows/inflows, and pension expense is based on its allocated percentage. The Enterprise's allocation of the City's proportionate share was 1.97% as of June 30, 2024 and 1.95% as of June 30, 2023 (measurement dates).

Plan Description – The SFERS Plan provides basic service retirement, disability, and death benefits based on specified percentages of defined final average monthly salary and provides annual cost of living adjustments (COLA) after retirement. The SFERS Plan also provides pension continuation benefits to qualified survivors. The San Francisco City and County Charter and the Administrative Code are the authorities which establish and amend the benefit provisions and employer obligations of the SFERS Plan. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the SFERS Plan. That report may be obtained on the Retirement System's website https://mysfers.org or by writing to the San Francisco City and County Employees' Retirement System, 1145 Market Street, 5th Floor, San Francisco, CA 94103 or by calling (415) 487-7000.

Benefits – The Retirement System provides service retirement, disability, and death benefits based on specified percentages of defined final average monthly salary and annual COLA after retirement. Benefits and refunds are recognized when due and payable in accordance with the terms of the SFERS Plan. The Retirement System pays benefits according to the category of employment and the type of benefit coverage provided by the City and County. The four main categories of SFERS Plan members are:

a) Miscellaneous Non-Safety Members – staff, operational, supervisory, and all other eligible employees who are not in special membership categories.

b) Sheriff's Department and Miscellaneous Safety Members – Sheriffs assuming office on and after January 7, 2012, and undersheriffs, deputized personnel of the Sheriff's Department, and miscellaneous safety employees hired on and after January 7, 2012.

c) Firefighter Members – firefighters and other employees whose principal duties are in fire prevention and suppression work or who occupy positions designated by law as firefighter member positions.

d) Police Members – police officers and other employees whose principal duties are in active law enforcement or who occupy positions designated by law as police member positions.

The membership groups and the related service retirement benefits are included in the Notes to the Basic Financial Statements of San Francisco Employees' Retirement System.

All members are eligible to apply for a disability retirement benefit, regardless of age, when they have 10 or more years of credited service, and they sustain an injury or illness that prevents them from performing their duties. Safety members are eligible to apply for an industrial disability retirement benefit from their first day on the job if their disability is caused by an illness or injury that they receive while performing their duties.

All retired members receive a benefit adjustment each July 1, which is the Basic COLA. The majority of adjustments are determined by changes in Consumer Price Index with increases capped at 2%. The SFERS Plan provides for a Supplemental COLA in years when there are sufficient "excess" investment earnings in the SFERS Plan. The maximum benefit adjustment each July 1 is 3.5% including the Basic COLA. Proposition A passed on November 8, 2022 making members who retired before November 6, 1996 (Pre96 Retirees) eligible for a Supplemental COLA, even if SFERS is not fully funded based on the fair value of assets. Also, Pre96 Retirees' base retirement allowances were adjusted to account for Supplemental COLAs not received in 2013, 2014, 2017, 2018, and 2019 due to the full funding requirement. Effective with Proposition A, Pre96 Retirees receive the same Supplemental COLAs as the after November 6, 1996 and before January 7, 2012 members. For all members hired before January 7, 2012, all Supplemental COLAs paid to them in retirement benefits will continue into the future even where an additional Supplemental COLA is not payable in any given year. For members hired on and after January 7, 2012, a Supplemental COLA will only be paid to retirees when the SFERS Plan is fully funded on a fair value of asset basis and in addition for these members, Supplemental COLAs will not be permanent adjustments to retirement benefits. That is, in years when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

Funding and Contribution Policy

SFERS Plans – Contributions are made by both the City and the participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates varied from 7.5% to 11.0% and 7.5% to 11.5%, as a percentage of gross covered salary in fiscal years 2025 and 2024. Most employee groups agreed through collective bargaining for employees to contribute the full amount of the employee contributions on a pretax basis. The Enterprise is required to contribute at an actuarially determined rate. Based on the July 1, 2023 actuarial report, the required employer contribution rates for fiscal year 2025 ranged from 14.91% to 16.91%. Based on the July 1, 2022 actuarial report, the required employer contribution rates for fiscal year 2024 ranged from 15.24% to 18.24%.

Employer contributions and employee contributions made by the employer to the SFERS Plan are recognized when due and the employer has made a formal commitment to provide the contributions. The City's proportionate share of employer contributions recognized by the Retirement System in fiscal years ended June 30, 2024 and 2023 (measurement periods) was $636,991 and $638,003, respectively. The Enterprise's allocation of employer contributions for fiscal years 2024 and 2023 was $12,402 and $12,383, respectively.

Pension Liabilities, Pension Expenses, Deferred Outflows, and Inflows of Resources Related to Pensions

Fiscal Year 2025

As of June 30, 2025, the City reported net pension liability (NPL) for its proportionate share of the net pension liability of the SFERS Plan of $3,775,717. The City's net pension liability for each of its cost-sharing plans is measured as a proportionate share of the plans' net pension liability. The net pension liability of the SFERS Plan is measured as of June 30, 2024 (measurement date), and the total pension liability for the SFERS Plan used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023 rolled forward to June 30, 2024 using standard update procedures. The City's proportion of the net pension liability for the SFERS Plan was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Enterprise's allocation of the City's proportionate share of the net pension liability for the SFERS Plan as of June 30, 2025 was $74,339.

For the year ended June 30, 2025, the City's recognized pension expense was $734,019 including amortization of deferred outflows/inflows related pension items. The Enterprise's allocation of pension expense including amortization of deferred outflows/inflows related pension items was $15,675. Pension expense increased from the prior year, largely due to the amortization of deferrals.

(Dollars in thousands, unless otherwise stated)

As of June 30, 2025, the Enterprise reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Fiscal Year 2025 Schedule of Deferred Outflows and Inflows of Resources

		Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$	12,829	—
Differences between expected and actual experience		11,719	—
Changes in assumptions		5,863	1,788
Net difference between projected and actual earnings on pension plan investments		13,735	—
Change in employer's proportion		851	384
Total	$	44,997	2,172

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in pension expense as follows:

Fiscal years		Deferred Outflows/(Inflows) of Resources
2026	$	(2,281)
2027		26,486
2028		4,718
2029		1,073
Total	$	29,996

At June 30, 2025 the Enterprise's reported $12,829 as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as an adjustment to net pension liability in the reporting year ended June 30, 2026.

Fiscal Year 2024

As of June 30, 2024, the City reported net pension liability (NPL) for its proportionate share of the net pension liability of the SFERS Plan of $3,456,687. The City's net pension liability for each of its cost-sharing plans is measured as a proportionate share of the plans' net pension liability. The net pension liability of the SFERS Plan is measured as of June 30, 2023 (measurement date), and the total pension liability for the SFERS Plan used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022 rolled forward to June 30, 2023 using standard update procedures. The City's proportion of the net pension liability for the SFERS Plan was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Enterprise's allocation of the City's proportionate share of the net pension liability for the SFERS Plan as of June 30, 2024 was $67,299.

(Dollars in thousands, unless otherwise stated)

For the year ended June 30, 2024, the City's recognized pension expense was $667,276, including amortization of deferred outflows/inflows related pension items. The Enterprise's allocation of pension expense including amortization of deferred outflows/inflows related pension items was $14,091. Pension expense increased from the prior year, largely due to the amortization of deferrals.

As of June 30, 2024, the Enterprise reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Fiscal Year 2024 Schedule of Deferred Outflows and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 12,402	—
Differences between expected and actual experience	7,231	—
Changes in assumptions	8,710	3,974
Net difference between projected and actual earnings on pension plan investments	12,736	—
Change in employer's proportion	1,606	81
Total	$ 42,685	4,055

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in pension expense (benefit) as follows:

Fiscal years	Deferred Outflows/(Inflows) of Resources
2025	$ 769
2026	(3,318)
2027	25,168
2028	3,609
Total	$ 26,228

Actuarial Assumptions

Fiscal Year 2025

A summary of the actuarial assumptions and methods used to calculate the Total Pension Liability as of June 30, 2024 (measurement year) is provided below, including any assumptions that differ from those used in the July 1, 2023 actuarial valuation. Refer to July 1, 2023 actuarial valuation report for a complete description of all other assumptions, which can be found on the Retirement System's website https://mysfers.org.

(Dollars in thousands, unless otherwise stated)

Key Actuarial Assumptions	SFERS Plan
Valuation Date	July 1, 2023 updated to June 30, 2024
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost
Expected Rate of Return	7.20% net of investment expenses
Municipal Bond Yield	3.93% as of June 30, 2024
	3.65% as of June 30, 2023
	Bond Buyer 20-Bond GO Index, June 29, 2023 and June 27, 2024
Inflation	2.50%
Projected Salary Increases	3.25% plus merit component based on employee classification and years of service
Discount Rate	7.20% as of June 30, 2024
	7.20% as of June 30, 2023
Administrative Expenses	0.60% of payroll as of June 30, 2024
	0.60% of payroll as of June 30, 2023

Basic COLA	Old Miscellaneous and All New Plans	Old Police & Fire, pre 7/1/75	Old Police & Fire Charters A8.595 and A8.596	Old Police & Fire Charters A8.559 and A8.585
June 30, 2024	2.00%	1.90%	2.50%	3.60%
June 30, 2023	2.00%	1.90%	2.50%	3.60%

Changes of Assumptions SFERS Plan – There were no changes in the discount rate for the measurement period ended June 30, 2024. The municipal bond yield increased from 3.65% to 3.93%.

Mortality rates for health Miscellaneous members were based upon adjusted PubG-2010 Employee and Retiree tables for non-annuitants and retirees, respectively. Mortality rates were then projected generationally from the base year using the MP-2019 projection scale.

The actuarial assumptions used at the June 30, 2024 measurement date were based upon the result of a demographic experience study for the period July 1, 2014 through June 30, 2019 and a review of economic assumptions as of July 1, 2023.

Fiscal Year 2024

A summary of the actuarial assumptions and methods used to calculate the Total Pension Liability as of June 30, 2023 (measurement year) is provided below, including any assumptions that differ from those used in the July 1, 2022 actuarial valuation. Refer to July 1, 2022 actuarial valuation report for a complete description of all other assumptions, which can be found on the Retirement System's website https://mysfers.org.

(Dollars in thousands, unless otherwise stated)

Key Actuarial Assumptions	SFERS Plan
Valuation Date	July 1, 2022 updated to June 30, 2023
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost
Expected Rate of Return	7.20% net of investment expenses
Municipal Bond Yield	3.65% as of June 30, 2023
	3.54% as of June 30, 2022
	Bond Buyer 20-Bond GO Index, June 30, 2022 and June 29, 2023
Inflation	2.50%
Projected Salary Increases	3.25% plus merit component based on employee classification and years of service
Discount Rate	7.20% as of June 30, 2023
	7.20% as of June 30, 2022
Administrative Expenses	0.60% of payroll as of June 30, 2023
	0.60% of payroll as of June 30, 2022

Basic COLA	Old Miscellaneous and All New Plans	Old Police & Fire, pre 7/1/75	Old Police & Fire Charters A8.595 and A8.596	Old Police & Fire Charters A8.559 and A8.585
June 30, 2023	2.00%	1.90%	2.50%	3.60%
June 30, 2022	2.00%	1.90%	2.50%	3.60%

Changes of Assumptions SFERS Plan – There were no changes in the discount rate for the measurement period ended June 30, 2023. The municipal bond yield increased from 3.54% to 3.65%.

Mortality rates for health Miscellaneous members were based upon adjusted PubG-2010 Employee and Retiree tables for non-annuitants and retirees, respectively. Mortality rates were then projected generationally from the base year using the MP-2019 projection scale.

The actuarial assumptions used at the June 30, 2023 measurement date were based upon the result of a demographic experience study for the period July 1, 2014 through June 30, 2019 and an economic experience study as of July 1, 2022.

Discount Rate

Fiscal Year 2025

SFERS Plan – The beginning and end of year measurements are based on different assumptions and contribution methods that may result in different discount rates. The discount rate was 7.20% as of June 30, 2024 and 2023 (measurement date).

The discount rate used to measure the total pension liability as of June 30, 2024 was 7.20%. The projection of cash flows used to determine the discount rate assumed that SFERS plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2023 actuarial valuation. That policy includes contributions equal to the employer portion of the Entry Age normal costs for members as of the valuation date, a payment for the expected administrative expenses, and an amortization payment on the unfunded actuarial liability.

(Dollars in thousands, unless otherwise stated)

The amortization payment is based on closed periods that vary in length depending on the source. Charter amendments prior to July 1, 2014 are amortized over 20 years. After July 1, 2014, any Charter changes to active member benefits are amortized over 15 years and changes to inactive member benefits, including Supplemental COLAs, are amortized over 5 years. However, the change due to Proposition A was amortized over 10 years. In the July 1, 2016 valuation, the increase in the unfunded actuarial liability attributable to the Supplemental COLAs granted effective July 1, 2013 was amortized over 17 years. For the July 1, 2021 valuation, all amortization periods for actuarial gains and losses and prior assumption changes were reduced to 5 years. The assumption change effective July 1, 2021 is amortized over 20 years. Future experience gains and losses and assumption or method changes on or after July 1, 2021 are amortized over 20 years. If the plan becomes 100% funded based on the actuarial value of assets, any new net surpluses are amortized over a rolling 20-year period. All amortization schedules are established as a level percentage of payroll, so payments increase 3.25% each year. The unfunded actuarial liability is based on an actuarial value of assets that smooths investment gains and losses over five years and a measurement of the actuarial liability that excludes the value of any future Supplemental COLAs.

While the contributions and measure of actuarial liability in the funding valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For members who were hired before Proposition C passed, a Supplemental COLA is granted if the actual investment earnings during the year exceed the expected investment earnings on the actuarial value of assets. For members who were hired after Proposition C passed, the fair value of assets must also exceed the actuarial liability for a Supplemental COLA to be granted. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. Most members receive a 1.50% Supplemental COLA when a full Supplemental COLA is granted.

A 0.50% Supplemental COLA is expected to be payable as of July 1, 2024 for most non-Prop C members due to the favorable investment returns for fiscal year 2024. The table below shows the net assumed Supplemental COLA for members with a 2.00% Basic COLA for sample years.

Assumed Supplemental COLA for Members with a 2.00% Basic COLA

Fiscal years	96 - Prop C	Before 11/6/96 or After Prop C
2026+	0.75%	0.50%

The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make future benefit payments for current members through 2106. Projected benefit payments are discounted at the long-term expected return on assets of 7.20% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.93% to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2024 was 7.20%.

The long-term expected rate of return on pension plan investments was 7.20%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using best-estimate of expected future nominal rates of return for each major asset class over 10 and 30-year horizons. These estimates were combined to produce the long-term expected rate of return by weighting the expected future nominal rates of return by the target asset allocation percentage. Target allocation and best estimates of geometric long-term expected real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

(Dollars in thousands, unless otherwise stated)

Asset Class	Target Allocation from January 2021 - June 2024	Target Allocation effective as of July 2024	Long-Term Expected Real Rate of Return
Global Equity	37.0 %	32.0 %	4.2 %
Private Equity	23.0	20.0	7.2
Private Credit	10.0	10.0	5.9
Real Assets	10.0	10.0	5.5
Absolute Return	10.0	10.0	4.4
Treasuries	8.0	8.0	1.8
Liquid Credit	5.0	12.0	3.9
Cash	0.0	1.0	1.2
Leverage	-3.0	-3.0	1.6
Total	100.0	100.0	

Fiscal Year 2024

SFERS Plan – The beginning and end of year measurements are based on different assumptions and contribution methods that may result in different discount rates. The discount rate was 7.20% as of June 30, 2023 and 2022 (measurement date).

The discount rate used to measure the total pension liability as of June 30, 2023 was 7.20%. The projection of cash flows used to determine the discount rate assumed that SFERS plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2022 actuarial valuation. That policy includes contributions equal to the employer portion of the Entry Age normal costs for members as of the valuation date, a payment for the expected administrative expenses, and an amortization payment on the unfunded actuarial liability.

The amortization payment is based on closed periods that vary in length depending on the source. Charter amendments prior to July 1, 2014 are amortized over 20 years. After July 1, 2014, any Charter changes to active member benefits are amortized over 15 years and changes to inactive member benefits, including Supplemental COLAs, are amortized over 5 years. However, the change due to Proposition A was amortized over 10 years. In the July 1, 2016 valuation, the increase in the unfunded actuarial liability attributable to the Supplemental COLAs granted effective July 1, 2013 was amortized over 17 years. For the July 1, 2021 valuation, all amortization periods for actuarial gains and losses and prior assumption changes were reduced to 5 years. The assumption change effective July 1, 2021 is amortized over 20 years. Future experience gains and losses and assumption or method changes on or after July 1, 2021 are amortized over 20 years. If the plan becomes 100% funded based on the actuarial value of assets, any new net surpluses are amortized over a rolling 20-year period. All amortization schedules are established as a level percentage of payroll, so payments increase 3.25% each year. The unfunded actuarial liability is based on an actuarial value of assets that smooths investment gains and losses over five years and a measurement of the actuarial liability that excludes the value of any future Supplemental COLAs.

(Dollars in thousands, unless otherwise stated)

While the contributions and measure of actuarial liability in the funding valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For members who were hired before Proposition C passed, a Supplemental COLA is granted if the actual investment earnings during the year exceed the expected investment earnings on the actuarial value of assets. For members who were hired after Proposition C passed, the market value of assets must also exceed the actuarial liability for a Supplemental COLA to be granted. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. Most members receive a 1.50% Supplemental COLA when a full Supplemental COLA is granted.

No Supplemental COLA was payable as of July 1, 2023 due to the unfavorable investment return for fiscal year 2023. The table below shows the net assumed Supplemental COLA for members with a 2.00% Basic COLA for sample years.

Assumed Supplemental COLA for Members with a 2.00% Basic COLA

Fiscal years	96 - Prop C	Before 11/6/96 or After Prop C
2025+	0.75%	0.50%

The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members through 2104. Projected benefit payments are discounted at the long-term expected return on assets of 7.20% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.65% to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2023 was 7.20%.

The long-term expected rate of return on pension plan investments was 7.20%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

(Dollars in thousands, unless otherwise stated)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	37.0 %	4.6 %
Private Equity	23.0	7.8
Private Credit	10.0	5.8
Real Assets	10.0	5.3
Absolute Returns	10.0	4.4
Treasuries	8.0	1.7
Liquid Credit	5.0	3.5
Leverage	-3.0	1.4
Total	100.0	

Sensitivity of Proportionate Share of the Net Pension Liability (NPL) *to Changes in the Discount Rate*

The following presents the Enterprise's allocation of the employer's proportionate share of the net pension liability for the SFERS Plan, calculated using the discount rate, as well as what the Enterprise's allocation of the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

Fiscal Year 2025

	June 30, 2024 (measurement date)		
Employer	1% Decrease Share of NPL @ 6.20%	Share of NPL @ 7.20%	1% Increase Share of (NPA) @ 8.20%
Wastewater	$ 171,127	74,339	(5,412)

Fiscal Year 2024

	June 30, 2023 (measurement date)		
Employer	1% Decrease Share of NPL @ 6.20%	Share of NPL @ 7.20%	1% Increase Share of (NPA) @ 8.20%
Wastewater	$ 157,852	67,299	(7,362)

(b) Other Postemployment Benefits (OPEB)

The Enterprise participates in the City's single employer defined benefit other postemployment benefits plan (the Plan). The Plan is maintained by the City and is administered through the City's Health Service System. The plan provides postemployment medical, dental and vision insurance benefits to eligible employees, retired employees, surviving spouses, and domestic partners. Health benefit provisions are established and may be amended through negotiations between the City and the respective bargaining units. The City does not issue a separate report on its other postemployment benefits plan.

(Dollars in thousands, unless otherwise stated)

GASB Statement No. 75 requires that reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

San Francisco Health Service System Retiree Plan - Single Employer

Fiscal Year 2025	
Valuation Date (VD)	June 30, 2024
Measurement Date (MD)	June 30, 2024
Measurement Period (MP)	July 1, 2023 to June 30, 2024

Fiscal Year 2024	
Valuation Date (VD)	June 30, 2022 updated to June 30, 2023
Measurement Date (MD)	June 30, 2023
Measurement Period (MP)	July 1, 2022 to June 30, 2023

The Enterprise's proportionate share percentage of the Plan was determined based on its percentage of citywide "pay-as-you-go" contributions for the years ended June 30, 2024 and 2023. The Enterprise's net OPEB liability, deferred outflows/inflows of resources related to OPEB, amortization of deferred outflows/inflows and OPEB expense to each department is based on the Enterprise's allocated percentage. The Enterprise's proportionate share of the City's OPEB elements as of June 30, 2024 and 2023 was 1.29% and 1.26%, respectively, as of the measurement date.

Benefits

Permanent full-time and elected employees are eligible to retire and receive postretirement health insurance benefits when they are eligible for retirement benefits from the City and County of San Francisco's Retirement System. The eligibility requirements are as follows:

Normal Retirement	Miscellaneous	Age 50 with 20 years of credited service[1]
		Age 60 with 10 years of credited service
	Safety	Age 50 with 5 years of credited service
Disabled Retirement[2]	Any age with 10 years of credited service	
Terminated Vested	5 years of credited service at separation	

[1] Age 53 with 20 years of credited service, age 60 with 10 years of credited service, or age 65 for Miscellaneous members hired on or after January 7, 2012, under charter Section 8.603.
[2] No service requirement for Safety members retiring under the industrial disability benefit or for surviving spouses/domestic partners of those killed in the line of duty.

Retiree healthcare benefits are administered by the San Francisco Health Service System and include the following:

Medical:	PPO – Blue Shield (self-insured) and UHC Medicare Advantage (fully insured)
	HMO – Kaiser (fully-insured) and Blue Shield (flex-funded) and Health Net (flex-funded)
Dental:	Delta Dental, DeltaCare USA, and UnitedHealthcare Dental
Vision:	Vision benefits are provided under the medical insurance plans and are administered by Vision Service Plan.

Projections of the sharing of benefit related costs are based on an established pattern of practice.

Contributions

Benefits provided under the Plan are currently paid through “pay-as-you-go” funding. Additionally, under the City Charter, active officers and employees of the City who commenced employment on or after January 10, 2009, shall contribute to the Retiree Health Care Trust Fund (Trust Fund) a percentage of compensation not to exceed 2% of pre-tax compensation. The City shall contribute 1% of compensation for officers and employees who commenced employment on or after January 10, 2009 until the City’s GASB Actuary has determined that the City’s portion of the Trust Fund is fully funded. At that time, the City’s 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 2% of pre-tax compensation.

Starting July 1, 2016, active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute 0.25% of pre-tax compensation into the Trust Fund. Beginning on July 1st of each subsequent year, the active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute an additional 0.25% of pre-tax compensation up to a maximum of 1%. Starting July 1, 2016, the City shall contribute 0.25% of compensation into the Trust Fund for each officer and employee who commenced employment on or before January 9, 2009. Beginning on July 1st of each subsequent year, the City shall contribute an additional 0.25% of compensation, up to a maximum of 1% for each officer and employee who commenced employment on or before January 9, 2009. When the City’s actuary has determined that the City’s portion of the Trust Fund is fully funded, the City’s 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 1% of pre-tax compensation.

Additional or existing contribution requirements may be established or modified by amendment to the City’s Charter.

For the fiscal years ended June 30, 2025 and 2024, the City’s funding was based on “pay-as-you-go” plus a contribution of $52,126 and $48,779 to the Retiree Healthcare Trust Fund, respectively. The “pay-as-you-go” portion paid by the City was $248,806 for a total contribution of $300,932 for the fiscal year ended June 30, 2025, and $229,922 for a total contribution of $278,701 for the fiscal year ended June 30, 2024. The Enterprise’s proportionate share of the City’s contributions for fiscal year 2025 was $3,879, and for fiscal year 2024 was $3,498.

(Continued)

(Dollars in thousands, unless otherwise stated)

OPEB Liability, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

Fiscal Year 2025

As of June 30, 2025, the City reported net OPEB liability related to the Plan of $3,921,799. The Enterprise's proportionate share of the City's net OPEB liability as of June 30, 2025 was $50,552.

For the year ended June 30, 2025, the City's recognized OPEB expense was $259,579. Amortization of the City's deferred outflows and inflows is included as a component of OPEB expense. The Enterprise's proportionate share of the City's OPEB expense/(income) was $7,556.

As of June 30, 2025, the Enterprise reported its proportionate share of the City's deferred outflows and inflows of resources related to OPEB from the following sources:

Wastewater	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 3,879	$ -
Differences between expected and actual experience	1,524	4,736
Changes in assumptions	2,151	-
Net difference between projected and actual earnings on plan investments	-	566
Change in proportion	3,545	1,175
Total	$ 11,099	$ 6,477

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in OPEB expense as follows:

Year ending June 30:	
2026	$ 565
2027	434
2028	(352)
2029	390
2030	(147)
Thereafter	(147)
Total	$ 743

At June 30, 2025, the Enterprise reported $3,879 as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as an adjustment to net OPEB liability in the reporting year ending June 30, 2026.

Fiscal Year 2024

As of June 30, 2024, the City reported net OPEB liability related to the Plan of $3,924,832. The Enterprise's proportionate share of the City's net OPEB liability as of June 30, 2024 was $49,260.

For the year ended June 30, 2024, the City's recognized OPEB expense was $261,158. Amortization of the City's deferred outflows and inflows is included as a component of OPEB expense. The Enterprise's proportionate share of the City's OPEB expense/(income) was ($647).

(Dollars in thousands, unless otherwise stated)

As of June 30, 2024, the Enterprise reported its proportionate share of the City's deferred outflows and inflows of resources related to OPEB from the following sources:

Wastewater	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 3,498	$ -
Differences between expected and actual experience	2,116	5,711
Changes in assumptions	1,432	-
Net difference between projected and actual earnings on plan investments	377	-
Change in proportion	5,393	98
Total	$ 12,816	$ 5,809

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in OPEB expense as follows:

Year ending June 30:	
2025	$ 1,056
2026	956
2027	829
2028	42
2029	626
Total	$ 3,509

(Dollars in thousands, unless otherwise stated)

Fiscal Year 2025

A summary of the actuarial assumptions and methods used to calculate the Total OPEB Liability as of June 30, 2024 (measurement date) is provided below:

Key Actuarial Assumptions

Valuation Date	June 30, 2024
Measurement Date	June 30, 2024
Actuarial Cost Method	The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability
Healthcare Cost Trend Rates	Pre-Medicare trend starts at 6.87% trending down to ultimate rate of 3.94% in 2075
	Medicare trend starts at 6.87% trending down to ultimate rate of 3.93% in 2075
	10-County average trend starts at 5.00% trending down to ultimate rate of 3.94% in 2075
	Vision and expenses trend remains a flat 3.0% for all years
Expected Rate of Return on Plan Assets	7.00%
Salary Increase Rate	Wage Inflation Component: 3.25%
	Additional Merit Component (dependent on years of service):
	Police: 0.50% - 7.50%
	Fire: 0.50% - 14.00%
	Muni Drivers: 0.00% - 16.00%
	Craft: 0.50% - 3.75%
	Misc.: 0.30% - 5.50%
Inflation Rate	Wage Inflation: 3.25% compounded annually
	Consumer Price Inflation: 2.50% compounded annually
Mortality Tables	Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ended June 30, 2019.

Non-Annuitants

		Adjustment Factor	
	Published Table	**Male**	**Female**
Miscellaneous	PubG-2010 Employee	0.834	0.866
Safety	PubS-2010 Employee	1.011	0.979

Healthy Retirees

		Adjustment Factor	
	Published Table	**Male**	**Female**
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubS-2010 Employee	0.947	1.044

Disabled Retirees

		Adjustment Factor	
	Published Table	**Male**	**Female**
Miscellaneous	PubG-2010 Employee	1.045	1.003
Safety	PubS-2010 Employee	0.916	0.995

Beneficiaries

		Adjustment Factor	
	Published Table	**Male**	**Female**
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubG-2010 Employee	1.031	0.977

The mortality rates in the base tables are projected generationally from the base year using the MP-2019 projection scale.

(Dollars in thousands, unless otherwise stated)

Fiscal Year 2024

A summary of the actuarial assumptions and methods used to calculate the Total OPEB Liability as of June 30, 2023 (measurement date) is provided below:

Key Actuarial Assumptions

Valuation Date	June 30, 2022 updated to June 30, 2023
Measurement Date	June 30, 2023
Actuarial Cost Method	The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability
Healthcare Cost Trend Rates	Pre-Medicare trend starts at 7.24% trending down to ultimate rate of 3.94% in 2075 Medicare trend starts at 7.24% trending down to ultimate rate of 3.94% in 2075 10-County average trend starts at 5.00% trending down to ultimate rate of 3.94% in 2075 Vision and expenses trend remains a flat 3.0% for all years
Expected Rate of Return on Plan Assets	7.00%
Salary Increase Rate	Wage Inflation Component: 3.25% Additional Merit Component (dependent on years of service): Police: 0.50% - 7.50% Fire: 0.50% - 14.00% Muni Drivers: 0.00% - 16.00% Craft: 0.50% - 3.75% Misc.: 0.30% - 5.50%
Inflation Rate	Wage Inflation: 3.25% compounded annually Consumer Price Inflation: 2.50% compounded annually
Mortality Tables	Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ended June 30, 2019.

Non-Annuitants

		Adjustment Factor	
	Published Table	**Male**	**Female**
Miscellaneous	PubG-2010 Employee	0.834	0.866
Safety	PubS-2010 Employee	1.011	0.979

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Beneficiaries

		Adjustment Factor	
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Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubG-2010 Employee	1.031	0.977

The mortality rates in the base tables are projected generationally from the base year using the MP-2019 projection scale.

(Dollars in thousands, unless otherwise stated)

Sensitivity of Liabilities to Changes in the Healthcare Cost Trend Rate and Discount Rate

The following presents the Enterprise's proportionate share of the City's net OPEB liability calculated using the healthcare cost trend rate, as well as what the Enterprise's allocation of the City's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate:

Fiscal Year 2025 Employer	-1.00%	Healthcare Cost Trend Rate	1.00%
Wastewater	$ 42,605	$ 50,552	$ 60,406

Fiscal Year 2024 Employer	-1.00%	Healthcare Cost Trend Rate	1.00%
Wastewater	$ 41,892	$ 49,260	$ 58,404

Discount Rate

Fiscal Year 2025

The discount rate used to measure the Total OPEB Liability as of June 30, 2024 was 7.0%. Based on the assumption that plan member contributions will continue to be made at the rates specified in the Charter, it was determined that the Plan's projected fiduciary net position will be greater than or equal to the benefit payments projected for each future period. As such, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected rate of return on OPEB plan investments was 7.0% based on expected future returns and historical returns experienced by the Trust Fund. Expected future returns were determined based on 10-year and 20-year capital market assumptions for the Trust Fund's asset allocation. Target allocation for each major asset class and best estimates of geometric real rates of return are summarized in the following table:

(Dollars in thousands, unless otherwise stated)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities		
U.S. Large Cap	25.0%	5.5%
U.S. Small Cap	2.0%	6.4%
Developed Market Equity (non-U.S.)	13.0%	5.9%
Emerging Market Equity	10.0%	5.9%
Credit		
Bank Loans	3.0%	3.7%
High Yield Bonds	3.0%	3.9%
Rate Securities		
Investment Grade Corporate Bonds	7.0%	1.9%
Short-term Treasury Inflation-Protected Securities (TIPS)	5.0%	0.9%
Private Markets		
Private Equity	10.0%	6.9%
Private Debt	5.0%	6.2%
Core Private Real Estate	5.0%	5.2%
Infrastructure (Core Private)	2.0%	6.0%
Risk Mitigating Strategies		
Global Macro	10.0%	1.6%
Total	100.0%	

The following presents the Enterprise's proportionate share of the City's net OPEB liability (NOL) calculated using the discount rate, as well as what the Enterprise's proportionate share of the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	June 30, 2024 (measurement period)		
Employer	1% Decrease Share of NOL @ 6.00%	Discount Rate @ 7.00%	1% Increase Share of NOL @ 8.00%
Wastewater	$ 59,592	$ 50,552	$ 43,134

Fiscal Year 2024

The discount rate used to measure the Total OPEB Liability as of June 30, 2023 was 7.0%. Based on the assumption that plan member contributions will continue to be made at the rates specified in the Charter, it was determined that the Plan's projected fiduciary net position will be greater than or equal to the benefit payments projected for each future period. As such, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected rate of return on OPEB plan investments was 7.0% based on expected future returns and historical returns experienced by the Trust Fund. Expected future returns were determined based on 10-year and 20-year capital market assumptions for the Trust Fund's asset allocation. Target allocation for each major asset class and best estimates of geometric real rates of return are summarized in the following table:

(Dollars in thousands, unless otherwise stated)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities		
U.S. Large Cap	25.0%	6.1%
U.S. Small Cap	2.0%	6.7%
Developed Market Equity (non-U.S.)	13.0%	7.2%
Emerging Market Equity	10.0%	7.4%
Credit		
Bank Loans	3.0%	4.4%
High Yield Bonds	3.0%	4.7%
Rate Securities		
Investment Grade Corporate Bonds	7.0%	2.8%
Short-term Treasury Inflation-Protected Securities (TIPS)	5.0%	1.0%
Private Markets		
Private Equity	10.0%	8.4%
Private Debt	5.0%	6.4%
Core Private Real Estate	5.0%	3.9%
Infrastructure (Core Private)	2.0%	5.2%
Risk Mitigating Strategies		
Global Macro	10.0%	3.1%
Total	100.0%	

The following presents the Enterprise's proportionate share of the City's net OPEB liability (NOL) calculated using the discount rate, as well as what the Enterprise's proportionate share of the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	June 30, 2023 (measurement period)		
Employer	**1% Decrease Share of NOL @ 6.00%**	**Discount Rate @ 7.00%**	**1% Increase Share of NOL @ 8.00%**
Wastewater	$ 57,654	$ 49,260	$ 42,377

The City issues a publicly available financial report that includes the complete note disclosures and required supplementary information related to the City's postemployment health care obligations. The report may be obtained at https://sfrhctf.org/financial-reports or by writing to the City and County of San Francisco, Office of the Controller, 1 Dr. Carlton B. Goodlett Place, Room 316, San Francisco, California 94102, or by calling (415) 554-7500.

(11) Related Parties

Various common costs incurred by the Commission are allocated among the Enterprise, Hetch Hetchy Water and Power and CleanPowerSF, and the Water Enterprise. The allocations are based on the Commission management's best estimate and may change from year to year depending on the activities incurred by each Enterprise and the information available. The administrative costs of $45,226 or 32.0%, which included COVID-19 Project expenses, and $35,943 or 28.8% were allocated to the Enterprise for the years ended June 30, 2025 and 2024, respectively.

The City performs certain administrative services such as maintenance of accounting records and investment of cash for all fund groups within the City. The various funds are charged for these services based on the City's indirect cost allocation plan.

The Enterprise purchases electricity from Hetch Hetchy Power at market rates. This amount, totaling $14,841 and $12,377 for the years ended June 30, 2025 and 2024, respectively, has been included in services provided by other departments in the accompanying financial statements.

The Enterprise purchases water from Water Enterprise at retail rates. This amount, totaling $1,890 and $1,701 for the years ended June 30, 2025 and 2024, respectively, has been included in services provided by other departments in the accompanying financial statements.

The Enterprise provides sewer services to other City departments at non-residential rates established by the Commission, and through the Customer Services Bureau, bills and collects sewer service charges on behalf of the Enterprise.

The City's Department of Public Works provides certain engineering and other services to the Enterprise and charges amounts designed to recover its costs. These services are primarily related to street cleaning, engineering, building repair, and sewer repair. These amounts totaling approximately $8,547 and $8,711 for the years ended June 30, 2025 and 2024, respectively, have been included in services provided by other departments in the accompanying financial statements.

A variety of other City departments provide services such as purchasing, legal, data processing, telecommunications, and human resources to the Enterprise and charge amounts designed to recover those departments' costs. These charges totaling approximately $18,935 and $16,757 for the years ended June 30, 2025 and 2024, respectively, have been included in services provided by other departments in the accompanying financial statements.

As of June 30, 2025 and 2024, the Enterprise has payables in the amount of $291 and $405, respectively, which is associated with the SFPUC Headquarters Living Machine system.

As of June 30, 2025 and 2024, the Enterprise has interfund receivable from DPW for the Mission Bay South custom work project of $70 and $82, respectively.

SFPUC's 75-year lease agreement with the San Francisco Recreation and Parks Department, for the use of parking spaces for its fleet of vehicles at the Civic Center Garage, commenced on February 1, 2011. Total payment under this agreement is $6,274, which was fully made as of fiscal year 2015. The expenses and prepayments among the three SFPUC Enterprises are based on 525 Golden Gate occupancy. As of June 30, 2025, the Enterprise's allocable shares of expenses and prepayment were $22 and $1,081, respectively, and as of June 30, 2024 were $21 and $1,103, respectively.

(Dollars in thousands, unless otherwise stated)

SFPUC's 30-year lease agreement with the San Francisco Port Commission, for the use of approximately 4,833 square feet of land located within Seawall Lot 345 and within the public right-of-way on Terry A. Francois Boulevard and on Illinois Street, commenced on September 1, 2018. SFPUC intends to use the premises for the reconstruction of the Mariposa Pump Station and Force Main Improvements. Total payment under this agreement is $502, which was fully made as of fiscal year 2019. As of June 30, 2025, the Enterprise's expenses and prepayment were $17 and $388, respectively, and as of June 30, 2024 were $17 and $405, respectively.

(12) Risk Management

The Enterprise's Risk Management program includes both self-insured (i.e., self-retention) and insured exposures at risk. Risk assessments and purchasing of insurance coverage are collaboratively coordinated by SFPUC Risk Management and the City's Office of Risk Management. With certain exceptions, the City and the Enterprise's general approach is to first evaluate the exposure at risk for self-insurance. Based on this analysis, internal mitigation strategies and financing through a self-retention mechanism is generally more economical as the SFPUC in coordination with the City Attorney's Office, administers, adjusts, settles, defends, and pays claims from budgeted resources (i.e., pay-as-you-go fund). When economically more viable or when required by debt financing covenants, the Enterprise obtains commercial insurance. At least annually, the City actuarially determines general liability and workers' compensation risk exposures. The Enterprise does not maintain commercial earthquake coverage, with certain minor exceptions, such as a sub-limit for fire-sprinkler leakage due to earthquake under the SFPUC Property Insurance program. In the past three years, there were no settlements that exceeded insurance coverage.

	Risk Types	Coverage Approach
(a)	General Liability	Self-Insured
(b)	Workers' Compensation	Self-Insured through City-wide Pool
(c)	Property	Purchased Insurance and Self-Insured
(d)	Public Officials Liability	Purchased Insurance
(e)	Employment Practices Liability	Purchased Insurance
(f)	Cyber Liability	Purchased Insurance
(g)	Crime	Purchased Insurance
(h)	Electronic Data Processing	Purchased Insurance and Self-Insured
(i)	Surety Bonds	Contractual Risk Transfer
(j)	Errors and Omissions	Contractual Risk Transfer
(k)	Builders' Risk	Contractual Risk Transfer
(l)	Tenants' and Users' Liability Insurance Policy	Purchased Insurance
(m)	Active Assailant Policy	Purchased Insurance

(Dollars in thousands, unless otherwise stated)

(a) *General Liability*

The Enterprise's liability as of June 30, 2025, was estimated based on professional judgement regarding probable claims exposure provided by the City Attorney's Office and includes an estimate of incurred but not reported losses. The recorded liability represents management's best estimate of the City's potential exposure based on currently available information.

The changes for the general liability (damage claims) for the years ended June 30, 2025, 2024, and 2023 were as follows:

Fiscal years	Beginning of year	Claims and changes in estimates	Claims paid and changes in estimates	End of year
2025	$ 115,083	4,968	(40,950)	79,101
2024	4,350	112,467	(1,734)	115,083
2023	12,045	2,716	(10,411)	4,350

(b) *Workers' Compensation*

The City actuarially determines and allocates workers' compensation costs to the Enterprise according to a formula based on the following: (i) the dollar amount of claims; (ii) yearly projections of payments based on historical experience; and (iii) the size of the Enterprise's payroll. The administration of workers' compensation claims and payouts are handled by the Workers' Compensation Division of the City's Department of Human Resources. Statewide workers' compensation reforms have resulted in budgetary savings in recent years. The City continues to develop and implement improved programs, such as return-to-work programs, to lower or mitigate the growth of workers' compensation costs. Programs include accident prevention, investigation, and duty modification for injured employees with medical restrictions so return to work can occur as soon as possible.

The changes in the liabilities for workers' compensation for the years ended June 30, 2025, 2024, and 2023 were as follows:

Fiscal years	Beginning of year	Claims and changes in estimates	Claims paid and changes in estimates	End of year
2025	$ 9,012	1,886	(1,997)	8,901
2024	7,998	2,680	(1,666)	9,012
2023	7,546	2,976	(2,524)	7,998

(c) *Property*

The Enterprise's property risk management approach varies depending on whether the facility is currently under construction, the property is part of revenue-generating operations, the property is of high value, or is mission-critical in nature. During the course of construction, the Enterprise requires each contractor to provide its own insurance, while ensuring the full scope of work be covered with satisfactory levels to limit the Enterprise's risk exposure. Once construction is complete, the Enterprise performs an assessment to determine whether liability/loss coverage will be obtained through the commercial property policy or self-insurance. The majority of property scheduled in the insurance program is for either: (1) revenue generating facilities, (2) debt-financed facilities, (3) mandated coverage to meet statutory requirements for bonding of various public officials, or (4) high-value, mission-critical property or equipment.

(d) Public Officials Liability

All Enterprise public officials with financial oversight responsibilities are provided coverage through a commercial Public Officials Liability Policy.

(e) Employment Practices Liability

A policy is retained to protect against employment-related claims and liabilities.

(f) Cyber Liability

A policy is retained to protect against cyber-related claims and liabilities.

(g) Crime

The Enterprise also retains a Commercial Crime Policy, in lieu of bonding its employees, to provide coverage against liabilities or losses due to third-party crime or employee fraud.

(h) Electronic Data Processing

The Electronic Data Processing policy protects selected high-value electronic property in case of damage or loss.

(i) Surety Bonds

Bonds are required in most phases of the public utilities construction contracting process for such phases as bid, performance, and payment or maintenance. Additionally, bonds may be required in other contracts where goods or services are provided to ensure compliance with applicable terms and conditions such as warranty.

(j) Errors and Omissions

Errors and omissions, also known as Professional Liability, are commonly transferred through contract to the contracted professional, or retained through self-insurance on a case-by-case basis depending on the size, complexity, or scope of construction or professional service contracts. Examples of such contracts are inclusive of services provided by engineers, architects, design professionals, and other licensed or certified professional service providers.

(k) Builders' Risk

Builders' risk policies of insurance are required to be provided by the contractor on all construction projects for the full value of construction.

(l) Tenants' and Users' Liability Insurance Policy

A policy is retained to provide coverage for injuries and property damage to third parties relating to injuries sustained on premises and scheduled events, purchased for the Southeast Community Center.

(m) Active Assailant Policy

A policy is retained to protect against third party injuries, first party property damage, business interruption, and crises management for events occurring on premise, purchased for the Southeast Community Center.

(13) Commitments and Litigation

(a) Commitments

As of June 30, 2025 and 2024, the Enterprise has outstanding commitments with third parties of $554,307 and $675,849, respectively, for various capital projects and other purchase agreements for materials and services.

(b) Grants

Grants that the Enterprise received are subject to audit and final acceptance by the granting agency. Current and prior year costs of such grants are subject to adjustment upon audit.

(c) Litigation

The Enterprise is a defendant in various legal actions and claims that arise during the normal course of business. The final disposition of these legal actions and claims is not determinable. However, in the opinion of management, the outcome of any litigation of these matters will not have a material effect on the financial position or changes in net position of the Enterprise.

(d) Environmental Issue

As of June 30, 2025, and 2024, the Enterprise recorded $6,123 and $6,451 in pollution remediation liability, respectively for the Yosemite Creek toxic sediments. The decrease of $328 in pollution remediation liability in fiscal year 2025 is due to payment made for the remediation costs related to Yosemite Creek.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Honorable Mayor and the Board of Supervisors
City and County of San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the San Francisco Wastewater Enterprise (the Enterprise), an enterprise fund of the City and County of San Francisco (City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, and have issued our report thereon dated November 5, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Enterprise's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Enterprise's internal control. Accordingly, we do not express an opinion on the effectiveness of the Enterprise's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Enterprise's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Macias Gini & O'Connell LLP
2121 N. California Boulevard, Suite 750
Walnut Creek, CA 94596

www.mgocpa.com

Purpose of This Report

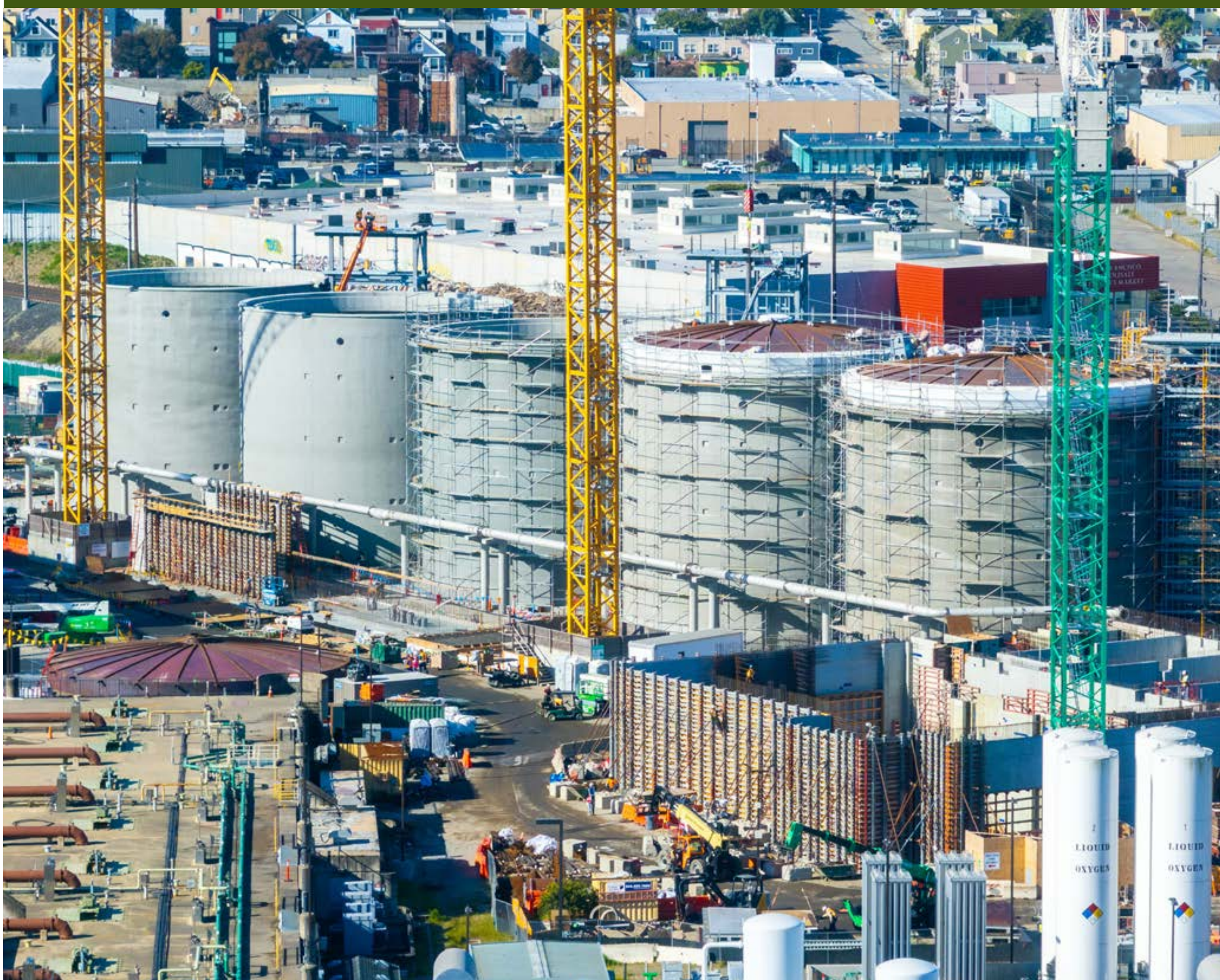
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 5, 2025

Our mission

To provide our customers with high-quality, efficient and reliable water, power and sewer services in a manner that values environmental and community interests and sustains the resources entrusted to our care.



San Francisco Public Utilities Commission
An Enterprise Department of the City and County of San Francisco, California

SFPUC Financial Services
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Cover photo: Treasure Island Water Resource Recovery Facility

Back cover photo: Southeast Wastewater Treatment Plant, Biosolids Digester

Photos by: Robin Scheswohl, Sabrina Wong

Date of Publication:
November 2025

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

This Appendix contains summaries of certain provisions of the Indenture, which are in addition and complementary to the summaries found in the Official Statement under the captions "INTRODUCTION," "THE 2026B BONDS" and "SECURITY FOR THE BONDS." The following summaries are qualified in their entirety by reference to the Indenture, a copy of which can be obtained from the SFPUC.

The 2026B Bonds are issued under the Indenture, dated as of January 1, 2003, as amended and supplemented (the "Indenture"), including as supplemented by the Twentieth Supplemental Indenture (the "Twentieth Supplemental Indenture") with respect to the 2026B Bonds, dated as of August 1, 2026. The Indenture, which is summarized below under the caption "THE INDENTURE," includes definitions of terms and other provisions specific to the 2026B Bonds and the provisions applicable to all of the Bonds. The terms of the Twentieth Supplemental Indenture are summarized below under the caption "THE TWENTIETH SUPPLEMENTAL INDENTURE" and include provisions specific to the 2026B Bonds.

THE INDENTURE

DEFINITIONS; EQUAL SECURITY; CERTIFICATES AND OPINIONS

Unless the context otherwise requires, the terms defined in the Indenture will, for all purposes of the Indenture and of any Supplemental Indenture and of any certificate, opinion or other document mentioned in the Indenture, have the meanings specified in the Indenture. Unless otherwise defined in the Indenture, all terms used in the Indenture will have the meanings assigned to such terms in the Law.

"Accreted Value" means, with respect to any Capital Appreciation Bond, the principal amount thereof plus the interest accrued thereon from its date, compounded at the approximate interest rate thereof on each date specified in the Supplemental Indenture pursuant to which such Capital Appreciation Bonds are issued. The Accreted Value on any such date of compounding will be the amount set forth in the Accreted Value Table and, with respect to any date other than a date on which compounding occurs, will be determined by straight-line interpolation (based on a year consisting of 12 30-day months), as calculated by the Trustee. The calculation of Accreted Value by the Trustee will be binding and conclusive as to the Accreted Value of Capital Appreciation Bonds.

"Accreted Value Table" means, with respect to any Capital Appreciation Bonds, the corresponding table attached as an Exhibit to a Supplemental Indenture pursuant to which Additional Bonds constituting Capital Appreciation Bonds are issued.

"Additional Bonds" means bonds, notes or other obligations of the Commission (other than Parity Loans) payable from Net Revenues and ranking on a parity with the Bonds and issued pursuant to a Supplemental Indenture in compliance with the Indenture, as applicable.

"Annual Debt Service" means the sum of principal and interest on all Outstanding Bonds (including Parity Loans) as computed for the twelve-month period ending June 30 to which reference is made, and calculated by the Commission using the following assumptions:

(a) In determining the principal amount due for such twelve-month period ending June 30, payment will (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with the amortization schedule established for such debt, including any Minimum Sinking Fund Account Payments or any scheduled redemption or payment of Bonds on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value will be deemed a principal payment and interest that is compounded and paid as Accreted Value will be deemed due on the scheduled redemption or Payment Date of such Capital Appreciation Bond, but excluding Excluded Principal.

(b) If any Outstanding Bonds constitute Variable Rate Indebtedness, the interest rate will, as of the date of calculation, be: (i) the greater of (a) the average SIFMA rate over the past 3 years times 150% or (b) 4 percent or (ii) if, designated in writing by the Commission in the Supplemental Indenture authorizing such Bonds (which the Commission must certify, in the case of obligations interest on which is not excluded from gross income for federal income tax purposes under the Code), a fixed rate of interest reasonably determined by the Commission for obligations with similar duration, which interest rate has been certified by a Qualified Financial Advisor as reasonable concurrent with the execution and delivery of such Supplemental Indenture.

(c) If Defeasance Obligations have been deposited with and are held by the Trustee or another fiduciary to be used to pay principal and/or interest on specified Bonds, or any amounts have been deposited in the Interest Fund from the proceeds of any Series of Bonds or from any other source to pay interest on such Bonds, then the principal and/or interest to be paid from such Defeasance Obligations or from the earnings thereon, or from such amounts in the Interest Fund, will be disregarded and not included in calculating Annual Debt Service.

(d) In determining the amount of interest coming due during any twelve-month period ending June 30 on any Series of Bonds that are issued as Build America Bonds or obligations issued under any future program similar to Build America Bonds, amounts equal to the Refundable Credits the Commission is scheduled to receive during each twelve-month period ending June 30 will be deducted from such interest.

"Arbitrage Certificate" means the arbitrage certificate or similar tax certificate delivered or to be delivered by the Commission at the time of issuance and delivery of a Series of Bonds, as the same may be amended or supplemented in accordance with its terms.

"Authorized Officer" of the Trustee means and includes the chairman of the board of directors, the president, every vice president, every assistant vice president, the cashier, every assistant cashier, every trust officer, and every other officer and assistant officer of the Trustee to whom any trust matter is referred because his or her knowledge of, and familiarity with, a particular subject.

"Average Annual Debt Service" means, as of the date of calculation, total remaining Debt Service divided by the number of twelve-month periods ending on June 30 (including any fractional periods) remaining until the last maturity date of any Outstanding Bond, calculated by the Commission using the following assumptions:

(a) In determining the principal amount due in each year, payment will (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such debt, including any Minimum Sinking Fund Account Payments or any scheduled redemption or payment of Bonds on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value will be deemed a principal payment and interest that is compounded and paid as Accreted Value will be deemed due on the scheduled redemption or Payment Date of such Capital Appreciation Bond, but excluding Excluded Principal.

(b) If any of the Outstanding Series of Bonds constitute Balloon Indebtedness or Balloon Indebtedness and Variable Rate Indebtedness or if Bonds then proposed to be issued would constitute Balloon Indebtedness or Balloon Indebtedness and Variable Rate Indebtedness, then, for purposes of determining Average Annual Debt Service, such Bonds the principal of which the Commission has not specified as Excluded Principal will be amortized for a period specified by the Commission (but no longer than forty (40) years from the date of the issuance of the Bonds to which such Balloon Indebtedness relates) on a substantially level debt service basis or other amortization basis designated by the Commission, calculated based on a fixed rate equal to the rate at which the Commission could borrow for such period, as certified by a Qualified Financial Advisor.

(c) If any Outstanding Bonds constitute Variable Rate Indebtedness, the interest rate will, as of the date of calculation, be: (i) the greater of (a) the average SIFMA rate over the past 3 years times 150% or (b) 4 percent or (ii) if, designated in writing by the Commission in the Supplemental Indenture authorizing such Bonds (which the Commission must certify, in the case of obligations interest on which is not excluded from gross income for federal income tax purposes under the Code), a fixed rate of interest reasonably determined by the Commission for obligations with similar duration, which interest rate has been certified by a Qualified Financial Advisor as reasonable concurrent with the execution and delivery of such Supplemental Indenture.

(d) If Defeasance Obligations have been deposited with and are held by the Trustee or another fiduciary to be used to pay principal and/or interest on specified Bonds, or any amounts have been deposited in the Interest Fund from the proceeds of any Series of Bonds or from any other source to pay interest on such Bonds, then the principal and/or interest to be paid from such Defeasance Obligations or from the earnings thereon, or from such amounts in the Interest Fund, will be disregarded and not included in calculating Average Annual Debt Service.

(e) In determining the amount of interest coming due during any twelve-month period ending June 30 on any Series of Bonds that are issued as Build America Bonds or obligations issued under any future program similar to Build America Bonds, amounts equal to the Refundable Credits the Commission is scheduled to receive during each twelve-month period ending June 30 will be deducted from such interest.

"Balloon Indebtedness" means a Series of Bonds 25% or more of the principal of which matures on the same date and is not required by the documents governing such Bonds to be amortized by payment or redemption prior to such date. For purposes of this definition, an optional or mandatory tender of Bonds for purchase as described within the definition of Tender Indebtedness will not be treated as a maturity.

"Board of Supervisors" means the Board of Supervisors of the City from time to time or any other governing board of the City hereafter provided for by law.

"Bond Obligation" means, as of any given date of calculation, (1) with respect to any Outstanding Current Interest Bond, the principal amount of such Bond, (2) with respect to any Outstanding Capital Appreciation Bond, the Accreted Value thereof as of the most recent date of the compounding of interest thereon preceding such date of calculation (unless such date of calculation is a date on which interest thereon is compounded, in which case as of such date), and (3) with respect to any outstanding Parity Loan, the unpaid principal amount of the Parity Loan.

"Bond Reserve Fund" means the fund by that name established under the Indenture.

"Bond Reserve Fund Policy" means a financial guaranty issued to satisfy all or a portion of the Required Reserve for a Series of Bonds, which may be (a) a policy of insurance or surety bond issued by a Bond Reserve Fund Policy Provider, obligations insured by which have, at the time of the issuance of such financial guaranty, a rating by Moody's and S&P which is at least as high as the underlying rating on the related Series of Bonds (i.e., the rating given without regard to any municipal bond or financial guaranty insurance, letter of credit, or similar guaranty or credit enhancement on that Series of Bonds), or (b) a Letter of Credit issued by a Qualified Bank.

"Bond Reserve Fund Policy Provider" means a municipal bond insurance company or other insurance company that is the issuer of a Bond Reserve Fund Policy.

"Bondowner" or "Owner" means any person who is the registered owner of any Outstanding Bond, or the bearer of any Outstanding Bond that has a maturity of one year or less and is issued in bearer form, or with respect to any Parity Loan, the State of California (or any board, department or agency thereof) or the federal government (or any board, department or agency thereof), as applicable.

"Bonds" means Clean Water Revenue Bonds authorized by, and at any time Outstanding under, the Indenture or any Supplemental Indenture, including any Additional Bonds authorized by, and at any time Outstanding under, the Indenture and any Supplemental Indenture, and for purposes of the provisions of the Indenture described in this Appendix C under the captions "REVENUES AND FUNDS — Pledge and Assignment of Net Revenues; Revenue Fund — Pledge of Net Revenues; Perfection of Lien," "EVENTS OF DEFAULT AND REMEDIES OF BONDOWNERS — Events of Default; Acceleration; Waiver of Default" and "— Application of Funds Upon

Acceleration" and in the Official Statement under the caption "SECURITY FOR THE BONDS — Rate Covenants," the term "Bonds" includes Parity Loans.

"Build America Bonds" means any bonds or other obligations issued as Build America Bonds under Section 54AA of the Code, or under any provision of the Code that creates a substantially similar direct-pay subsidy program.

"Business Day" means any day other than (a) a Saturday, Sunday or day upon which commercial banks in San Francisco, California, or New York, New York are authorized or required to be closed and (b) for purposes of payments and other actions relating to Bonds secured by a Letter of Credit, a day upon which commercial banks are authorized to be closed in the city in which is located the office of the Qualified Bank at which demands for payment under the Letter of Credit are to be presented.

"Capital Appreciation Bonds" means all or any portion of a Series of Bonds designated as Capital Appreciation Bonds and on which interest is compounded and paid either at maturity or on prior redemption.

"Capital Project Account" means each account by that name established within the Capital Project Fund.

"Capital Project Fund" means the fund by that name established under the Indenture.

"Certificate of the Commission" means an instrument in writing signed by the President or by the General Manager or by any other officer of the Commission duly authorized by the Commission for that purpose, and by the Secretary. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined will be read and construed as a single instrument. If and to the extent required by the provisions of the Indenture, each Certificate of the Commission will include the statements provided for in the Indenture.

"Charter" means the Charter of the City as it now exists or as it may hereafter be amended, and any new or successor Charter.

"City" means the existing political subdivision known as the City and County of San Francisco, in the State of California, as the same is organized and existing under and by virtue of the Constitution and laws of the State of California and the Charter, and any public body hereafter created as a successor thereto.

"Closing Date" means August 13, 2026, with respect to the date of the original issuance and delivery of the 2026 Series B Bonds.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commission" means the Public Utilities Commission of the City, and all commissions, agencies or public bodies hereafter created which succeed to or take over the powers and duties of the Commission with respect to the Enterprise.

"Consulting Engineers" means any engineer or firm of engineers retained by the Commission having a wide and favorable reputation for skill and experience in evaluating the construction and operation of public utilities, including public sanitary waste and storm water collection, treatment and disposal systems, or in other revenue producing publicly-owned enterprises, to perform the acts and carry out the duties provided for such consulting engineers in the Indenture.

"Controller" means the Controller of the City from time to time, and includes any deputy acting for the Controller.

"Credit Provider" means a Municipal Bond Insurer that has issued an outstanding policy of municipal bond or financial guaranty insurance or a Qualified Bank that has issued an outstanding Letter of Credit which, in each case, secures payment of principal of, and interest on, or tender price of, all or a portion of a Series of Bonds; provided that "Credit Provider" will not refer to a Bond Reserve Fund Policy Provider.

"Current Interest Bonds" means all or any portion of a Series of Bonds designated as Current Interest Bonds and which pay interest at least semiannually to the Owners thereof excluding the first payment of interest thereon.

"Debt Service" means the sum of all principal and interest due on all Outstanding Bonds and Parity Loans as of the date of calculation.

"Defeasance Obligations" means:

(a) Cash;

(b) Federal Securities;

(c) The interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form;

(d) Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P, provided that, if the issue is rated only by S&P (i.e., there is no Moody's rating), then the pre-refunded municipal bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or "AAA" rated pre-refunded municipals; and

(e) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) participation certificates of the General Services Administration; (iv) Federal Financing Bank bonds and debentures; (v) guaranteed Title XI financings of the U.S. Maritime Administration; and (vi) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development.

"Enterprise" means the whole and each and every part of the municipal sanitary waste and storm water collection, treatment and disposal system and auxiliary or related facilities of the Commission, including all of the presently existing system of the Commission for the collection, treatment and disposal of sanitary waste and storm water, and all future additions, betterments, and extensions to that system or any part thereof.

"Escrow Agreement" means the Escrow Agreement (2013B Bonds, 2016A Bonds and 2016B Bonds) dated as of August 1, 2026, between the Commission and U.S. Bank Trust Company, National Association, as it may be supplemented and amended in accordance with its terms.

"Event of Default" means an event of that name described in the Indenture.

"Excluded Principal" means each payment of principal of Bonds with a remaining term, on the date of calculation, of not greater than 60 months and which the Commission specifies in a Certificate of the Commission and filed with the Trustee that the Commission intends to pay from the proceeds of Bonds or Parity Loans, other bonds, notes or other obligations of the Commission or moneys other than Net Revenues. No such determination will affect the security for the Bonds, Senior State Loans or Parity Loans or the obligation of the Commission to pay the Bonds, Senior State Loans and Parity Loans from Net Revenues.

"Federal Securities" means United States treasury notes, bonds, bills or certificates of indebtedness, or obligations for which the faith and credit of the United States of America are pledged for the payment of principal and interest (including obligations issued or held in book-entry form and securities which represent an undivided interest in such direct obligations and CATs and TGRS), and also any securities now or hereafter authorized, both the principal of and interest on which is guaranteed directly by the full faith and credit of the United States of America.

"Financial Newspaper or Journal" means *The Wall Street Journal* or *The Bond Buyer*, or any other newspaper or journal publishing financial news and selected by the Trustee, whose decision will be final and conclusive, printed in the English language, customarily published on each Business Day and circulated in San Francisco, California.

"First Amendment" means that certain First Amendment to Indenture dated as of May 1, 2010, between the Commission and the Trustee.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or such other fiscal year as may be adopted by the Commission for its general accounting purposes or the then current accounting period of the City if the Commission has no separate accounting period.

"Fitch" means Fitch, Inc., doing business as Fitch Ratings, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, then the term "Fitch" will be deemed to refer to any other nationally recognized securities rating agency selected by the Commission.

"General Manager" means the general manager of the Commission appointed by the Mayor from time to time pursuant to the Charter or any other applicable provision of law, and includes any other person acting on behalf of the General Manager.

"Indenture" means the Indenture, dated as of January 1, 2003, by and between the Commission and the Trustee, as originally executed or as it may from time to time be supplemented or amended by any Supplemental Indenture delivered under the provisions of the Indenture.

"Independent Certified Public Accountant" means any certified public accountant or firm of such accountants appointed and paid by the Commission, and who, or each of whom --

(a) is in fact independent and not under control of the City or the Commission;

(b) does not have any substantial interest, direct or indirect, with the City or the Commission; and

(c) is not connected with the City or the Commission as an officer or employee of the City or the Commission, but who may be regularly retained to make annual or other audits of the books of or reports to the City or the Commission.

"Information Services" means:

(a) Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor;

(b) Mergent/FIS, 5250 77 Center Drive, Suite 150, Charlotte, North Carolina, 28217, Attn: Called Bond Dept.; and

(c) Kenny S&P, 55 Water Street, 45th Floor, New York, New York 10041, Attention: Notification Department;

or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other addresses or such other services providing information with respect to called bonds, or no such services, as the Commission may designate in a Written Request of the Commission delivered to the Trustee.

"Interest Payment Date" means those interest payment dates set forth for the 2003 Refunding Series A Bonds in the Indenture, and those interest payment dates set forth for any Additional Bonds in a Supplemental Indenture in accordance with the Indenture, as appropriate. With respect to the 2026 Series B Bonds, Interest Payment Date means April 1 and October 1 of each year, commencing on October 1, 2026.

"Interim Funding Program" means, together, the tax-exempt or taxable notes captioned "Public Utilities Commission of the City and County of San Francisco Commercial Paper Notes (Wastewater Series, Proposition E)" pursuant to one or more of the eight available bank credit facilities in the aggregate principal amount as provided in the Indenture and tax-exempt obligations captioned "Public Utilities Commission of the City and County of San Francisco Revolving Obligations (Wastewater Series, Proposition E)" in the aggregate principal amount as provided in the Indenture.

"Law" means the Charter, the San Francisco Administrative Code, and all laws of the State of California supplemental thereto, including the Revenue Bond Law of 1941 to the extent made applicable by the Charter or by the San Francisco Administrative Code. Whenever reference is made in the Indenture to the "Law," reference is made to the Law as in force on the date of the Indenture or any Supplemental Indenture, unless the context otherwise requires.

"Legal Investments" means bonds, notes, certificates of indebtedness, bills, acceptances or other securities in which funds of the Commission may now or hereafter be legally invested as provided by the law in effect at the time of such investment.

"Letter of Credit" means an irrevocable and unconditional letter of credit, a standby purchase agreement, a line of credit or other similar credit arrangement issued by a Qualified Bank to secure payment of Balloon Indebtedness, Variable Rate Indebtedness, Tender Indebtedness or a Series of Bonds, or to satisfy all or a portion of the Required Reserve.

"Letter of Credit Agreement" means an agreement between the Commission and a Qualified Bank pursuant to which the Qualified Bank agrees to issue a Letter of Credit and which sets forth the repayment obligation of the Commission to the Qualified Bank on account of any advances under the Letter of Credit.

"Letter of Representations" means the letter or letters of representation of the Commission delivered to and accepted by The Depository Trust Company setting forth the basis on which The Depository Trust Company serves as depository for the Bonds, as originally executed or as it may be supplemented or revised or replaced by a letter to a substitute depository.

"Maturity Date" means the maturity dates set forth for the 2003 Refunding Series A Bonds in the Indenture, and each maturity date set forth for any Additional Bonds in a Supplemental Indenture in accordance with the Indenture, as appropriate.

"Maximum Annual Debt Service" means, as of the date of calculation, the largest amount of Debt Service in the then current or any future Fiscal Year, calculated by the Commission using the following assumptions:

(a) In determining the principal amount due in each year, payment will (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such debt, including any Minimum Sinking Fund Account Payments or any scheduled redemption or payment of Bonds on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value will be deemed a principal payment and interest that is compounded and paid as Accreted Value will be deemed due on the scheduled redemption or Payment Date of such Capital Appreciation Bond, but excluding Excluded Principal.

(b) If any of the Outstanding Series of Bonds constitute Balloon Indebtedness or Balloon Indebtedness and Variable Rate Indebtedness or if Bonds then proposed to be issued would constitute Balloon Indebtedness or Balloon Indebtedness and Variable Rate Indebtedness, then, for purposes of determining Maximum Annual Debt Service, such Bonds the principal of which the Commission has not specified as Excluded Principal will be amortized for a period specified by the Commission (but no longer than forty (40) years from the date of the issuance of the Bonds to which such Balloon Indebtedness relates) on a substantially level debt service basis or other amortization basis designated by the Commission, calculated based on a fixed rate equal to the rate at which the Commission could borrow for such period, as certified by a Qualified Financial Advisor.

(c) If any Outstanding Bonds constitute Variable Rate Indebtedness, the interest rate will, as of the date of calculation, be: (i) the greater of (a) the average SIFMA rate over the past 3 years times 150% or (b) 4 percent or (ii) if, designated in writing by the Commission in the Supplemental Indenture authorizing such Bonds (which the Commission must certify, in the case of obligations interest on which is not excluded from gross income for federal income tax purposes under the Code), a fixed rate of interest reasonably determined by the Commission for obligations with similar duration, which interest rate has been certified by a Qualified Financial Advisor as reasonable concurrent with the execution and delivery of such Supplemental Indenture.

(d) If Defeasance Obligations have been deposited with and are held by the Trustee or another fiduciary to be used to pay principal and/or interest on specified Bonds, or any amounts have been deposited in the Interest Fund from the proceeds of any Series of Bonds or from any other source to pay interest on such Bonds, then the principal and/or interest to be paid from such Defeasance Obligations or from the earnings thereon, or from such amounts in the Interest Fund, will be disregarded and not included in calculating Maximum Annual Debt Service.

(e) In determining the amount of interest coming due during any twelve-month period ending June 30 on any Series of Bonds that are issued as Build America Bonds or obligations issued under any future program similar to Build America Bonds, amounts equal to the Refundable Credits the Commission is scheduled to receive during each twelve-month period ending June 30 will be deducted from such interest.

"Mayor" means the Mayor of the City from time to time.

"Minimum Sinking Fund Account Payments" means the aggregate amounts required by the Indenture and any subsequent Supplemental Indenture to be deposited in Sinking Fund Accounts for the payment of Term Bonds.

"Moody's" means Moody's Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, then the term "Moody's" will be deemed to refer to any other nationally recognized securities rating agency selected by the Commission.

"Municipal Bond Insurer" means any insurance company or companies which is or are designated as such in the Indenture or a Supplemental Indenture, and which has or have issued a policy of municipal bond insurance or a financial guaranty insurance policy insuring payment of the principal of and interest on any of the Bonds of any Series of Bonds.

"Net Revenues" means all of the Revenues less all Operation and Maintenance Costs of the Enterprise.

"Operation and Maintenance Costs of the Enterprise" means the reasonable and necessary costs of operating and maintaining the Enterprise, calculated on generally accepted accounting principles, including (among other things) salaries and wages, fees for services, costs of materials, supplies and fuel, reasonable expenses of management, legal fees, accounting fees, repairs and other expenses necessary to maintain and preserve the Enterprise in good repair and working order, and reasonable amounts for administration, overhead, insurance, taxes (if any), and the payment of pension charges and proportionate payments to such compensation and other insurance or outside reserve funds as the Commission may establish or the Board of Supervisors may require with respect to employees of the Commission, as provided in the Charter. However, the term "Operation and Maintenance Costs of the Enterprise" excludes in all cases (a) depreciation and obsolescence charges or reserves therefor, (b) amortization of intangibles or other bookkeeping entries of a similar nature, (c) costs of capital additions, replacements, betterments, extensions or improvements to the Enterprise, which under generally accepted accounting principles are chargeable to a capital account or to a reserve for depreciation, (d) charges for the payment of principal and interest on any revenue bonds or other indebtedness heretofore or hereafter issued for Enterprise purposes and (e) such costs as are scheduled to be paid by the Commission from moneys other than Revenues, such moneys to be clearly available for such purpose.

"Opinion of Counsel" means a written opinion of counsel (who may be counsel for the City or the Commission) retained by the Commission. If and to the extent required by the provisions of the Indenture, each Opinion of Counsel will include the statements provided for in the Indenture.

"Outstanding" when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore executed, issued and delivered by the Commission under the Indenture except --

(a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds for the payment or redemption of which funds or securities in the necessary amount (as set forth in the Indenture) have theretofore been deposited with a fiduciary (whether upon or prior to the maturity or redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption is given as in provided in the Indenture, or provision satisfactory to the Trustee is made for the giving of such notice; and

(c) Bonds in lieu of or in substitution for which other Bonds have been executed, issued and delivered by the Commission pursuant to the Indenture.

For purposes of this definition and within the meaning of the Indenture, any Bonds, the principal of or interest on which has been paid by a Credit Provider, will not be deemed paid by or on behalf of the Commission, will not be defeased and will remain Outstanding under the Indenture until the Credit Provider has been paid or reimbursed for such payment by the Commission.

"Parity Loans" means those loan agreements entered into between the Commission and the State of California (or any board, department or agency thereof) or the federal government (or any board, department or agency thereof) to finance additions, betterments, extensions, repairs, renewals or replacements to the Enterprise, which are entered into after the issuance of the 2003 Refunding Series A Bonds and which, by their terms, are secured by a pledge and lien on Net Revenues on a parity basis with debt service on the Bonds. Parity Loans may be evidenced by or secured by Bonds.

"Payment Date" means any date on which payment of the principal of or interest on the Bonds is due, or on which any Term Bonds are required to be redeemed from any Minimum Sinking Fund Account Payments.

"Permitted Investments" means any of the following, to the extent permitted by law and by any policy guidelines promulgated by the Commission or the City:

(a) Cash;

(b) Federal Securities;

(c) the interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form;

(d) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) Federal Housing Administration debentures; (iv) participation certificates of the General Services Administration; (v) Federal Financing Bank bonds and debentures; (vi) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (vii) guaranteed Title XI financings of the U.S. Maritime Administration; and (viii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development;

(e) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities only as stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgaged-backed securities and senior debt obligations of the Fannie Mae; (iv) senior debt obligations of the Student Loan Marketing Association; (v) obligations of the Resolution Funding Corporation; and (vi) consolidated system-wide bonds and notes of the Farm Credit System;

(f) money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least "AAAm-G," "AAAm" or "AAm," and a rating by Moody's of "Aaa," "Aal" or "Aa2" (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services);

(g) certificates of deposit (including those of the Trustee, its parent and its affiliates) secured at all times by collateral described in (a) or (b) above, which have a maturity not greater than one year from the date of investment and which are issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated "A-1+" or better by S&P and "Prime-1" by Moody's, which collateral must be held by a third party and provided that the Trustee must have a perfected first security interest in such collateral;

(h) certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by FDIC, including BIF and SAIF;

(i) investment agreements, including guaranteed investment contracts, forward purchase agreements, reserve fund put agreements and collateralized investment agreements acceptable to the Credit Provider;

(j) commercial paper rated "Prime-1" by Moody's and "A-1+" or better by S&P;

(k) bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies;

(l) federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's, and "A-1+" by S&P;

(m) the Local Agency Investment Fund which is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California, provided for investment of funds held by the Trustee, the Trustee is entitled to make investments and withdrawals in its own name as Trustee; and

(n) any other investment approved in writing by the Credit Provider

"Policy Costs" means the amounts owing to a Bond Reserve Fund Policy Provider, including the principal amount of any draw on a Bond Reserve Fund Policy, interest thereon and reasonable expenses incurred by the Bond Reserve Fund Policy Provider in enforcing payment of Policy Costs, as more fully set forth in the agreement pursuant to which such Bond Reserve Fund Policy is issued.

"President" means the President of the Commission from time to time, or any other person acting on behalf of the President.

"Principal Payment Date" means the principal payment date set forth for the 2003 Refunding Series A Bonds in the Indenture, and the principal payment date set forth for any Additional Bonds in a Supplemental Indenture in accordance with the Indenture, as appropriate. With respect to the 2026 Series B Bonds, Principal Payment Date means October 1 of each year set forth in the Twentieth Supplemental Indenture.

"Project" means any repairs, replacements, additions, enlargements, betterments, extensions and other improvements to or benefiting, and the equipping of, the Enterprise, including, without limitation, the acquisition of land therefor.

"Proportionate Basis," when used with respect to the redemption of Bonds, means that the amount of Bonds of each maturity to be redeemed will be determined as nearly as practicable by multiplying the total amount of funds available for redemption by the ratio which the amount of Bond Obligation of Bonds of such maturity bears to the amount of all Bond Obligation of Bonds to be redeemed, provided that if the amount available for redemption of Bonds of any maturity is insufficient to redeem a multiple of $5,000 principal amount or Accreted Value payable at maturity, such amount will be applied to the redemption of the highest possible integral multiple (if any) of $5,000 principal amount or Accreted Value payable at maturity. For purposes of the foregoing, Term Bonds will be deemed to mature in the years and in the amounts of the Minimum Sinking Fund Account Payments and Capital Appreciation Bonds and Current Interest Bonds maturing or subject to Minimum Sinking Fund Account Payments in the same year will be treated as separate maturities.

When used with respect to the payment or purchase of Bonds, "Proportionate Basis" will have the same meaning set forth above except that "pay" or "purchase" will be substituted for "redeem" or "redemption" and "paid" or "purchased" will be substituted for "redeemed."

"Qualified Bank" means a state or national bank or trust company or savings and loan association or a foreign bank with a domestic branch or agency which is organized and in good standing under the laws of the United States or any state thereof or any foreign country, which has a debt rating at least as high as the underlying rating on the related Series of Bonds at the time such Qualified Bank delivers a Letter of Credit or a Bond Reserve Fund Policy (i.e., the rating given without regard to any municipal bond or financial guaranty insurance, letter of credit, or similar guaranty or credit enhancement on that Series of Bonds) as provided by Moody's, by S&P or Fitch.

"Qualified Financial Advisor" means a person or a firm selected by the Commission who or which engages in the business of advising the management of public agencies similar to the Commission concerning the issuance of debt.

"Qualified Independent Consultant" means a person or a firm who or which engages in the business of advising the management of public agencies concerning the operation and financing of public utilities, including public municipal sanitary waste and storm water collection, treatment and disposal systems, and also including advice and consultation generally concerning the use and operation of public utilities, including public municipal sanitary waste and storm water collection, treatment and disposal systems, and which person or firm, by reason of his or its knowledge and experience, has acquired a reputation as a recognized consultant. Such Qualified Independent Consultant may include a person or firm rendering professional engineering or accounting services in addition to his or its occupation as a public utility consultant and may include any person or firm regularly employed by the City or the Commission as a consultant to the City or the Commission.

"Rebate Fund" means the fund established and so designated for a Series of Bonds.

"Refundable Credits" means (a) with respect to a Series of Bonds issued as Build America Bonds under Section 54AA of the Code, the amounts which are payable by the Federal government under Section 6431 of the Code, which the Commission has elected to receive under Section 54AA(g)(1) of the Code, and (b) with respect to a Series of Bonds issued as Build America Bonds under any other provision of the Code that creates a substantially similar direct-pay subsidy program, the amounts which are payable by the Federal government under the applicable provisions of the Code, which the Commission has elected to receive under the applicable provisions of the Code.

"Refunded 2010B Bonds" means the Outstanding 2010B Bonds.

"Refunded 2013B Bonds" means the Outstanding 2013B Bonds.

"Refunded 2016A Bonds" means the Outstanding 2016A Bonds.

"Refunded 2016B Bonds" means the Outstanding 2016B Bonds.

"Required Reserve" means, with respect to Series of Bonds issued prior to the effective date of the amendments set forth in the First Amendment, but only until the effective date of the amendments set forth in the First Amendment, for any Series of Bonds, as of any date of calculation, an amount equal to the lesser of: (i) Maximum Annual Debt Service on all such Series of Bonds (excluding from such calculation Parity Loans, if any) then Outstanding; or (ii) 125% of Average Annual Debt Service on all such Series of Bonds (excluding from such calculation Parity Loans, if any) then Outstanding; provided, that (i) on and after the effective date of the amendments set forth in the First Amendment, "Required Reserve" will mean, with respect to a Series of Bonds issued prior to the effective date of the amendments set forth in the First Amendment, 50% of Maximum Annual Debt Service on all such Series of Bonds (excluding from such calculation Parity Loans, if any) then Outstanding, and (ii) in no event will the Commission, in connection with issuance of a Series of Additional Bonds, be obligated to deposit an amount in the Bond Reserve Fund which is in excess of the amount permitted by the applicable provisions of the Code to be so deposited from the proceeds of tax-exempt bonds without having to restrict the yield of any investment purchased with any portion of such deposit.

"Required Reserve" means, with respect to Series of Bonds issued on or after the effective date of the amendments set forth in the First Amendment, for any Series of Bonds, as of any date of calculation, the amount, if any, required to be deposited into a Reserve Account for that Series of Bonds, as defined in and provided by the Supplemental Indenture pursuant to which such Series of Bonds is issued; provided, however, that in no event will the Commission, in connection with issuance of a Series of Additional Bonds, be obligated to deposit an amount in the Bond Reserve Fund which is in excess of the amount permitted by the applicable provisions of the Code to be so deposited from the proceeds of tax-exempt bonds without having to restrict the yield of any investment purchased with any portion of such deposit.

"Reserve Account" means each account established in the Bond Reserve Fund with respect to each Series of Bonds issued under the Indenture on or after the effective date of the amendments set forth in the First Amendment and for which an amount is required to be deposited into a Reserve Account for that Series of Bonds, as defined in and provided by the Supplemental Indenture pursuant to which such Series of Bonds is issued.

"Revenue Fund" means the fund by that name established pursuant to the Indenture.

"Revenues" means all gross revenues of the Enterprise, including all charges received for and all other income and receipts derived by, the Commission from the operation of the Enterprise, or arising from the Enterprise, including connection and installation charges, but excluding –

(a) any money received by or for the account the Commission from the levy or collection of taxes,

(b) moneys received from the State of California and the United States of America and required to be deposited in restricted funds,

(c) refundable deposits made to establish credit,

(d) advances and contributions made to the Commission to be applied to construction,

(e) moneys received constituting casualty insurance proceeds with respect to all or any part of the Enterprise (which will be received and disposed of pursuant to the Indenture) and moneys received constituting other insurance proceeds,

(f) moneys received from the sale or disposition of all or any part of the Enterprise (which will be received and disposed of pursuant to the Indenture),

(g) moneys received upon the taking by or under the threat of eminent domain of all or any part of the Enterprise (which moneys will be received and disposed of pursuant to the Indenture),

(h) proceeds from Bonds issued by the Commission or proceeds from loans or other indebtedness obtained by the Commission, and

(i) moneys or securities received by the Commission as gifts or grants, the use of which is restricted by the donor or grantor.

The term "Revenues" also includes (i) all interest or other income (excluding profits or losses from the sale or disposition of Permitted Investments or other securities owned by or on behalf of the Commission) derived from the deposit or investment of any moneys in any fund or account established under the Indenture (excluding any Rebate Fund and any escrow fund pledged for the payment of defeased bonds) or in any fund or account of the Enterprise and legally available to pay Debt Service, and (ii) any other moneys, proceeds and other amounts that the Commission determines should be "Revenues" under the Indenture.

"S&P" means Standard & Poor's Ratings Services, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, then the term "S&P" will be deemed to refer to any other nationally recognized securities rating agency selected by the Commission.

"Secretary" means the Secretary of the Commission from time to time.

"Securities Depositories" means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 227-4039 or 4190; or, in accordance with then-current guidelines of the Securities and Exchange Commission, to such other addresses or such other securities depositories, or no such depositories, as the Commission may designate in a Written Request of the Commission delivered to the Trustee.

"Senior State Loans" means those loan agreements entered into between the Commission and the State of California (or any board, department or agency thereof) to finance additions, betterments, extensions, repairs, renewals or replacements to the Enterprise, which (i) have been entered into and are in effect prior to the issuance of the 2003 Refunding Series A Bonds, or (ii) which are entered into after the issuance of the 2003 Refunding Series A Bonds and which, by their terms, are payable from Revenues on a basis senior to Debt Service. The Commission acknowledges that the payment of the Senior State Loans described in (i) above is not, by the terms of such Senior State Loans, senior to the payment of Debt Service, but has, for purposes of the Indenture, elected to treat such payment of such Senior State Loans as senior to the payment of Debt Service.

"Serial Bonds" means all or any portion of a Series of Bonds designated as Serial Bonds and for which no Minimum Sinking Fund Account Payments are provided.

"Series" means any series of Bonds executed, authenticated and delivered pursuant to the Indenture and identified as a separate Series of Bonds, including any Additional Bonds issued pursuant to a Supplemental Indenture and the Indenture.

"SIFMA" means, as of any date, the most recent rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as calculated and published by Bloomberg and made available by the Securities Industry and Financial Markets Association on its SIFMA Municipal Swap Index, or if the SIFMA Municipal Swap Index is no longer published or reported, the rate per annum published or reported on the S&P Municipal Bond 7 Day High Grade Rate Index, or if neither the SIFMA Municipal Swap Index nor the S&P Municipal Bond 7 Day High Grade Rate Index is published, a per annum rate equal to 60% of the yield of the three-month U.S. Treasury bill as reported as of the end of each trading day.

"Sinking Fund Accounts" means any special account or accounts established by the Indenture or any Supplemental Indenture or Indentures in the Principal Fund (established pursuant to the Indenture) for the payment of Term Bonds.

"Sixth Supplemental Indenture" means that certain Sixth Supplemental Indenture, dated July 1, 2018, by and between the Commission and the Trustee.

"Supplemental Indenture" means any indenture amendatory of or supplemental to the Indenture that complies with the provisions of the Indenture for amendments and supplements, and includes any amended and restated indenture that complies with the provisions of the Indenture for amendments and supplements.

"Tender Indebtedness" means any Bonds or portions of Bonds a feature of which is an option, on the part of the Bondowners, or an obligation, under the terms of such Bonds, to tender all or a portion of such Bonds to the Commission, the Trustee or other fiduciary or agent for payment or purchase and requiring that such Bonds or portions of Bonds be purchased if properly presented.

"Term Bonds" means all or any portion of a Series of Bonds designated as Term Bonds and which are payable at or before their specified maturity date or dates from Minimum Sinking Fund Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

"Treasurer" means the Treasurer of the City and includes any deputy acting for the Treasurer.

"Trustee" means U.S. Bank Trust Company, National Association, as successor trustee to U.S. Bank, National Association, acting as an independent trustee with the duties and powers provided in the Indenture, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in the Indenture.

"Twentieth Supplemental Indenture" means that certain Twentieth Supplemental Indenture dated as of August 1, 2026, between the Commission and the Trustee.

"Variable Rate Indebtedness" means any portion of indebtedness, the interest rate on which is not fixed at the time such indebtedness is incurred, and has not at some subsequent date been fixed for the entire term of the indebtedness.

"Written Request of the Commission," "Written Requisition of the Commission" and "Written Statement of the Commission" mean, respectively, a written request, requisition or statement signed by or on behalf of the Commission by the President or the General Manager or the Secretary or by any person (whether or not an officer of the Commission) who is authorized by resolution of the Commission (which resolution will be provided to the Trustee) or otherwise to sign or execute such a document on its behalf.

"2003 Refunding Series A Bonds" has the meaning set forth in the Indenture.

"2026B Continuing Disclosure Certificate" means the Continuing Disclosure Certificate, dated the date of initial issuance of the 2026 Series B Bonds, executed and delivered by the Commission, as it may be supplemented and amended in accordance with its terms.

"2026 Series B Bonds" means the Public Utilities Commission of the City and County of San Francisco Wastewater Revenue Bonds, 2026 Series B (Refunding) authorized pursuant to the Twentieth Supplemental Indenture.

"2026 Series B Rebate Fund" means the fund by that name established pursuant to the Twentieth Supplemental Indenture.

Equal Security. In consideration of the acceptance of the Bonds by those who will hold the same from time to time, the Indenture will be deemed to be and will constitute a contract between the Commission, the Trustee and the Owners from time to time of the Bonds to secure the full and final payment of the interest and principal on the Bonds, subject to the agreements, conditions, covenants and terms contained therein; and the covenants and agreements therein set forth to be performed on behalf of the Commission or the Trustee will be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the Series, number or date thereof or the time of issue, sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided in the Indenture or in the Bonds.

Content of Certificates and Opinions.

(a) Every certificate or opinion with respect to compliance with a condition or covenant provided for in the Indenture, including each Certificate of the Commission, will include (i) a statement that the person or persons making or giving such certificate or opinion have read such covenant or condition and the definitions in the Indenture relating thereto; (ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (iii) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such covenant or condition has been complied with; and (iv) a statement as to whether, in the opinion of the signers, such condition or covenant has been complied with.

(b) Any such certificate or opinion made or given by an officer of the Commission may be based, insofar as it relates to legal, accounting or Enterprise matters, upon a certificate or opinion of or representations by counsel, accountants or consultants, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion may be based, as aforesaid, are erroneous. Any such certificate or opinion made or given by counsel, accountants or consultants may be based, insofar as it relates to factual matters, information with respect to which is in the possession of the Commission, upon the certificate or opinion of or representations by an officer or officers of the Commission, unless such counsel, accountant or consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representations with respect to the matters upon which his opinion may be based as aforesaid are erroneous.

THE BONDS

Authorization.

(a) Issuance of Bonds.

(i) Bonds may be issued under the Indenture from time to time in order to obtain funds for the purposes authorized therein. The Bonds will be issued under the Charter and the Law for the purpose of financing or refinancing the acquisition, construction, replacement, reconstruction, extension, improvement and development of the Enterprise.

(ii) The aggregate principal amount of Bonds which may be issued under the Indenture is not limited (subject, however, to the right of the Commission and the Board of Supervisors of the City, which is reserved by the Indenture, to limit or restrict the aggregate principal amount of Bonds which may at any time be issued and Outstanding under the Indenture) and consists or may consist of one or more Series of varying denominations, dates, maturities, interest rates and other provisions, all issued and to be issued pursuant to the Indenture and the Law, subject to the limitations contained in the Indenture.

(iii) The Indenture constitutes a continuing agreement with the Owners of all of the Bonds issued or to be issued under the Indenture and then Outstanding to secure the full and final payment of the principal of and the premiums, if any, and the interest on all Bonds which may from time to time be executed and delivered under the Indenture, subject to the covenants, agreements, provisions and conditions contained in the Indenture.

(iv) The Bonds are designated generally as the "Clean Water Revenue Bonds," each Series thereof to bear such additional designation as may be necessary or appropriate to distinguish such Series from every other Series of Bonds. The Bonds may be issued in such Series as from time to time will be established and authorized by the Commission, subject to the provisions and conditions contained in the Indenture.

Execution of Bonds.

(a) The Bonds will be executed on behalf of the Commission by the manual or facsimile signatures of its President or General Manager and the Controller and under the seal of the Commission attested by the manual or facsimile signature of the Secretary. Such seal may be in the form of a facsimile of the Commission's seal and may be imprinted or impressed upon the Bonds. The Bonds will then be delivered to the Trustee for authentication by it. In case any of the officers who will have signed or attested any of the Bonds will cease to be such officer or officers before the Bonds so signed or attested will have been authenticated or delivered by the Trustee or issued by the Commission, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, will be as binding upon the Commission as though those who signed and attested the same had continued to be such officers, and also any Bond may be signed and attested on behalf of the Commission by such persons as on the actual date of the execution of such Bond will be the President or General Manager or the Secretary or the Controller although at the nominal date of such Bond any such person will not have held such title.

(b) Except as may be provided in any Supplemental Indenture, only such of the Bonds as will bear thereon a certificate of authentication and registration in the form recited in the Indenture, executed by the Trustee, will be valid or obligatory for any purpose or entitled to the benefits of the Indenture, and such certificate of the Trustee will be conclusive evidence that the Bonds so authenticated have been duly authenticated and delivered under the Indenture and are entitled to the benefits of the Indenture.

Transfer of Bonds.

(a) Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of the Indenture, by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee duly executed.

(b) Whenever any Bond or Bonds will be surrendered for transfer, the Commission will execute and the Trustee will authenticate and deliver a new Bond or Bonds of the same Series, tenor and maturity, for a like aggregate principal amount. The Trustee will require the payment by any Bondowner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

(c) No transfer of Current Interest Bonds will be required to be made by the Trustee after the fifteenth day of the month next preceding each interest payment date, or, as to any Bonds called for redemption, within 30 days of the date fixed for redemption.

Exchange of Bonds.

(a) Bonds may be exchanged at the principal corporate trust office of the Trustee in San Francisco, California, for a like aggregate principal amount of Bonds of other authorized denominations of the same Series, tenor and maturity. The Trustee will require the payment by the Bondowner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

(b) No exchange of Current Interest Bonds will be required to be made by the Trustee after the fifteenth day of the month next preceding each interest payment date, or, as to any Bonds called for redemption, within thirty days of the date fixed for redemption.

Bond Register. The Trustee will keep or cause to be kept, at the principal corporate trust office of the Trustee in St. Paul, Minnesota, sufficient books for the registration and transfer of the Bonds, which will during regular business hours of the Trustee be open to inspection by the Commission; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as the Trustee may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as provided in the Indenture.

Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, will be of such denominations as may be determined by the Commission, will be in registered, form without coupons and may contain such reference to any of the provisions of the Indenture as may be appropriate. Every temporary Bond will be executed by the Commission and be authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive fully registered Bonds. If the Commission issues temporary Bonds it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the principal corporate trust office of the Trustee in St. Paul, Minnesota, and the Trustee will deliver in exchange for such temporary Bonds definitive Bonds of an equal aggregate principal amount of Bonds of the same Series, tenor and maturity or maturities. Until so exchanged, the temporary Bonds will be entitled to the same benefits under the Indenture as definitive Bonds executed and delivered under the Indenture.

Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond becomes mutilated, the Commission, at the expense of the Owner of said Bond, will execute, and the Trustee will thereupon authenticate and deliver, a new Bond of like tenor and number in exchange and substitution for the Bond so mutilated (except that such number may be preceded by a distinguishing prefix), but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee will be cancelled by it and delivered to, or upon the order of, the Commission. If any Bond becomes lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Commission and the Trustee and, if such evidence is satisfactory to both and indemnity satisfactory to them will be given, the Commission, at the expense of the Owner, will execute, and the Trustee will thereupon authenticate and deliver a new Bond in lieu of and in substitution for the Bond so lost, destroyed or stolen (except that such number may be preceded by a distinguishing prefix). The Commission may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under the Indenture and of the expenses which may be incurred by the Commission and the Trustee in the premises. Any Bond issued under the provisions of the Indenture in exchange for any Bond mutilated or in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the Commission, whether or not the Bond so mutilated or so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and will be equally and proportionately entitled to the benefits of the Indenture with all other Bonds secured by the Indenture. Neither the Commission nor the Trustee will be required to treat both the original Bond and any duplicate Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued under the Indenture or for the purpose of determining any percentage of Bonds Outstanding thereunder, but both the original and duplicate Bond will be treated as one and the same.

CAPITAL PROJECT FUND

(a) The Commission has covenanted and agreed to maintain under the Indenture the separate fund known as the "Clean Water Revenue Bond Capital Project Fund" (called the "Capital Project Fund" in the Indenture). The Treasurer will hold the amounts on deposit in the Capital Project Fund. The Controller will maintain and account for the Capital Project Fund so long as any moneys are on deposit therein. The Commission will establish within the Capital Project Fund separate Capital Project Accounts relating to separate Series of Bonds, to the extent needed for a Series of Bonds.

(b) Upon completion of the acquisition and construction of the Project, the Commission may direct the transfer of any remaining balance in the Capital Project Fund to the Interest Fund. Upon completion of acquisition or construction of the Project or any portion thereof, the Commission will file with the Trustee a Certificate or Written Statement of the Commission stating the fact and date of such completion of construction.

(c) The moneys in the Capital Project Fund will be held by the Treasurer in trust and applied to the costs of acquisition, construction, expansion, improvement, financing and refinancing of the Project and the expenses incident thereto or connected therewith, including, if necessary, interest to the extent permitted by law, reimbursement to the Commission for expenses incurred prior to the issuance of the applicable Series of Bonds to the extent permitted by law, and the costs incurred in connection with the issuance of the applicable Series of Bonds to the extent not provided for.

(d) The Treasurer will pay out moneys from the Capital Project Fund only upon warrants drawn by the Controller in the manner provided by law. No withdrawals will be made from the Capital Project Fund for any purpose not authorized by law.

ISSUANCE OF ADDITIONAL SERIES OF BONDS

In addition to the 2003 Refunding Series A Bonds, the Commission may, subject to the requirements of the Law, by Supplemental Indenture establish one or more other Series of Bonds payable from Net Revenues on a parity with the 2003 Refunding Series A Bonds and secured by a lien upon and pledge of Net Revenues equal to the lien and pledge securing the 2003 Refunding Series A Bonds, and the Commission may issue and the Trustee may authenticate and deliver Bonds of any Series so established, in such principal amount and for such lawful purpose or purposes (including refunding of any Bonds issued under the Indenture and then Outstanding) as will be determined by the Commission in said Supplemental Indenture, but only upon compliance by the Commission with the provisions of the Indenture, and subject to the following specific conditions, which have been made conditions precedent to the issuance of any such additional Series of Bonds by the Indenture:

(a) No Event of Default has occurred and is continuing under the Indenture or any Supplemental Indenture and no event has occurred which, but for the passage of time or the giving of notice, would constitute an Event of Default under the Indenture or any Supplemental Indenture.

(b) The Supplemental Indenture providing for the issuance of such additional Series of Bonds may require that the amount on deposit in the Bond Reserve Fund to be established pursuant to the Indenture be increased, if and to the extent necessary, immediately upon the receipt of the proceeds of the sale of such additional Series of Bonds, to an amount equal to the Required Reserve. This deposit may be made from such proceeds or any other source, as provided in the Supplemental Indenture.

(c) The Supplemental Indenture providing for the issuance of such additional Series of Bonds provides for the payment of interest and principal as follows:

(i) Principal on such Additional Bonds will be payable either semiannually on April 1 and October 1 of each year in which principal falls due or annually on October 1 of each year in which principal falls due, and Term Bonds of any Series will have a principal maturity date of October 1. Interest on such Additional Bonds that are Current Interest Bonds will be payable semiannually on April 1 and October 1 of each year excepting the first year, provided that the first installment of interest will be payable on either April 1 or October 1 and will be for a period of not longer than twelve months and that the interest will be payable thereafter semiannually on April 1 and October 1.

(ii) Notwithstanding the foregoing, the Supplemental Indenture authorizing the issuance of such Additional Bonds may provide for the payment of principal and interest on dates other than those specified above if the Supplemental Indenture provides for the monthly payment of a portion of interest and principal becoming due and payable on the succeeding Interest Payment Date and Principal Payment Date, as applicable, as set forth in detail in the Supplemental Indenture.

(iii) Interest on any Bonds constituting Variable Rate Indebtedness or Tender Indebtedness may be payable on such Payment Dates as will be specified in the Supplemental Indenture.

(d) Fixed serial maturities or mandatory Minimum Sinking Fund Account Payments, or any combination thereof, will be established in amounts sufficient to provide for the retirement of all of the Bonds of such additional Series on or before their respective maturity dates; provided, however, that such requirement will not apply to Balloon Indebtedness or principal amounts of such Series of Bonds which the Commission has specified as Excluded Principal.

(e) The aggregate principal amount of Bonds issued under the Indenture does not exceed any limitation imposed by law or by any Supplemental Indenture.

(f) After the sale of the Series of Additional Bonds proposed to be issued (but prior to the issuance and delivery thereof and receipt of payment therefor), the Commission will file the following documents with the Trustee; these documents will, with respect to such Series of Additional Bonds, be based upon the actual interest rate or rates determined at the time of sale thereof (except that, with respect to Variable Rate Indebtedness, the interest rate for the Series of Additional Bonds will be calculated in accordance with the provisions of subsection (b) of the definition of Annual Debt Service).

(i) A Certificate of the Commission setting forth for each of the next three Fiscal Years estimates of (A) Revenues, (B) Operation and Maintenance Costs of the Enterprise and (3) Net Revenues.

(ii) A Certificate of the Commission demonstrating that (1) the ratio of (A) Net Revenues for the most recent Fiscal Year for which audited financial statements are available, or any consecutive twelve calendar month period during the eighteen calendar month period prior to the issuance of such additional Series of Bonds, to (B) Annual Debt Service for the current Fiscal Year, calculated as of the date of sale of, and including such additional Series of Bonds, will not be less than 1.25:1; or (2) the ratio of (A) Net Revenues projected by the Commission for each of the next three Fiscal Years as described in clause (f)(i) above, and including in such projections amounts projected to be received from any adopted rate increases and fund balances of the Commission which are projected to be available for the payment of Debt Service (but excluding the Bond Reserve Fund), to (B) Annual Debt Service in each of such three Fiscal Years, calculated as of the date of sale of and including such additional Series of Bonds, will not be less than 1.25:1 in each of such Fiscal Years.

Issuance of Additional Bonds for Refunding. In addition to the 2003 Refunding Series A Bonds, the Commission may, subject to the requirements of the Law, by Supplemental Indenture establish one or more other Series of Bonds payable from Net Revenues on a parity with the 2003 Refunding Series A Bonds and secured by a lien upon and pledge of Net Revenues equal to the lien and pledge securing the 2003 Refunding Series A Bonds, and the Commission may issue, and the Trustee may authenticate and deliver, Bonds of any Series so established, for the purpose of refunding any Bonds issued under the Indenture and then Outstanding, but only upon compliance by the Commission with the provisions of the Indenture, and subject to the following specific conditions, which are made conditions precedent to the issuance of any such additional Series of Bonds by the Indenture:

(a) No Event of Default has occurred and is continuing under the Indenture or any Supplemental Indenture and no event has occurred which, but for the passage of time or the giving of notice would constitute an Event of Default under the Indenture or any Supplemental Indenture.

(b) The Supplemental Indenture providing for the issuance of such additional Series of Bonds may require that the amounts on deposit in the Bond Reserve Fund to be established pursuant to the Indenture be increased, if necessary, upon the receipt of the proceeds of the sale of such additional Series of Bonds to an amount equal to the Required Reserve. This deposit may be made from such proceeds or any other source, as provided in the Supplemental Indenture.

(c) The Supplemental Indenture providing for the issuance of such additional Series of Bonds will provide for the payment of interest and principal as follows:

(i) Principal on such Additional Bonds will be payable either semiannually on April 1 and October 1 of each year in which principal falls due or annually on October 1 of each year in which principal falls due, and Term Bonds of any Series will have a principal maturity date of October 1. Interest on such Additional Bonds that are Current Interest Bonds will be payable semiannually on April 1 and October 1 of each year excepting the first year, provided that the first installment of interest will be payable on either April 1 or October 1 and will be for a period of no longer than twelve months and that the interest will be payable thereafter semiannually on April 1 and October 1.

(ii) Notwithstanding the foregoing, the Supplemental Indenture authorizing the issuance of such Additional Bonds may provide for the payment of principal and interest on dates other than those specified above if the Supplemental Indenture provides for the monthly payment

of a portion of interest and principal becoming due and payable on the succeeding Interest Payment Date and Principal Payment Date, as applicable, as set forth in detail in the Supplemental Indenture.

(iii) Interest on any Bonds constituting Variable Rate Indebtedness or Tender Indebtedness may be payable on such Payment Dates as specified in the Supplemental Indenture providing for the issuance of such Bonds.

(d) Fixed serial maturities or mandatory Minimum Sinking Fund Account Payments, or any combination thereof, will be established in amounts sufficient to provide for the retirement of all of the Bonds of such additional Series on or before their respective maturity dates, unless such Bonds are Balloon Indebtedness.

(e) The aggregate principal amount of Bonds issued under the Indenture will not exceed any limitation imposed by law or by any Supplemental Indenture.

(f) After giving effect to the application of the proceeds of the additional Series of Bonds, either (i) Annual Debt Service will not be increased in any Fiscal Year (excluding Debt Service on the Outstanding Bonds to be refunded) in an amount in excess of 5% or (ii) the Average Annual Debt Service for the Bonds of such additional Series (during the period from their issuance to their last maturity date) will be equal to or less than the Average Annual Debt Service on the Bonds to be refunded (during the period from the issuance of the additional Series to the last maturity date of the Bonds to be refunded).

(g) After the sale of the additional Series of Bonds proposed to be issued (but prior to the issuance and delivery thereof and receipt of payment therefor), the Commission will file the following documents with the Trustee; these documents will, with respect to such additional Series of Bonds, be based upon the actual interest rate or rates determined at the time of sale thereof.

(i) A Certificate of the Commission that all of the requirements of the Indenture have been met.

(ii) A certificate of one or more Qualified Financial Advisors that the requirements of clause (f) above have been met.

Proceedings for the Issuance of Additional Series of Bonds.

(a) Whenever the Commission determines to issue an additional Series of Bonds pursuant to the Indenture, the Commission will execute or adopt a Supplemental Indenture providing for the issuance of such additional Series of Bonds.

(b) Such Supplemental Indenture will specify the maximum principal amount of Bonds of such Series, provide for the distinctive designation of Bonds of such Series, and prescribe the other terms and conditions of such additional Series of Bonds in accordance with the Indenture and subject to the provisions of the Indenture. The Commission may by such Supplemental Indenture prescribe any provisions respecting the Bonds of such Series not inconsistent with the terms of the Indenture, including registration, transfer and exchange provisions, provisions for the payment of principal and interest and sinking fund provisions.

(c) Before such additional Series of Bonds may be issued and delivered, the Commission will file the following documents with the Trustee:

(i) An Opinion of Counsel setting forth (1) that such counsel has examined the Supplemental Indenture and found it to be in compliance with the requirements of the Indenture; (2) that the execution and delivery of the additional Series of Bonds have been sufficiently and duly authorized by the Commission; (3) that said additional Series of Bonds, when duly executed by the Commission and, if required, authenticated and delivered by the Trustee, will be valid and binding special obligations of the Commission, payable from Net Revenues as provided in the Indenture; and (4) that the issuance of the additional Series of Bonds will not adversely affect the exclusion from federal income taxation of interest on any Bonds then Outstanding.

(ii) The certificates and reports required by the Indenture (if the Additional Bonds constitute an additional lien on the Net Revenues or if the Additional Bonds are issued to refund any Outstanding Bonds), as appropriate.

(iii) The Supplemental Indenture, duly executed or certified and approved by the Trustee.

(d) Upon the delivery to the Trustee of the foregoing instruments, the Trustee will authenticate and deliver said additional Series of Bonds, in the aggregate principal amount specified in such Supplemental

Indenture, to, or upon the Written Request of, the Commission, when such additional Series of Bonds is presented to it for that purpose.

No Issuance of Additional Bonds or Other Obligations Except as Permitted in the Indenture; Exceptions. So long as any of the Bonds remain Outstanding, the Commission may issue any Additional Bonds or obligations payable from Net Revenues on a parity with the Bonds only pursuant to the provisions of the Indenture, described under "- Issuance of Additional Bonds," "Issuance of Additional Bonds for Refunding," and "Proceedings for the Issuance of Additional Series of Bonds," above, except under any of the following conditions, in which case none of the limitations or restrictions on the issuance of additional Series of Bonds set forth in such provisions of the Indenture will be applicable: (a) if the Owners of a majority in aggregate amount of the Bond Obligation and any Credit Provider consent in writing to the issuance of such Additional Bonds or obligations, or (b) the obligation constitutes debt of the Commission (including without limitation loan agreements entered into between the Commission and the State of California (or any board, department or agency thereof) to finance or refinance additions, betterments, extensions, repairs, renewals or replacements to the Enterprise) payable by its terms from Net Revenues on a subordinate basis to the payment of Debt Service on the Bonds.

In addition, the Commission may enter into Parity Loans if no Event of Default has occurred and is continuing under the Indenture or any Supplemental Indenture (and no event has occurred which, but for the passage of time or the giving of notice, would constitute an Event of Default under the Indenture or any Supplemental Indenture) and, on the date of the execution and delivery of such Parity Loans and with respect to Parity Loans executed and delivered prior to the effective date of the amendments set forth in the Sixth Supplemental Indenture, on the effective date of the amendments set forth in the Sixth Supplemental Indenture, the Commission delivers a Certificate to the Trustee setting forth, for each of the next three Fiscal Years after the delivery of the Parity Loans, and in the case of Parity Loans executed and delivered prior to the effective date of the amendments set forth in the Sixth Supplemental Indenture, the next three Fiscal Years, determined on such date, (i) the Revenues, Operation and Maintenance Costs of the Enterprise and Net Revenues and (ii) the Annual Debt Service (assuming the delivery of the Parity Loans), and demonstrating that the estimated Net Revenues (together with any fund balances of the Commission, which are available for Debt Service, but excluding the Bond Reserve Fund), in each of such Fiscal Years is at least equal to 1.25 times the Annual Debt Service in each of such Fiscal Years.

Validity of Bonds. The validity of the authorization and issuance of the Bonds will not be dependent on or affected in any way by any proceedings taken by the Commission for the improvement of the Enterprise, or by any contracts made by the Commission in connection therewith, or the failure to construct the Project, the Enterprise or any part thereof. The recital contained in the Bonds that they are regularly issued pursuant to the Law will be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

GENERAL REDEMPTION PROVISIONS

Selection of Bonds for Redemption. Whenever less than all of the Bonds of any one maturity and tenor of any Series are called for redemption and such Bonds are redeemable by lot, the Trustee will select the Bonds of such maturity and tenor to be redeemed, from the Outstanding Bonds of such maturity and tenor, by lot or by any other manner which the Trustee deems fair and equitable. For purposes of such selection, Bonds will be deemed to be composed of $5,000 portions (of principal in the case of Current Interest Bonds or of Accreted Value at maturity in the case of Capital Appreciation Bonds) and any such portion may be redeemed separately. The Trustee will promptly notify the Commission in writing of the numbers of the Bonds so selected for redemption.

Notice of Redemption.

(a) The Trustee will mail notice of redemption, not less than 30 nor more than 60 days prior to the redemption date, to (i) the respective Owners of any Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee, (ii) the Securities Depositories and (iii) one or more Information Services.

(b) Each notice of redemption will state the date of such notice, the Series of Bonds to be redeemed, the date of issue of such Series of Bonds, the redemption date, the redemption price including, in the case of Capital Appreciation Bonds, the Accreted Value thereof, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Bonds of such maturity, to be redeemed, and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said Bonds the principal amount thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and the premium, if any, thereon (such premium to be specified) and that from and after such redemption date interest thereon will cease to accrue, and will require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice.

(c) Failure by the Trustee to give notice pursuant to the Indenture to any one or more of the Information Services or Securities Depositories, or the insufficiency of any such notices will not affect the sufficiency of the proceedings for redemption. Neither failure by the Trustee to mail notice of redemption pursuant to the Indenture to any one or more of the respective Owners of any Bonds designated for redemption nor any defect in such notice will affect the sufficiency of the proceedings for redemption with respect to the Owners to whom such notice was mailed.

(d) Notice of redemption of Bonds will be given by the Commission or, at the request of the Commission, by the Trustee for and on behalf and at the expense of the Commission.

Partial Redemption of Bond. Upon surrender of any Bond redeemed in part only (except as otherwise provided in the Indenture) the Commission will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Commission, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered and of the same Series, tenor, interest rate and maturity.

Effect of Redemption.

(a) When notice of redemption has been duly given under the Indenture, and moneys for payment of the redemption price are held by the Trustee, the Bonds so called for redemption will, on the redemption date designated in such notice, become due and payable at the redemption price specified in such notice; and from and after the date so designated, interest on the Bonds so called for redemption will cease to accrue, those Bonds will cease to be entitled to any benefit or security under the Indenture, and the Owners of those Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof. The Trustee will, upon surrender for payment of any of said Bonds (except as otherwise provided in the Indenture), pay such Bonds at the redemption price as aforesaid, together with accrued interest thereon.

(b) All Bonds redeemed pursuant to the provisions of the Indenture will be cancelled upon surrender, and no Bonds will be issued in place thereof.

Rescission of Notice of Redemption. The Commission may, at its option, prior to the date fixed for redemption in any notice of redemption rescind and cancel such notice of redemption by Written Request to the Trustee and the Trustee will mail notice of such cancellation to the recipients of the notice of redemption being cancelled.

REVENUES AND FUNDS

Pledge and Assignment of Net Revenues; Revenue Fund.

(a) Establishment of Revenue Fund. In accordance with the Charter, but subject to the budget and fiscal provisions of the Charter, whenever revenue bonds issued by the Commission pursuant to the Charter or refunding bonds of such revenue bonds are Outstanding, all of the Revenues of the Enterprise will be set aside and deposited into a fund in the City treasury previously established and known as the “Enterprise Revenue Fund” (called the “Revenue Fund” in the Indenture). All amounts paid into the Revenue Fund will be maintained by the Treasurer separate and apart from all other City funds. Separate accounts will be kept of the Revenue Fund with respect to receipts and disbursements. The Revenue Fund will be exempted from the requirements of the Charter.

(b) Priority of Disbursements from Revenue Fund. Moneys in the Revenue Fund, including earnings thereon, will be appropriated, transferred, expended or used for the following purposes, and only in accordance with the following priority: (i) the payment of the Operation and Maintenance Costs of the Enterprise; (ii) the payment of Senior State Loans; (iii) the payment of Bonds, Parity Loans, Policy Costs and amounts due as reimbursement under any Letter of Credit Agreement, as provided in the Indenture and, as applicable, any Supplemental Indenture; and (iv) any other lawful purpose of the Commission.

(c) Pledge of Net Revenues; Perfection of Lien.

(i) Subject to the provisions above, all of the Net Revenues (except amounts on deposit in the various Rebate Funds) are irrevocably pledged by the Indenture to the punctual payment of the principal of and interest and redemption premium, if any, on the Bonds and the Policy Costs, and the Net Revenues will not be used for any other purpose while any of the Bonds remain Outstanding or Policy Costs remain unpaid; except that the Net Revenues may be used for such purposes as are expressly permitted in the Charter and the Indenture. Pursuant to Section 5451 of the California Government Code, said pledge will constitute a lien on and security interest in the Net Revenues for the payment of the Bonds and the Policy Costs in accordance with the terms thereof and of the Indenture, and will immediately attach to the collateral and be effective, binding, and enforceable against the Commission, its successors, purchasers of the Net Revenues, creditors and all others asserting any rights thereto, irrespective of whether such parties have notice of such pledge and without the need for any physical delivery, recordation, filing or further act.

(ii) The Commission will not take any action which alters the pledge of Net Revenues or the order of priority of payment of the Net Revenues used for the payment of principal of and interest on the Bonds.

(d) Disposition of Excess Amounts in Revenue Fund. Except as otherwise provided in a Supplemental Indenture, all moneys remaining in the Revenue Fund on each October 5 (or on such earlier day as the amounts required for the transfers set forth in the Indenture are on deposit in the Revenue Fund), after the setting aside and transferring of all of the amounts required to be set aside or transferred by the Treasurer under the Indenture, will be applied for any lawful purpose of the Commission.

Establishment and Maintenance of Funds for Net Revenues; Use and Withdrawal of Revenues.

(a) The Trustee will establish and maintain, in trust, so long as any Bonds are Outstanding, the Interest Fund, Principal Fund, and Bond Reserve Fund. The Trustee will hold all amounts deposited in each of these funds in trust and apply, use and withdraw those funds only for the purposes authorized in the Indenture.

(b) After the making of the payments required by the Indenture the Commission will transfer all Net Revenues in the Revenue Fund, on a parity basis, as follows: (i) to the Trustee, at the times and in the amounts set forth in the Indenture, for deposit in the following funds, to the extent necessary, in the following order of priority: the Interest Fund, Principal Fund, and Bond Reserve Fund, and (ii) as needed for the payment of any Parity Loans. The requirements of the Interest Fund, the Principal Fund and the Reserve Fund at the time of deposit will be satisfied before any transfer is made to any fund subsequent in priority. The Trustee will disburse amounts on deposit in these funds in accordance with the Indenture.

Interest Fund.

(a) On or before 5 Business Days before each Interest Payment Date, the Treasurer will pay to the Trustee for deposit in the Interest Fund an amount equal to the interest becoming due and payable on the

Outstanding Current Interest Bonds on that Interest Payment Date (taking into account amounts on deposit in the Interest Fund and available for the payment of interest on such Interest Payment Date and excluding any interest for which there is moneys deposited in the Interest Fund or the Capital Project Fund from the proceeds of any Series of Bonds, or other source and reserved as capitalized interest to pay such interest on such Interest Payment Date).

(b) The Trustee will use and withdraw moneys in the Interest Fund solely for the purpose of paying the interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity under the Indenture).

(c) All of the Refundable Credits received by the Commission will be deposited immediately upon receipt in the Interest Fund, and such Refundable Credits are irrevocably pledged by the Indenture to the punctual payment of the interest on the Bonds issued as Build America Bonds, and the Refundable Credits will not be used for any other purpose while any of the Bonds issued as Build America Bonds remain Outstanding. Pursuant to Section 5451 of the California Government Code, this pledge constitutes a lien on and security interest in the Refundable Credits for the payment of interest on the Bonds issued as Build America Bonds in accordance with the terms thereof and of the Indenture, and will immediately attach and be effective, binding, and enforceable against the Commission, its successors, purchasers of the Refundable Credits, creditors and all others asserting any rights thereto, irrespective of whether such parties have notice of such pledge and without the need for any physical delivery, recordation, filing or further act. Notwithstanding the foregoing deposit and pledge, the Refundable Credits are not considered Revenues or included in the calculation of Revenues under the Indenture. Additionally, in calculating the amount that the Treasurer pays to the Trustee for deposit in the Interest Fund as provided above, the Treasurer and the Trustee will take into account Refundable Credits only if they have been deposited in the Interest Fund on or prior to the fifth Business Day prior to the applicable Interest Payment Date and have not been previously expended to pay Debt Service on the Bonds issued as Build America Bonds or otherwise transferred out of the Interest Fund.

Principal Fund; Sinking Fund Accounts.

(a) On or before 5 Business Days before each Principal Payment Date, the Treasurer will pay to the Trustee for deposit in the Principal Fund an amount equal to at least the following:

(i) the aggregate amount of Bond Obligation becoming due and payable on the Outstanding Serial Bonds of all Series having a maturity date on the next succeeding Principal Payment Date, plus

(ii) the aggregate of the Minimum Sinking Fund Account Payments to be paid on the next succeeding Principal Payment Date into the respective Sinking Fund Accounts for the Term Bonds of all Series for which Sinking Fund Accounts have been created (all such Minimum Sinking Fund Account Payments will be made without priority of any payment into any one such Sinking Fund Account over any other such payment), plus

(iii) if any Balloon Indebtedness is Outstanding and principal is due on such Balloon Indebtedness on or prior to the next succeeding Principal Payment Date, sufficient amounts to pay when due the Balloon Indebtedness, plus

(iv) if any Letter of Credit Agreement has been entered into on a parity with the Bonds, sufficient amounts to pay when due the obligations of the Commission under such Letter of Credit Agreement due on the next succeeding Maturity Date.

(b) If the moneys in the Principal Fund on any Principal Payment Date are less than the amount of Bond Obligation and redemption premium on the Outstanding Term Bonds required to be redeemed or paid at maturity on such Principal Payment Date, plus the Balloon Indebtedness and the obligations of the Commission under any Letter of Credit Agreements due on such Principal Payment Date, then the moneys in the Principal Fund will be applied on a Proportionate Basis and in such proportion as the Serial Bonds, Term Bonds, Balloon Indebtedness and Letter of Credit Agreement obligations bear to each other.

(c) No deposit need be made into the Principal Fund so long as it contains an amount equal to an amount sufficient to make the payment required above.

(d) The Trustee will use and withdraw all moneys in the Principal Fund solely for the purpose of paying the Bond Obligation of the Bonds, any Balloon Indebtedness and any Letter of Credit Agreement obligations when due and payable, except that the Trustee will use and withdraw all moneys in any Sinking Fund Account (except as otherwise provided in the Indenture) only to purchase or to redeem or to pay at maturity Term Bonds of the Series for which such Sinking Fund Account was created, as provided in the Indenture or in any Supplemental Indenture.

Bond Reserve Fund; Reserve Accounts.

(a) On or before 5 Business Days before each Interest Payment Date, the Treasurer will pay to the Trustee for deposit in the Bond Reserve Fund the aggregate amount of each unreplenished prior withdrawal from the Bond Reserve Fund until there is on deposit in the Bond Reserve Fund a balance equal to the Required Reserve.

(b) If a Bond Reserve Fund Policy satisfies all or a portion of the Required Reserve and a drawing is made on the Bond Reserve Fund Policy, on or before 5 Business Days before each Interest Payment Date, the Treasurer will pay to the Trustee or to the Bond Reserve Fund Policy Provider, with notice to the Trustee, an amount at least equal to the aggregate amount of Policy Costs owing with respect to such Bond Reserve Fund Policy. If the Trustee receives such payment, it will immediately remit the same to the Bond Reserve Fund Policy Provider.

(c) No deposit need be made into the Bond Reserve Fund so long as there exists in the Bond Reserve Fund an amount equal to the Required Reserve, or when and if the sum of the amounts contained (excluding all Bond Reserve Fund Policies) therein and in the Interest Fund and in the Principal Fund is at least equal to the sum of the aggregate principal amount of all of the Bonds then Outstanding and all of the interest then due or thereafter to become due on all such Bonds.

(d) The Trustee will establish and hold a Reserve Account for each Series of Additional Bonds issued under the Indenture, if and to the extent required by the Supplemental Indenture pursuant to which that Series of Bonds is issued. Upon the issuance of a Series of Additional Bonds, there will be deposited into the Reserve Account for that Series an amount equal to the Required Reserve, if any, established for that Series of Bonds under the Supplemental Indenture pursuant to which that Series of Bonds is issued. Upon the issuance of a Series of Additional Bonds, the Commission will advise the Trustee of the Required Reserve to be maintained in the Reserve Account for that Series. Unless otherwise provided in the Supplemental Indenture pursuant to which a Series of Bonds is issued, the Reserve Account established with respect to a Series of Bonds will be available only to pay Debt Service on such Series of Bonds, and will not be available to pay Debt Service on any other Series of Bonds, provided that amounts in the Reserve Accounts (the “Prior Reserve Accounts”) with respect to the Series of Bonds (the “Prior Series of Bonds”) issued prior to the effective date of the amendments set forth in the First Amendment, will be available to pay the Debt Service on all the Prior Series of Bonds, except that the Trustee will apply any Bond Reserve Fund Policy on deposit in a Prior Reserve Account solely to the payment of Debt Service on the Prior Series of Bonds to which such Prior Reserve Account relates, and such Bond Reserve Fund Policy will not be available for payment of any other Series of Bonds.

(e) Except with respect to the Prior Reserve Accounts and the Prior Series of Bonds, the Trustee will use and withdraw cash amounts on deposit in each respective Reserve Account within the Bond Reserve Fund solely to pay the principal of, Minimum Sinking Fund Account Payments with respect to, and interest on, the Series of Bonds with respect to which that Reserve Account was established (unless otherwise provided in the Supplemental Indenture pursuant to which a Series of Bonds was issued), in the event that no other moneys are available therefor, or for payment or redemption of such Series of Bonds. Additionally, unless otherwise provided in the Supplemental Indenture pursuant to which a Series of Bonds was issued, the Trustee will apply any Bond Reserve Fund Policy on deposit in a Reserve Account solely to the payment of the Series of Bonds to which such Reserve Account relates, and such Bond Reserve Fund Policy will not be available to pay Debt Service on any other Series of Bonds. With respect to the Prior Reserve Accounts, the Trustee will use and withdraw cash amounts on deposit in the respective Prior Reserve Accounts within the Bond Reserve Fund on a proportionate basis solely to pay the principal of, Minimum Sinking Fund Account Payments with respect to, and interest on, any of the Outstanding Prior Series of Bonds in the event that no other moneys are available therefor, or for payment or redemption of Outstanding Bonds. However, as stated in clause (c) above, the Trustee will apply any Bond Reserve Fund Policy on deposit in a Prior Reserve Account solely to the payment of the Prior Series of Bonds to which such Prior Reserve Account relates, and such Bond Reserve Fund Policy will not be available for payment of any other Series of Bonds.

(f) Following application of all other funds held in the Reserve Account relating to a Series of Bonds, the Trustee will draw under any Bond Reserve Fund Policy issued with respect to such Series of Bonds, in a timely manner and pursuant to the terms of such Bond Reserve Fund Policy, to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the Bond Obligation of, Minimum Sinking Fund Account Payments with respect to, and interest on such Series of Bonds when due.

(g) If the Trustee has notice, that any payment of principal of or interest on a Bond has been recovered from its Bondowner under the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee, pursuant to the terms of the Bond Reserve Fund Policy, if any, securing the Series of Bonds of which such Bond is a part, will so notify the Bond Reserve Fund Policy Provider and draw on such policy to the lesser of the extent required or the maximum amount of such policy in order to pay to such Bondowners the principal of and interest so recovered.

(h) If and to the extent that more than one Bond Reserve Fund Policy satisfies the portion of the Required Reserve relating to a Series of Bonds, drawings under such Bond Reserve Fund Policies and payment of Policy Costs with respect to such Bond Reserve Fund Policies will be made on a pro rata basis (calculated by reference to the maximum amounts of such Bond Reserve Fund Policies).

(i) If a Bond Reserve Fund Policy is deposited in a Reserve Account in which cash has been previously deposited in satisfaction of the Required Reserve for the applicable Series of Bonds, the Trustee will release cash from that Reserve Account in an amount equal to the Bond Reserve Fund Policy being deposited, and will transfer the cash so released to the Commission to be used for any lawful purpose, *provided, however*, that the Commission will ensure that the use of any cash so released will not adversely affect the exclusion from gross income of the interest on the Bonds under Section 103 of the Code.

(j) Deposits to the Bond Reserve Fund will be applied on a pro rata basis to the respective Reserve Accounts, calculated by reference to the amounts initially deposited in such Reserve Accounts, and within each Reserve Account first to satisfying any portion of the Required Reserve to be maintained within such Reserve Account not covered by a Bond Reserve Fund Policy, and second to the pro rata payment of Policy Costs until satisfied.

(k) So long as the Commission is not in default under the Indenture, and in each Reserve Account there is a balance equal to the Required Reserve for the Series of Bonds relating to that Reserve Account, the Trustee will withdraw any amount in the Bond Reserve Fund in excess of the Required Reserve, semiannually on March 15 and September 15 of each year, and transfer that amount to the Treasurer for deposit in the Revenue Fund or, during the period of construction of the Project or any portion thereof, the Capital Project Account for the related Series of Bonds. Notwithstanding the foregoing, the Commission will have the right to request the Trustee to withdraw excess amounts on deposit in the Bond Reserve Fund at any time.

(l) Except as provided in clauses (d) and (e) above with respect to the Prior Reserve Accounts and the Prior Series of Bonds, unless otherwise provided in a Supplemental Indenture, amounts on deposit in any Reserve Account will be available for the payment of Debt Service only with respect to the Series of Bonds for which that Reserve Account was established.

Deposit and Investment of Moneys in Funds.

(a) All moneys held by the Treasurer in the Revenue Fund or the Capital Project Fund may be invested in Legal Investments, maturing not later than the date on which such moneys are required for payment by the Treasurer.

(b) All moneys held by the Trustee and allocated to any of the funds held by it, subject to the restrictions set forth in the Arbitrage Certificate, will be invested in Permitted Investments, as directed by the Commission, maturing not later than the date on which such moneys are required for payment by the Trustee, except that moneys in the Bond Reserve Fund will be deposited or invested in Permitted Investments which mature not more than seven years from the date of investment or the final date of maturity of the Outstanding Bonds, whichever is earlier.

(c) If at any time any of the investments stated to be Permitted Investments under the Indenture cease to be a Legal Investment for the funds held under the Indenture, the Commission will so advise the Trustee by a Written Statement. The Trustee will not be responsible for making any investment which is not a Legal Investment if the Commission has not previously delivered a Written Request or Statement correctly advising the Trustee that such investment was no longer a Legal Investment.

(d) Permitted Investments on deposit in the Bond Reserve Fund or in any account therein will not have a maturity extending beyond five years from the date of acquisition thereof unless otherwise approved by the Credit Provider or unless such Permitted Investment is described in clause (i) of the definition thereof.

(e) For the purpose of determining the amount of money in the Bond Reserve Fund, all investments of moneys therein will be valued at least annually at the market value of such investments.

(f) All interest received on any moneys held and invested by the Treasurer or the Trustee under the Indenture will be deposited in the Revenue Fund, except: (i) all interest received on any moneys invested in the Principal Fund, Interest Fund or Rebate Fund will remain in the Principal Fund, Interest Fund or Rebate Fund, respectively, and (ii) prior to receipt by the Trustee of notice of completion of construction of the Project or any portion thereof, all interest received on any moneys invested in the Capital Project Fund will remain in the Capital Project Fund held by the Treasurer; and (iii) all interest on any amounts on deposit in the Bond Reserve Fund to the extent that amounts on deposit in the Bond Reserve Fund exceed the Required Reserve will be deposited in the Interest Fund.

(g) The Trustee may sell or present for redemption any obligations so purchased by it whenever it is necessary in order to provide moneys to meet any payment, and the Trustee will not be liable or responsible for any loss resulting from such investment. The Trustee may act as principal or agent in the acquisition or disposition of any investment. The Trustee may commingle any of the moneys held by it under the Indenture for investment purposes only; provided, however, that the Trustee will account separately for the moneys belonging to each fund or account established pursuant to the Indenture and held by it.

Interest Rate Swaps.

(a) The Commission may and the Trustee will, upon the Written Request or Statement of the Commission, enter into an interest rate swap agreement corresponding to the interest rate or rates payable on a Series of Bonds or any portion thereof, provided that the Trustee is supplied with an Opinion of Counsel to the effect that (i) such action is permitted under the laws of the State of California, (ii) entering into the interest rate swap agreement will not adversely affect the tax-exempt status of interest on the bonds, and (iii) entering into the interest rate swap agreement complies with the terms of the Indenture. The amounts received by the Commission or the Trustee, if any, under such a swap agreement may be applied to the deposits required under the Indenture. The entity with which the Commission or the Trustee may contract for an interest rate swap is limited to entities that are rated in one of the two highest short-term or long-term debt rating categories by Moody's and S&P. If the Commission so designates, amounts payable under the interest rate swap agreement will be made on a parity basis with payments on the Bonds and, in such event, the Commission will pay to the Trustee for deposit in the Interest Fund, at the times and in the manner provided by the Indenture, the amounts to be paid under such interest rate swap agreement, as if such amounts were additional interest due on the Bonds to which such interest rate swap relates.

(b) Notwithstanding the foregoing, the Commission will not enter into an interest rate swap agreement without first making the determination required pursuant to Section 5922 of the California Government Code.

COVENANTS OF THE COMMISSION

Payment of Principal and Interest. The Commission will punctually pay or cause to be paid the principal and interest (and premium, if any) to become due in respect of every Bond issued under the Indenture at the times and places and in the manner provided therein and in the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, but solely from Net Revenues, as provided therein.

Against Encumbrances.

(a) Subject to any rights of the United States of America or the State of California, and subject to the provisions described under "- Sale or Other Disposition of Property" below, the Commission will not mortgage or otherwise encumber, pledge or place any charge upon the Enterprise or any part thereof, or upon any of the Net Revenues, prior to or on a parity with the Bonds, provided that Letter of Credit Agreements entered into in connection with Balloon Indebtedness, Variable Rate Indebtedness or Tender Indebtedness may be payable on a parity with the Bonds.

(b) So long as any Bonds are Outstanding, the Commission will not issue any bonds or obligations payable from Net Revenues or secured by a pledge, lien or charge upon Net Revenues prior to or on a parity with the Bonds, other than the Bonds, provided that Letter of Credit Agreements entered into in connection with Balloon Indebtedness, Variable Rate Indebtedness, or Tender Indebtedness may be payable on a parity with the Bonds.

(c) Nothing in the Indenture, and particularly nothing described in the two foregoing clauses, will prevent the Commission from authorizing and issuing bonds, notes, warrants, certificates or other obligations or evidences of indebtedness which as to principal or interest, or both, (i) are payable from Net Revenues after and subordinate to the payment from Net Revenues of the principal of and interest on the Bonds, or (ii) are payable from moneys which are not Revenues as such term is defined in the Indenture.

Sale or Other Disposition of Property.

(a) The Commission will not sell or otherwise dispose of the Enterprise or any part thereof essential to the proper operation of the Enterprise or to the maintenance of the Revenues except as expressly permitted in the Indenture. The Commission will not enter into any lease or agreement which impairs the operation of the Enterprise or impedes the rights of the Owners of the Bonds with respect to the Net Revenues or the operation of the Enterprise, but the Commission may enter into any lease or agreement concerning all or any part of the Enterprise if such lease or agreement will not impair the operation of the Enterprise or impede the rights of the Owners of the Bonds with respect to the Net Revenues or the operation of the Enterprise.

(b) Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Enterprise, or any material or equipment which has worn out, may be sold if all of the net proceeds of such sale (less any amounts payable to the United States of America or the State of California or required by the United States of America or the State of California to be deposited in a restricted fund) are deposited in the Revenue Fund.

(c) The Commission expressly reserves by the Indenture the right to sell all or a portion of the Enterprise, and to enter into and execute agreements for and to complete such sale, but subject to the following specific conditions, which have been made conditions precedent to such sale by the Indenture:

(i) The Commission will be in compliance with all covenants set forth in the Indenture and in all Supplemental Indentures theretofore adopted by the Commission, and no Event of Default will have occurred and be continuing under the Indenture or any Supplemental Indentures theretofore adopted by the Commission (and no event will have occurred which but for the passage of time would constitute an Event of Default under the Indenture or any Supplemental Indenture). The Commission will file a Certificate of the Commission to that effect with the Trustee.

(ii) The Commission will determine by resolution whether the net proceeds of the sale (less any amounts payable to the United States of America or the State of California or required to be deposited in a restricted fund) are to be used for the redemption of Bonds or for the making of additions or improvements to or extensions of the Enterprise.

(iii) If the Commission determines that the net proceeds of the sale (less any amounts payable to the United States of America or the State of California or required to be deposited in a restricted fund) are to be used for the redemption of Bonds, such proceeds of the sale are deposited with the Trustee, and the following conditions will be satisfied:

(A) The Commission will adopt a resolution providing for the redemption of the maximum principal amount of Bonds which can be redeemed from such proceeds of such sale, or, if no Bonds are subject to redemption on the next succeeding Interest Payment Date, directing the Trustee (1) to hold such proceeds in trust, (2) to invest such proceeds in the investments permitted in the Indenture until any Bonds become redeemable, subject to any restrictions imposed by the Indenture, (3) to deposit the interest and income on such proceeds in the Revenue Fund as such interest and income is received, and (D) to use such proceeds to redeem Bonds in the amount and manner specified in the Indenture and any Supplemental Indenture on the first Interest Payment Date on which the Bonds can be redeemed; and a certified copy of such resolution has been filed with the Trustee along with a Written Request or Certificate of the Commission containing such direction.

(B) If such proceeds are not to be immediately used for the redemption of Bonds but instead are to be held by the Trustee until Bonds become redeemable, the Commission will file with the Trustee a written report of an Independent Certified Public Accountant stating (1) the amount of proceeds to be deposited with the Trustee from such sale, (2) an estimate of the total amount of Bond Obligation and the amount of Bonds of each maturity which could be redeemed from such proceeds on the first Interest Payment Date on which Bonds are redeemable, and (3) the estimated annual interest and income to be earned on such proceeds while held and invested by the Trustee. Such interest and income on such proceeds upon receipt by the Trustee will be deposited in the Revenue Fund and will be treated as Revenues for all purposes of the Indenture, including determining whether the Commission is in compliance with the rate covenant contained in the Indenture.

(C) If such proceeds of such sale are to be immediately used to redeem Bonds, the Net Revenues for the last Fiscal Year or last recorded twelve-month period preceding the date of the adoption by the Commission of the resolution authorizing such sale, less a deduction for the portion of such Net Revenues attributable to the portion of the Enterprise to be sold, all as shown by a certificate or opinion of an Independent Certified Public Accountant or a written report of a Qualified Independent Consultant, have produced a sum equal to at least 1.25 times Maximum Annual Debt Service on the Bonds to be Outstanding following the redemption of Bonds from the proceeds of such sale.

(D) If such proceeds are not to be immediately used for the redemption of Bonds but instead are to be held by the Trustee until Bonds become redeemable, the Net Revenues for the last Fiscal Year or last recorded twelve-month period preceding the date of adoption by the Commission of the resolution authorizing such sale, less a deduction for the portion of such Net Revenues attributable to the portion of the Enterprise to be sold, plus an allowance for the estimated annual interest or income to be earned on the invested proceeds of such sale while held and invested by the Trustee, all as shown by a certificate or opinion of an Independent Certified Public Accountant or a written report of a Qualified Independent Consultant, will have produced a sum equal to at least 1.25 times Maximum Annual Debt Service.

(iv) If the Commission determines that the net proceeds of the sale (less any amounts payable to the United States of America or the State of California or required to be deposited in a restricted fund) are to be used for the making of additions or improvements to or extensions of the Enterprise, such proceeds of the sale will be deposited by the Treasurer in a special fund in trust to be held by the Treasurer to be used for the making of additions or improvements to or extensions of the Enterprise, and the condition set forth in the following sentence will have been satisfied. The Net Revenues for the last Fiscal Year or last recorded twelve-month period preceding the date of the adoption by the Commission of the resolution authorizing such sale, less a deduction for the portion of such Net Revenues attributable to the portion of the Enterprise to be sold, all as shown by a written report of an Independent Certified Public Accountant, plus

(A) An allowance for Net Revenues from any additions or improvements to or extensions of the Enterprise to be made with the proceeds of such sale or with the proceeds of Bonds previously issued, and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source but which, during all or any part of such Fiscal Year or recorded twelve-month period, were not in service, all in an amount equal to 100% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first twenty-four months in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a Qualified Independent Consultant; and

(B) An allowance for earnings arising from any increase in the charges made for the use of the Enterprise which has become effective prior to such sale, but which, during all or any part of such Fiscal Year or recorded twelve-month period, was not in effect, in an amount equal to 100% of the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or recorded twelve-month period, as shown by the certificate or opinion of a Qualified Independent Consultant;

will have produced a sum equal to at least 1.25 times the Maximum Annual Debt Service on the Bonds then Outstanding. Any balance of such proceeds from any such sale not required by the Commission for the purposes aforesaid will be deposited in the Revenue Fund established pursuant to the Indenture and applied as provided in the Indenture.

Operation and Maintenance of Enterprise. The Commission will maintain and preserve the Enterprise in good repair and working order at all times from the Revenues available for such purposes, in conformity with standards customarily followed for municipal sanitary waste and storm water collection, treatment and disposal systems of like size and character. The Commission will from time to time make all necessary and proper repairs, renewals, replacements and substitutions to the properties of the Enterprise, so that at all times business carried on in connection with the Enterprise will and can be properly and advantageously conducted in an efficient manner and at reasonable cost, and will operate the Enterprise in an efficient and economical manner, consistent with the protection of the Owners of the Bonds, and will not commit or allow any waste with respect to the Enterprise.

Liens and Claims. Subject to any rights of the United States of America or the State of California, the Commission will keep the Enterprise and all parts thereof free from judgments, from mechanics' and materialmen's liens and from all liens and claims of whatsoever nature or character, to the end that the security provided pursuant to the Indenture may at all times be maintained and preserved, and the Commission will keep the Enterprise and the Revenues free from any liability which might hamper the Commission in conducting its business or operating the Enterprise. Subject to the provisions of the Indenture, the Trustee at its option (after first giving the Commission thirty days' written notice to comply therewith and failure of the Commission to so comply within said thirty-day period) may defend against any and all actions or proceedings in which the validity of the Indenture is or might be questioned, or may pay or compromise any claim or demand asserted in any such actions or proceedings; provided, however, that, in defending against such actions or proceedings or in paying or compromising such claims or demands, the Trustee will not in any event be deemed to have waived or released the Commission from liability for or on account of any of its covenants and warranties contained in the Indenture, or from its liability under the Indenture to defend the validity of the Indenture and the pledge made in the Indenture and to perform such covenants and warranties.

Insurance. The Commission will procure, and maintain at all times while any of the Bonds are Outstanding, adequate fidelity insurance or bonds on all officers and employees handling or responsible for any Revenues or funds of the Enterprise, such insurance or bonds to be in an aggregate amount at least equal to the maximum amount of such Revenues or funds at any one time in the custody of all such officers and employees or in the amount of $1,000,000, whichever is less.

The insurance described above may be provided as a part of any comprehensive fidelity and other insurance and not separately for the Enterprise.

The Commission may purchase, on all or any of the Bonds of any Series, insurance assuring the Bondowners that the principal of and interest on the insured Bonds will be paid when due and payable. The purchase of any such insurance will not constitute a preference or priority of the insured Bonds over any Bonds not so insured, and all Bonds Outstanding, irrespective of the providing of such insurance on some of the Bonds, will be equally and proportionately secured by the Indenture.

Books and Accounts; Financial Statements.

(a) The Commission will keep proper books of record and accounts of the Enterprise, separate from all other records and accounts of the Commission, in which complete and correct entries will be made of all transactions relating to the Enterprise. Such books of record and accounts will at all times during business hours be subject to the inspection of the Trustee (who will have no duty to inspect) or of any Owner of Bonds then Outstanding or their representatives authorized in writing, at reasonable hours, upon reasonable prior notice and under reasonable conditions.

(b) So long as any of the Bonds are Outstanding, the Commission will prepare and file with the Trustee annually, within seven months after the close of each Fiscal Year, financial statements of the Enterprise for the preceding Fiscal Year, prepared in, accordance with generally accepted accounting principles applied on a consistent basis from year to year ("Enterprise Financial Statements"), which will include a statement of net assets, statement of revenues, expenses and changes in net assets, and statement of cash flows. The Enterprise Financial Statements will be examined by and include the certificate or opinion of an Independent Certified Public Accountant. The Trustee will not be required to review any such statement.

(c) The Commission will furnish a copy of the Enterprise Financial Statements to any Bondowner upon request, and will furnish to the Trustee such reasonable number of copies thereof (not exceeding 100 copies) as may be required by the Trustee for distribution to investment bankers, security dealers and others interested in the Bonds and to the Owners of Bonds requesting copies thereof. The Trustee will not be required to incur any non-reimbursable expenses in making such distribution.

Enterprise Budgets. The Commission will prepare and submit to the Mayor for review and submission to the Board of Supervisors for approval an annual budget for the Enterprise for each Fiscal Year. Such budget will set forth in reasonable detail the Revenues anticipated to be derived in such Fiscal Year, the expenditures anticipated to be paid or provided for therefrom in such Fiscal Year, and the amounts required to provide for the payment of the principal of and interest and redemption premium, if any, on the Bonds during such Fiscal Year, to pay or provide for Operation and Maintenance Costs of the Enterprise for such Fiscal Year, to make up any deficiencies in any fund or account anticipated for the then current Fiscal Year, and to pay or provide for the payment of all other claims or obligations required to be paid from Revenues in such Fiscal Year, and will show that Net Revenues will be at least adequate to satisfy the requirements of the Indenture. Such budget will comply with any conditions or restrictions set forth in any agreements between the Commission and users of the Enterprise. The Commission will take all action available and necessary to obtain approval or acceptance of the budget by the Mayor and the Board of Supervisors. The Commission will supply to the Trustee and to any Bondowners who will so request in writing a copy of the annual budget for the Fiscal Year covered by such budget. Such budget will be open for inspection by any Owner at the principal corporate trust office of the Trustee during normal business hours.

Maintenance of Revenues. The City will not acquire, construct, operate or maintain, and will not within the scope of its powers permit any other public or private corporation, political subdivision, district or agency or any person whatsoever to acquire, construct, operate or maintain, within the City or any part thereof, any system or utility competitive with the Enterprise. The Commission will have in effect, or cause to have in effect, at all times an ordinance or resolution requiring all customers of the Enterprise to pay the fees, rates and charges applicable to the municipal sanitary waste and storm water collection, treatment and disposal services and facilities furnished by the Enterprise. The Commission will not provide any service of the Enterprise free of charge to any person, firm or corporation, or to any public agency (including the United States of America, the State of California and any public corporation, political subdivision, city, county, district or agency of any thereof), except (i) for free use by the City and its agencies, (ii) to the extent that any such free use is required by the terms of any existing contract or agreement and (iii) for incidental insignificant free use so long as such free use does not prevent the Commission from satisfying the other covenants of the Indenture, including, without limitation, the rate covenant set forth in the Indenture.

Payment of Taxes, Etc. The Commission will pay and discharge, or cause to be paid and discharged, all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Commission on account of the Enterprise or any portion thereof or upon any Revenues and which, if unpaid, might impair the security of the Bonds, when the same becomes due, but nothing contained in the Indenture will require the Commission to pay any such tax, assessment or charge so long as it will in good faith contest the validity thereof. The Commission will duly observe and conform with all valid requirements of any governmental authority relative to the Enterprise or any part thereof.

Acquisition and Construction of Improvements. The Commission will commence and will continue to completion the acquisition and construction of the improvements to the Enterprise proposed to be financed from any Series of Bonds, in a timely manner in accordance with sound engineering practice, and said improvements will be acquired, constructed and completed in a sound and economical manner and in conformity with law.

Eminent Domain Proceeds. If all or any part of the Enterprise is taken by or under threat of eminent domain proceedings, the net proceeds realized by the Commission or the City therefrom (excluding any portion thereof payable to the United States of America or the State of California or required by the United States of America or the State of California to be deposited in a restricted fund) will be deposited by the Treasurer in a special fund in trust and applied and disbursed by the Treasurer subject to the following conditions:

(a) If such eminent domain proceedings have had a material adverse effect upon the Revenues and the security of the Bonds, the Commission will by resolution determine to apply such proceeds for one of the following purposes:

(i) The Commission may determine to apply such proceeds to the purchase, defeasance or redemption of Bonds then Outstanding. In that event, the Treasurer will transfer such proceeds to the Trustee who will apply such proceeds on a Proportionate Basis to the redemption of Bonds of each Series then Outstanding in the proportion which the Bond Obligation amount of each Series bears to the aggregate Bond Obligation amount of all Bonds then Outstanding. If no Bonds are subject to redemption on the next succeeding Interest Payment Date, the Commission will direct the Trustee (A) to hold such proceeds in trust, (B) to invest such proceeds in the investments permitted in the Indenture until any Bonds become redeemable, subject to any restrictions imposed by the Indenture, (C) to deposit the interest and income on such proceeds in the Revenue Fund as such interest and income is received, and (D) to use such proceeds to redeem Bonds in the amount and manner specified in the Indenture and any Supplemental Indenture on the first Interest Payment Date on which the Bonds can be redeemed. Additionally, in such event, the Commission will file with the Trustee a written report of an Independent Certified Public Accountant stating (A) the amount of proceeds to be deposited with the Trustee from such eminent domain proceedings, (B) an estimate of the total amount of Bond Obligation and the amount of Bonds of each maturity that could be redeemed from such proceeds on the first Interest Payment Date on which Bonds are redeemable, and (C) the estimated annual interest and income to be earned on such proceeds while held and invested by the Trustee. Such interest and income on such proceeds upon receipt by the Trustee will be deposited in the Revenue Fund and will be treated as Revenues for all purposes of the Indenture, including determining whether the Commission is in compliance with the covenant contained in the Indenture.

(ii) The Commission may determine to apply such proceeds to the cost of additions or improvements to or extensions of the Enterprise if (A) the Commission first secures and files with the Trustee a written report of a Qualified Independent Consultant showing (1) the loss in annual Revenues, if any, suffered, or to be suffered, by the Commission by reason of such eminent domain proceedings, (2) a general description of the additions, improvements or extensions then proposed to be acquired by the Commission from such proceeds, and (3) an estimate of the additional Revenues to be derived from such additions, improvements or extensions; and (B) such written report states that such additional Revenues will sufficiently offset the loss of Revenues resulting from such eminent domain proceedings so that the ability of the Commission to meet its obligations under the Indenture will not be substantially impaired. The Commission will then promptly proceed with the construction of the additions, improvements or extensions substantially in accordance with such written report. Payments for such construction will be made by the Commission from such proceeds. Any balance of such proceeds not required by the Commission for the purposes aforesaid will be deposited in the Revenue Fund and applied as provided in the Indenture.

(b) If such eminent domain proceedings has had no effect, or at the most a relatively immaterial effect, upon the Revenues and the security of the Bonds, and a Qualified Independent Consultant so concludes in a written report filed with the Trustee, the Commission may determine to apply such proceeds to the costs of additions or improvements to or extensions of the Enterprise or may deposit such proceeds in the Revenue Fund, to be applied as provided in the Indenture.

Compliance with Indenture. The Commission will faithfully observe and perform all the covenants, conditions and requirements of the Indenture, and will not suffer or permit any default to occur under the Indenture, or do or permit to be done, in, upon or about the Enterprise, or any part thereof, anything that might in any way weaken, diminish or impair the security intended to be given pursuant to the Indenture.

Observance of Laws and Regulations. The Commission will comply promptly, fully and faithfully with and abide by any statute, law, ordinance, order, rule or regulation, judgment, decree, direction or requirement now in force or later enacted, adopted or entered by any competent governmental authority or agency applicable or with respect to or affecting the acquisition, construction or reconstruction of the Enterprise or any part thereof or applicable or with respect to or affecting the operation, manner, use or condition of the Enterprise or any part or parcel thereof or adjoining public ways; provided that the Commission need not comply with any such statute, law, ordinance, rule, regulation, judgment, decree, direction or requirement if and so long as the Commission in good faith will be contesting or permitting or causing to be contested the applicability or validity thereof by appropriate proceedings diligently prosecuted, even though such contest may result in the imposition of a lien or charge against the Enterprise or the Revenues, if (1) the Commission will effectively prevent foreclosure or enforcement of any such lien or charge and (2) the foreclosure or enforcement of any such lien or charge will be stayed, and if said stay thereafter expires, the Commission will forthwith discharge such lien or charge or cause the same to be discharged, so that pending such proceedings the Enterprise and the Revenues thereof will not be affected thereby, and the security of the Bonds will not be impaired.

Prosecution and Defense of Suits. The Commission will promptly from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Enterprise hereafter developing, and will prosecute all such suits, actions and other proceedings as may be appropriate for such purposes and, to the extent permitted by law, will indemnify and save the Trustee and every Bondowner harmless from all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

The Commission will defend against every suit, action or proceeding at any time brought against the Trustee or any Bondowner upon any claim arising out of the receipt, application or disbursement of any of the Revenues or involving the rights of the Trustee or any Bondowner under the Indenture; provided, that the Trustee or any Bondowner at its or his election may appear in and defend any such suit, action or proceeding. The Commission will, to the extent permitted by law and without making any representation as to the enforceability of the covenants in this paragraph, indemnify and hold harmless the Trustee and the Bondowners against any and all liability claimed or asserted by any person arising out of such receipt, application or disbursement, and will indemnify and hold harmless the Bondowners against any attorneys' fees or other expenses which any of them may incur in connection with any litigation to which any of them may become a defendant by reason of his ownership of Bonds. The Commission, to the extent permitted by law, will promptly reimburse any Bondowner in the full amount of any attorneys' fees or other expenses which he may incur in litigation or otherwise in order to enforce his rights under the Indenture or the Bonds, provided that such litigation has concluded favorably to such Bondowner's contentions therein. Notwithstanding any contrary provision of the Indenture, this covenant will remain in full force and effect, even though all indebtedness and obligations issued under the Indenture may have been fully paid and satisfied, until the Commission has been dissolved.

Governmental Approvals. The Commission will perform any construction, reconstructions and restorations of, improvements, betterments and extensions to, and equippings and furnishings of, and will operate and maintain the Enterprise at standards required in order that the same may continue to be approved by the proper and competent authority or authorities of the State of California as a public municipal sanitary waste and storm water collection, treatment and disposal system.

Further Assurances. Whenever and so often as requested so to do by the Trustee or any Bondowner, the Commission will promptly execute and deliver or cause to be executed and delivered all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Bondowners all rights, interest, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by the Indenture.

Casualty Insurance; Use of Proceeds.

(a) The Commission will at all times maintain such insurance on the Enterprise as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties. If any useful part of the Enterprise is damaged or destroyed, or such damage or destruction have had a material adverse effect upon the Revenues and the security of the Bonds, the Commission will by resolution determine to apply the proceeds of any insurance for such loss or damage for one of the following purposes:

(i) The Commission may determine to apply such proceeds to the purchase, defeasance or redemption of Bonds then Outstanding. In that event, the Treasurer will transfer such proceeds to the Trustee who will apply such proceeds on a Proportionate Basis to the redemption, defeasance or purchase of Bonds of each Series then Outstanding in the proportion which the Bond Obligation amount of each Series bears to the aggregate Bond Obligation amount of all Bonds then Outstanding. If no Bonds are subject to redemption on the next succeeding Interest Payment Date, the Commission will direct the Trustee (A) to hold such insurance proceeds in trust, (B) to invest such insurance proceeds in the investments permitted in the Indenture until any Bonds become redeemable, subject to any restrictions imposed by the Indenture, (C) to deposit the interest and income on such insurance proceeds in the Revenue Fund as such interest and income is received, and (D) to use such insurance proceeds to redeem Bonds in the amount and manner specified in the Indenture and any Supplemental Indenture on the first interest payment date on which the Bonds can be redeemed. Additionally, in such event, the Commission will file with the Trustee a written report of an Independent Certified Public Accountant stating (A) the amount of insurance proceeds to be deposited with the Trustee in connection with any insured loss or damage, (B) an estimate of the total amount of Bond Obligation and the amount of Bonds of each maturity which could be redeemed from such proceeds on the first interest payment date on which Bonds are redeemable, and (C) the estimated annual interest and income to be earned on such insurance proceeds while held and invested by the Trustee. Such interest and income on such insurance proceeds upon receipt by the Trustee will be deposited in the Revenue Fund and will be treated as Revenues for all purposes of the Indenture, including determining whether the Commission is in compliance with the covenant contained in the Indenture.

(ii) The Commission may determine to apply such insurance proceeds to the cost of additions or improvements to or extensions of the Enterprise if (A) the Commission first secures and files with the Trustee a written report of a Qualified Independent Consultant showing (A) the loss in annual Revenues, if any, suffered, or to be suffered, by the Commission by reason of the loss or damage to the Enterprise, (B) a general description of the additions, improvements or extensions then proposed to be acquired by the Commission from such proceeds, and (C) an estimate of the additional Revenues to be derived from such additions, improvements or extensions; and (B) such written report states that such additional Revenues will sufficiently offset the loss of Revenues resulting from such insured loss or damage so that the ability of the Commission to meet its obligations under the Indenture will not be substantially impaired. The Commission will then promptly proceed with the construction of the additions, improvements or extensions substantially in accordance with such written report. Payments for such construction will be made by the Commission from such insurance proceeds. Any balance of such proceeds not required by the Commission for the purposes aforesaid will be deposited in the Revenue Fund and applied as provided in the Indenture.

(b) If such insured loss, damage or destruction has had no effect, or at the most a relatively immaterial effect, upon the Revenues and the security of the Bonds, and a Qualified Independent Consultant so concludes in a written report filed with the Trustee, the Commission may determine to apply such proceeds to the costs of additions or improvements to or extensions of the Enterprise, or such proceeds may be used for any other lawful purpose of the Enterprise.

(c) Any such insurance will be in the form of policies or contracts for insurance with insurers of good standing and will be payable to the Commission, or may be in the form of self-insurance by the Commission. The Commission will establish such fund or funds or reserves as it determines, in its sole judgement, are necessary to provide for its share of any such self-insurance.

EVENTS OF DEFAULT AND REMEDIES OF BONDOWNERS

Events of Default; Acceleration; Waiver of Default. If one or more of the following events (called "Events of Default" in the Indenture) happens, that is to say – (a) if default is made in the due and punctual payment of the principal of, or the premium (if any) on, any Bond when and as the same becomes due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise, or if default is made in the redemption from any Sinking Fund Account of any Term Bonds in the amounts and at the times provided therefor; (b) if default is made in the due and punctual payment of any installment of interest on any Bond when and as such interest installment becomes due and payable; (c) if default is made by the Commission in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, and such default continues for a period of 30 days after written notice thereof, specifying such default and requiring the same to be remedied, is given to the Commission by the Trustee or by a Credit Provider, or to the Commission and the Trustee by the Owners of not less than 25% of the Bond Obligation; or (d) if the Commission or the City files a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction approves a petition, filed with or without the consent of the Commission or the City, as the case may be, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the Commission or the City or of the whole or any substantial part of the property of either; then and in each and every such case during the continuance of such Event of Default, the Trustee may, and upon the written request of the Owners of not less than a majority in aggregate amount of the Bond Obligation or of a Credit Provider will, upon notice in writing to the Commission, declare the principal of all of the Current Interest Bonds then Outstanding, and the interest accrued thereon, the Capital Appreciation Bonds then Outstanding, in the amount of the Accreted Value thereof, and the Parity Loans then outstanding, in the amount of the obligations due thereunder, to be due and payable immediately, and upon any such declaration the same will become and will be immediately due and payable, anything contained in the Indenture or in the Bonds to the contrary notwithstanding.

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds have been so declared due and payable, and before any judgment or decree for the payment of the moneys due will have been obtained or entered as provided in the Indenture, the Commission will deposit with the Trustee a sum sufficient to pay all principal and Accreted Value of the Bonds maturing prior to such declaration and all matured installments of interest (if any) upon all the Current Interest Bonds, with interest on such overdue payments of principal and Accreted Value and interest installments at the rate or rates of interest borne by the respective Bonds, and the reasonable expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of principal and Accreted Value of and interest on the Bonds due and payable solely by reason of such declaration) have been made good or cured to the satisfaction of the Trustee, or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, (i) if such declaration has been made by the Trustee, the Trustee, or (ii) if such declaration has been made upon the written request of Bondowners, the Owners of not less than a majority in aggregate amount of the Bond Obligation of the Bonds then Outstanding, or (iii) if such declaration has been made upon the written request of a Credit Provider, such Credit Provider, may, by written notice to the Commission and, in cases (ii) and (iii) above, to the Trustee, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences; but no such rescission and annulment will extend to or will affect any subsequent default, or will impair or exhaust any right or power consequent thereon.

Application of Funds Upon Acceleration. All of the Revenues, including all sums in all of the funds provided for in the Indenture upon the date of the declaration of acceleration as provided in the Indenture and all sums thereafter received by the Commission or the Trustee under the Indenture, will, if received by the Commission, be transmitted to the Trustee and be applied by the Trustee in the order following, upon presentation of the several Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid --

> First, to the payment of the costs and expenses of the Bondowners in declaring such Event of Default, including reasonable compensation to their agents, attorneys and counsel; and to the payment of the costs and expenses of the Trustee, including but not limited to reasonable compensation to its agents, attorneys and counsel;
>
> Second, to the payment of the whole amount of Bond Obligation then owing and unpaid upon the Bonds, with interest on, with respect to the Current Interest Bonds, the overdue principal and installments of interest, with respect to the Capital Appreciation Bonds, the Accreted Value thereof, and with respect to the Parity Loans, the obligations due thereunder, at the rate or rates of interest borne by the respective Bonds, and in case such moneys will be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such principal and interest, Accreted Value and obligations (under Parity Loans) without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest, Accreted Value and obligations (under Parity Loans); and
>
> Third, to the payment of all Policy Costs, and in case such moneys are insufficient to pay in full all Policy Costs owing and unpaid, then to the payment of such Policy Costs pro rata (calculated by reference to the maximum amounts available under the respective Bond Reserve Fund Policies).

Suits at Law or in Equity and Mandamus. In case one or more of the Events of Default happens, then and in every such case the Owner of any Bond at the time Outstanding will be entitled to proceed to protect and enforce the rights vested in such Owner by the Indenture by such appropriate judicial proceeding as such Owner deems most effectual to protect and enforce any such right, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the exercise of any power granted in the Indenture, or to enforce any other legal or equitable right vested in the Owners of Bonds by the Indenture or by law; provided, however, that no such Bondowner will have the right to institute any such judicial proceeding pursuant to the Indenture unless (a) such Owner has previously given to the Trustee written notice of the occurrence of an Event of Default under the Indenture; (b) the Owners of at least ten percent (10%) in aggregate amount of Bond Obligation of the Bonds then Outstanding have made written request to the Trustee to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; (c) such Owner or said Owners have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee has refused or omitted to comply with such request for a period of sixty (60) days after such written request has been received by, and said tender of indemnity has been made to, the Trustee; and (e) the Trustee has not received contrary directions from the Owners of a majority in aggregate amount of Bond Obligation of the Bonds Outstanding. The provisions of the Indenture constitute a contract with the Owners of the Bonds, and such contract and duties of the Commission and of the Commission members and of the officers and employees of the Commission and of the City are enforceable by any Bondowner by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction.

Non-waiver. Nothing in the Indenture, or in the Bonds, will affect or impair the obligation of the Commission, which is absolute and unconditional, to pay the principal of and the interest (and premium, if any) on the Bonds to the respective Owners of the Bonds at the respective dates of maturity, or upon call for redemption, as provided in the Indenture, but only out of the Revenues pledged in the Indenture for such payments, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default or breach of duty or contract by any Bondowner will not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on the subsequent default or breach. No delay or omission of the Trustee or of any Owner of any of the Bonds to exercise any right or power arising upon the happening of any Event of Default will impair any such right or power or will be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by the Law or the Indenture to the Trustee or to the Owners of Bonds may be exercised from time to time and as often as will be deemed expedient by the Trustee or the Owners of Bonds.

If a suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Bondowners, the Commission and the Bondowners will be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

Actions by Trustee as Attorney-in-Fact. Any suit, action or proceeding which any Owner of Bonds will have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds similarly situated (notwithstanding any conditions upon the bringing of any such action, suit or proceeding set forth in the Indenture) and the Trustee is appointed (and the successive respective Owners of the Bonds issued under the Indenture, by taking and holding the same, will be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners of the Bonds for the purpose of bringing any such suit, action, or proceeding and to do and perform any and all acts and things for and in behalf of the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

Remedies Not Exclusive. No remedy in the Indenture conferred upon or reserved to the Trustee or to the Owners of Bonds is intended to be exclusive of any other remedy. Every such remedy will be cumulative and will be in addition to every other remedy given under the Indenture or now or later existing, at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, has taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of at least ten percent (10%) in aggregate amount of the

Bond Obligation, it will have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee will not, unless there no longer continues an Event of Default under the Indenture, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of at least a majority in aggregate amount of the Bond Obligation under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Remedies of Bond Reserve Fund Policy Provider. If the Commission fails to pay Policy Costs to a Bond Reserve Fund Policy Provider to the extent and at the times required by the provisions of the Indenture and such failure continues for 30 days after written notice of such default is received by the Commission and the Trustee from such Bond Reserve Fund Policy Provider or if an Event of Default set forth in the Indenture occurs and is continuing, then the Bond Reserve Fund Policy Provider may exercise any remedy provided under the Indenture to the Trustee or available at law or in equity to protect and enforce its right to receive payment of Policy Costs; provided, that, in no event, will the Bond Reserve Fund Policy Provider be able to declare the principal and Accreted Value of the Bonds and the interest accrued thereon to be due and payable immediately or to exercise any remedy that the Trustee, in its sole discretion, determines would adversely affect the Bondowners.

Rights of Credit Provider. Each Credit Provider, during any period in which an Event of Default has occurred and is continuing, will be recognized as the Owner of each Bond which it guarantees or insures for the purposes of exercising all rights and privileges available to Bondowners. Any acceleration of principal payments with respect to Bonds guaranteed or insured by a Credit Provider are subject to such Credit Provider's prior written direction or consent (but only if such Credit Provider is not in default under its guaranty or insurance policy). Each Credit Provider, will have the right to institute any suit, action or proceeding at law or in equity under the same terms as an Owner of the Bonds that such Credit Provider guarantees or insures.

THE TRUSTEE

Appointment and Duties of Trustee. The Trustee accepts by the Indenture the trusts imposed upon it as Trustee under the Indenture for the purpose of receiving all moneys which the Commission is required to deposit with the Trustee under the Indenture and agrees to allocate, use and apply the same as provided in the Indenture and otherwise to hold all the offices and to perform all the functions and duties provided in the Indenture to be held and performed by the Trustee and agrees to perform such duties and obligations, subject to the terms and conditions set forth in the Indenture. The Commission agrees that it will maintain a Trustee having an office in San Francisco or Los Angeles, California, so long as any Bonds are Outstanding and unpaid.

The Trustee will, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture. The Trustee will, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

So long as there is no Event of Default under the Indenture, the Commission may remove the Trustee, by giving written notice to such Trustee and by giving Bondowners notice by mail, first class postage prepaid, of such removal, and any successor thereto, and may appoint a successor or successors thereto; provided that any such successor will be a bank or trust company doing business and having an office in San Francisco or Los Angeles, California, having a combined capital and surplus of at least $100,000,000, and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of the Indenture the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice to the Commission and by giving the Bondowners notice by mail, first class postage prepaid, of such resignation. Upon receiving such notice of resignation, the Commission will promptly appoint a successor Trustee by an instrument in writing. Any resignation or removal of the Trustee and appointment of a successor Trustee will become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee has been appointed and has accepted appointment within forty-five days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bondowner (on behalf of himself or herself and all other Bondowners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee.

Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it will be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company will be eligible under the Indenture, will be the successor to such Trustee without the execution or filing of any paper or any further act, anything in the Indenture to the contrary notwithstanding.

Authorization of Trustee. The Trustee is authorized by the Indenture to pay the principal of and interest and redemption premium, if any, on the Bonds when due and payable, or on call and redemption or on purchase by the Trustee prior to maturity, and to cancel all Bonds upon payment thereof and to return the same so cancelled to the Commission, subject to the provisions of the Indenture. The Trustee will keep accurate records of all funds administered by it and of all Bonds and interest payments paid and discharged.

The Trustee and its directors, officers, employees or agents may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Owner of a Bond may be entitled to take, with like effect as if the Trustee was not the Trustee under the Indenture. The Trustee may in good faith hold any other form of indebtedness of the Commission or of the City, own, accept or negotiate any drafts, bills of exchange, acceptances or obligations of the Commission and make disbursements for the Commission and enter into any commercial or business arrangement therewith, without limitation.

Fees and Expenses. The Commission will compensate the Trustee for its services rendered pursuant to the provisions of the Indenture, and also for all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under the Indenture. The obligations of the Commission under the Indenture to compensate the Trustee for services and to pay or reimburse the Trustee for disbursements, liabilities and advances will constitute additional indebtedness under the Indenture.

Liability of Trustee.

(a) The recitals of facts, covenants and agreements in the Indenture and in the Bonds contained will be taken as statements, covenants and agreements of the Commission, and the Trustee assumes no responsibility for the correctness of the same, does not make any representations as to the validity or sufficiency of the Indenture or of the Bonds, and will not incur any responsibility in respect thereof, other than in connection with the duties or obligations in the Indenture or in the Bonds expressly assigned to or imposed upon it. The Trustee will not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or default.

(b) The Trustee will not be liable for any error of judgment made in good faith by an Authorized Officer of the Trustee, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate amount of Bond Obligations of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

(d) The Trustee will be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request, order or direction of any of the Bondowners pursuant to the provisions of the

Indenture unless such Bondowners have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby.

(e) The Trustee will not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture.

(f) The Trustee will not be deemed to have knowledge of any Event of Default under the Indenture unless and until it has actual knowledge thereof; or has received written notice thereof, at its principal corporate trust office in San Francisco, California. Except as otherwise expressly provided in the Indenture, the Trustee will not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements in the Indenture or of any of the documents executed in connection with the Bonds or the delivery of the Bonds, or as to the existence of an Event of Default thereunder. The Trustee will not be responsible for the validity or effectiveness of any collateral given to or held by it. The Trustee will not be responsible for the recording or filing of any document relating to the Indenture or of financing statements (or continuation statements in connection therewith) or of any supplemental instruments or documents of further assurance as may be required by law in order to perfect the security interests in any collateral given to or held by it.

(g) No provision of the Indenture will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers.

(h) The Commission further agrees to indemnify, to the extent permitted by law and without making any representation as to the enforceability of this covenant, and save the Trustee, its directors, officers, employees and agents harmless against any liabilities which it may incur in the exercise and performance of its powers and duties under the Indenture, including but not limited to costs and expenses incurred in defending against any claim or liability, which are not due to its negligence or default.

(i) The provisions above will survive the resignation or removal of the Trustee, payment of the Bonds and discharge of the Indenture.

Rights of Trustee to Rely Upon Documents. The Trustee will be protected in acting upon any notice, resolution, request, consent, order, certificate, report, direction, Bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel to the Commission or to the City, with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered under the Indenture in good faith and in accordance therewith.

The Trustee will not be bound to recognize any person as the Owner of a Bond unless and until his title thereto is satisfactorily established, if disputed.

Whenever in the administration of its duties under the Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be in the Indenture specifically prescribed) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a Certificate of the Commission, and such Certificate will be full warrant to the Trustee for any action taken or suffered under the provisions of the Indenture or any Supplemental Indenture upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

MODIFICATION OR AMENDMENT OF THE INDENTURE

Amendments Permitted.

(a) (i) The Indenture and the rights and obligations of the Commission and of the Owners of the Bonds and of the Trustee may be modified or amended at any time by a Supplemental Indenture which will become binding when the written consents of the Owners of a majority in aggregate amount of the Bond Obligation of the Bonds (or, if such Supplemental Indenture is only applicable to a Series of Bonds, such Series of Bonds) then Outstanding, exclusive of Bonds disqualified as provided in the Indenture, and of each Credit Provider (so long as such Credit Provider is not in default under the policy of municipal bond insurance or Letter of Credit issued by it in connection with any Series of Bonds) have been filed with the Trustee (provided, that no such Credit Provider will unreasonably withhold consent to such modification or amendment). (ii) The Indenture and the rights and obligations of the Commission and of the Owners of the Bonds and of the Trustee may also be modified or amended at any time by a Supplemental Indenture which will become binding when the written consents of each Credit Provider have been filed with the Trustee, provided that at such time the payment of the principal of and interest on all Outstanding Bonds will be insured by a policy or policies of municipal bond insurance or payable under a Letter of Credit issued by a Credit Provider. (iii) No such modification or amendment will (A) extend the fixed maturities of the Bonds, or extend the time for making any Minimum Sinking Fund Account Payments, or reduce the rate of interest thereon, or extend the time of payment of interest, or reduce the amount of principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the Owner of each Bond so affected, or (B) reduce the aforesaid percentage of the Bond Obligation the consent of the Owners of which is required for the execution of any amendment or modification of the Indenture, or (C) modify any of the rights or obligations of the Trustee without its written consent thereto.

(b) The Indenture and the rights and obligations of the Commission and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture which will become binding upon adoption, without the consent of any Bondowners or any Credit Provider (but with notice to each Credit Provider), but only to the extent permitted by law and only if the Trustee determines, which determination may be based upon a good faith reliance upon an Opinion of Counsel, that the provisions of such Supplemental Indenture will not materially adversely affect the interests of the Owners, including, without limitation, for any one or more of the following purposes – (i) to add to the covenants and agreements of the Commission contained in the Indenture other covenants and agreements thereafter to be observed or to surrender any right or power in the Indenture reserved to or conferred upon the Commission; (ii) to cure, correct or supplement any ambiguous or defective provision or omission or mistake contained in the Indenture or in regard to questions arising under the Indenture, as the Commission may deem necessary or desirable; (iii) to provide for the issuance of additional Series of Bonds, and to provide the terms and conditions under which such additional Series of Bonds may be issued, subject to and in accordance with the provisions of the Indenture; and (iv) to provide additional security for the Bonds.

Procedure for Amendment with Written Consent of Bondowners. The Commission may at any time adopt a Supplemental Indenture amending the provisions of the Bonds or of the Indenture or any Supplemental Indenture, to the extent that such amendment is permitted by the provisions of the Indenture described in clause (a)(i) above, to take effect when and as provided in the Indenture. A copy of or a summary of the provisions of such Supplemental Indenture, together with a request to Bondowners and to each Credit Provider for their consent thereto, will be mailed, first class postage prepaid, by the Commission to each Owner of Bonds and to each Credit Provider, but failure to mail copies of such Supplemental Indenture or summary thereof and request will not affect the validity of the Supplemental Indenture when assented to as provided in the Indenture.

Such Supplemental Indenture will not become effective unless there will be filed with the Trustee the written consents of the Owners of a majority in aggregate amount of the Bond Obligation of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in the Indenture) and of each Credit Provider and a notice has been mailed as provided below. Each such consent will be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof will be such as is permitted by the Indenture. Any such consent will be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice provided below for has been mailed.

After the Owners of the required percentage of Bond Obligation and each Credit Provider has filed their consents to the Supplemental Indenture, the Commission will mail a notice to the Bondowners in the manner provided above for the mailing of the Supplemental Indenture, stating in substance that the Supplemental Indenture has been consented to by the Owners of the required percentage of Bond Obligation and each Credit Provider and will be effective as provided in the Indenture (but failure to mail copies of said notice will not affect the validity of the Supplemental Indenture or consents thereto), and proof of the mailing of such notice will be filed with the Trustee. A record, consisting of the papers required by the Indenture to be filed with the Trustee, will be proof of the matters therein stated until the contrary is proved. The Supplemental Indenture will become effective upon the filing with the Trustee of the proof of the mailing of such last-mentioned notice.

In lieu of obtaining any demand, request, direction, consent or waiver in writing, the Trustee may call and hold a meeting of the Bondowners upon such notice and in accordance with such rules and regulations as the Trustee considers fair and reasonable for the purpose of obtaining any such action.

Disqualified Bonds. Bonds owned or held by or for the account of the Commission or of the City (but excluding Bonds held in any pension or retirement fund) will not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided for in the Indenture, and will not be entitled to consent to or take any other action provided for in the Indenture. For the purpose of the Indenture no bank organized under the laws of the State of California and no national banking association doing business in said State, or elsewhere, will be deemed to be an agency of the Commission.

The Commission may adopt appropriate regulations to require each Bondowner, before his consent provided for in the Indenture will be deemed effective, to reveal if the Bonds as to which such consent is given are disqualified as provided in the Indenture.

Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective pursuant to the Indenture, the Indenture will be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Commission, the Trustee and all Owners of Bonds Outstanding will thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture will be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Endorsement or Replacement of Bonds Issued Before Amendments. The Commission may determine that Bonds issued and delivered before the effective date of any action taken as provided in the Indenture will bear a notation, by endorsement or otherwise, in form approved by the Commission, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for the purpose at the office of the Commission or at such other office as the Commission may select and designate for that purpose, a suitable notation will be made on such Bond. The Commission may determine that new Bonds, so modified as in the opinion of the Commission is necessary to conform to such action, will be prepared, executed and delivered. In that case, upon demand of the Owner of any Bonds then Outstanding, such new Bonds will be exchanged at the principal corporate trust office of the Trustee in San Francisco, California, without cost to such Owner, for Bonds of the same character then Outstanding, upon surrender of such Bonds.

Amendatory Endorsement of Bonds. The provisions of the Indenture will not prevent any Bondowner from accepting any amendment as to the particular Bonds held by such Bondowner, provided that due notation thereof is made on such Bonds.

DEFEASANCE

Discharge of Indenture.

If the Commission pays and discharges the entire indebtedness on all Bonds Outstanding in any one or more of the following ways —

(1) by well and truly paying or causing to be paid the principal of (including redemption premiums, if any) and interest on all Bonds Outstanding, as and when the same become due and payable (but this clause will not include Bonds the principal of or interest on which has been paid by a Credit Provider until the Credit Provider has been paid or reimbursed for such payment by the Commission); or

(2) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, money which, together with the amounts then on deposit in the Principal Fund, the Interest Fund and the Bond Reserve Fund, is fully sufficient to pay or redeem all Bonds Outstanding, including all principal, interest and redemption premiums, if any; or

(3) by delivering to the Trustee, for cancellation by it, all Bonds Outstanding; or

(4) by depositing with the Trustee, an escrow agent or other fiduciary, in trust, Defeasance Obligations in such amount which, in the determination of an Independent Certified Public Accountant, who certifies such determination to the Trustee, will, together with the income or increment to accrue thereon and any other moneys of the Commission made available for such purpose, be fully sufficient to pay and discharge the indebtedness on all Bonds (including all principal, interest and redemption premiums, if any) at or before their respective maturity dates;

and if the Commission will also pay or cause to be paid all other sums payable under the Indenture by the Commission, including all Policy Costs, then and in that case, at the election of the Commission (evidenced by a Certificate of the Commission signifying its intention to pay and discharge all such indebtedness, which will be filed with the Trustee), and notwithstanding that any Bonds have been surrendered for payment, the pledge of the Net Revenues and other funds provided for in the Indenture and all other obligations of the Commission under the Indenture will cease, terminate and be completely discharged, except only as provided in the Indenture, and the Owners of the Bonds not so surrendered and paid will thereafter be entitled to payment only out of the Defeasance Obligations deposited with the Trustee, escrow agent or other fiduciary as aforesaid for their payment; subject, however, to the provisions of the Indenture. The discharge of the obligations of the Commission under the Indenture will be without prejudice to the rights of the Trustee to charge for and be reimbursed by the Commission for any expenditures which it may thereafter incur in connection with the Indenture.

The Commission may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Commission may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, will be deemed to be paid and retired.

In the event that any portion or all of the Bonds are to be paid and discharged pursuant to the Indenture, the Credit Provider will be provided with 15 days advance notice and will be provided with a draft copy of any proposed escrow agreement establishing the defeasance trust, the form of the Independent Certified Public Accountant's certificate or letter, the preliminary official statement of the refunding issue (if applicable) and the form of Opinion of Counsel to the effect that upon the deposit of funds and investments under the escrow or other applicable agreement, the Bonds being paid and discharged will no longer be deemed to be outstanding under the Indenture. Substitution of securities held in trust under the escrow agreement will not be permitted unless there has first been delivered to the escrow agent (1) a certificate of Independent Certified Public Accountant to the effect that the escrow investments, as substituted, are sufficient to pay debt service on the Bonds being paid and discharged whether to maturity or date of redemption, as applicable, and (2) an Opinion of Counsel to the effect that the substitution is permitted under the escrow agreement and does not, in and of itself, adversely affect the exclusion from gross income of interest on the Bonds being so paid and discharged for purposes of federal income taxation.

A final copy of any such escrow agreement and the Independent Certified Public Accountant's certificate stating that the escrow is sufficient to meet the standards of the Indenture, the final official statement for the refunding issue (if applicable), the approving opinion of bond counsel with respect to the refunding issue, the Trustee's receipt, and the Trustee's certification as to the application of funds will be furnished to the Credit Provider no later than 10 days (or such later date which is the first date practicable to deliver such items in the event that the refunding issue is not sold early enough to provide such items 10 days prior to the date of defeasance) prior to the defeasance of Bonds by the Commission.

If a forward purchase or supply contract is employed in connection with the defeasance of any of the Bonds, the verification report relating to the defeasance of such Bonds will expressly state that the adequacy of the escrow to accomplish the defeasance relies solely on the initial escrowed investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and the applicable escrow agreement will provide that in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement, the terms of the escrow agreement will be controlling.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due of the Bonds is paid by any Credit Provider in accordance with the terms of the Indenture, such Bonds will remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Commission, and the assignment and pledge of the Net Revenues and other assets under the Indenture and all covenants, agreements and other obligations of the Commission to the Owners so paid will continue to exist and will run to the benefit of the Credit Provider, and the Credit Provider will be subrogated to the rights of such Owners, as applicable.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, an escrow agent or other fiduciary, in trust, at or before maturity, of Defeasance Obligations in the necessary amount to pay or redeem Outstanding Bonds (whether upon or prior to their maturity or the redemption date of such Bonds), provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption has been given as provided in the Indenture or provision satisfactory to the Trustee has been made for the giving of such notice, then all liability of the Commission in respect of such Bonds will cease, determine and be completely discharged, except only that thereafter the Owners thereof will be entitled to payment of the principal of and interest on such Bonds by the Commission, and the Commission will remain liable for such payment, but only out of the Defeasance Obligations deposited in an escrow fund established for this purpose and held by the Trustee, an escrow agent, or other fiduciary, as aforesaid for their payment, subject, however, to the provisions of the Indenture.

Payment of Bonds after Discharge of Indenture. Notwithstanding any provisions of the Indenture, any moneys deposited in trust for the payment of the principal of, or interest or premium on, any Bonds and remaining unclaimed for two years after the principal of all the Outstanding Bonds has become due and payable (whether at maturity or upon call for redemption or by declaration as provided in the Indenture) will then be repaid to the Commission upon its Written Request, and the Owners of such Bonds will thereafter be entitled to look only to the Commission for payment thereof, and all liability of the Trustee or any other fiduciary with respect to such moneys will thereupon cease; provided, however, that before the repayment of such moneys to the Commission as aforesaid, the Trustee may (at the cost of the Commission) first publish at least once in a Financial Newspaper or Journal a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Commission of the moneys held for the payment thereof. In the event of the repayment of any such moneys to the Commission as aforesaid, the Owners of the Bonds in respect of which such moneys were deposited will thereafter be deemed to be general creditors of the Commission for amounts equivalent to the respective amounts deposited for the payment of such Bonds and so repaid to the Commission (without interest thereon).

MISCELLANEOUS

Liability of Commission Limited to Net Revenues.

(a) Notwithstanding anything contained in the Indenture, the Commission will not be required to advance any moneys derived from the proceeds of any taxes levied or collected by the City, or from any source of income other than the Net Revenues, for the payment of the principal of or interest on the Bonds, for the operation and maintenance of the Enterprise, for the performance of any covenants contained in the Indenture or for the payment of any obligations under the Indenture, including indemnification. The Commission may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the Commission for such purpose without incurring indebtedness.

(b) The Bonds will be revenue bonds, payable exclusively from the Net Revenues as provided in the Indenture. The general fund of the City is not liable, and the credit or taxing power of the City is not pledged, for the payment of the Bonds or their interest. The Owners of the Bonds will never have the right to compel the exercise of the taxing power of the City or the forfeiture of any property of the Commission or of the City. The principal of and interest on the Bonds and any premiums upon the redemption of any thereof will not be a debt of the Commission or the City, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Commission or of the City or upon any of its income, receipts or revenues except the Net Revenues pledged to the payment thereof as provided in the Indenture.

Successor Is Deemed Included in All References to Predecessor. Whenever in the Indenture or any Supplemental Indenture either the Commission or the Trustee is named or referred to, such reference will be deemed to include the successors or assigns thereof, and all the covenants and agreements contained in the Indenture by or on behalf of the Commission or the Trustee will bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Limitation of Rights to Parties and Bondowners. Nothing in the Indenture or in the Bonds expressed or implied is intended or will be construed to give to any person, other than the Commission, the Trustee, any Bond Reserve Fund Policy Provider, any Credit Provider and the Owners of the Bonds issued under the Indenture, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein or contained in the Indenture; and all such covenants, conditions and provisions are and will be held to be for the sole and exclusive benefit of the Commission, the Trustee, the Bond Reserve Fund Policy Provider, the Credit Provider and the Owners of the Bonds issued under the Indenture.

Waiver of Notice. Whenever in the Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice will not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Destruction of Bonds. Whenever in the Indenture provision is made for the cancellation by the Trustee and the delivery to the Commission of any Bonds, the Trustee may destroy such Bonds (in the presence of an officer of the Commission, if the Commission will so require), and deliver a certificate of such destruction to the Commission, unless the Commission will, by Written Request of the Commission, request the Trustee to instead cancel and deliver said Bonds to the Commission.

Severability of Invalid Provisions. If any one or more of the provisions contained in the Indenture or in the Bonds for any reason is held to be invalid, illegal or unenforceable in any respect, then such provision or provisions will be deemed severable from the remaining provisions contained in the Indenture and such invalidity, illegality or unenforceability will not affect any other provision of the Indenture, and the Indenture will be construed as if such invalid or illegal or unenforceable provision had never been contained in the Indenture. The Commission declares by the Indenture that it would have adopted the Indenture and each and every other section, paragraph, sentence, clause or phrase of the Indenture and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of the Indenture may be held illegal, invalid or unenforceable. If, by reason of the judgment of any court, the Trustee or any successor Trustee is rendered unable to perform its duties under the Indenture, and if no successor Trustee be then appointed, all such duties and all of the rights and powers of the Trustee under the Indenture will be assumed by and vest in the Treasurer in trust for the benefit of the Bondowners.

Evidence of Rights of Bondowners. Any request, consent or other instrument required by the Indenture to be signed and executed by Bondowners may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such Bondowners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, will be sufficient for any purpose of the Indenture and will be conclusive in favor of the Trustee and of the Commission if made in the manner provided in the Indenture.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved in any manner reasonably acceptable to the Trustee.

The ownership of Bonds will be proved by the bond registration books maintained pursuant to the Indenture.

Any request, consent, vote or declaration of the Owner of any Bond will bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Commission in pursuance of such request, consent, vote or declaration.

Credit Provider and Bond Reserve Fund Policy Provider Provisions. Any provisions in the Indenture requiring consent from the Credit Providers will have no force or effect with respect to a Credit Provider or a Bond Reserve Fund Policy Provider during any period in which such Credit Provider or a Bond Reserve Fund Policy Provider is in default in its obligations under the related Letter of Credit, insurance policy or Bond Reserve Fund Policy. The provisions with respect to the Credit Provider and Bond Reserve Fund Policy Provider may be disregarded if no Credit Providers or Bond Reserve Fund Policy Providers are in existence with respect to the Outstanding Bonds.

Funds and Accounts. Any fund required by the Indenture to be established and maintained by the Commission or the Controller or the Treasurer or the City or the Trustee may be established and maintained in the accounting records of the Commission or the Controller or the Treasurer or the City or the Trustee either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds will at all times be maintained in accordance with generally accepted accounting practices and with due regard for the protection of the security of the Bonds and the rights of every Owner thereof.

Repeal of Inconsistent Resolution. Any resolution of the Commission, and any part of any resolution, inconsistent with the Indenture, is repealed to the extent of such inconsistency by the Indenture.

Waiver of Personal Liability. No Commission member or officer, agent or employee of the Commission or of the City will be individually or personally liable for the payment of the principal of or interest on the Bonds; but nothing contained in the Indenture will relieve any such Commission member or officer, agent or employee from the performance of any official duty provided by law.

Governing Law. The Indenture will be construed and governed in accordance with the laws of the State of California.

Business Day. Except as specifically set forth in a Supplemental Indenture, any payments or transfers which would otherwise become due on any day which is not a Business Day will become due or will be made on the next succeeding Business Day.

TWENTIETH SUPPLEMENTAL INDENTURE

PROVISIONS RELATING TO THE 2026 SERIES B BONDS

Authorization and Terms of the 2026 Series B Bonds. The principal of and premium, if any, on the 2026 Series B Bonds will be payable by check or wire in lawful money of the United States of America to the Owner thereof, upon the surrender thereof at the corporate trust office of U.S. Bank Trust Company, National Association, in San Francisco, California, or such other office designated by the Trustee.

The interest on the 2026 Series B Bonds will be payable in like lawful money to the person whose name appears on the bond registration books of the Trustee as the Owner thereof as of the close of business on the 15th day of the calendar month immediately preceding an interest payment date, whether or not such day is a Business Day, such interest to be paid by check mailed to such Owner at such address as appears on such registration books or at such address as such Owner may have filed with the Trustee for that purpose, or at the request of an Owner of at least $1,000,000 in aggregate principal amount of 2026 Series B Bonds filed with the Trustee by such 15th day, by wire transfer to such account designated in such request at a financial institution in the United States.

Each 2026 Series B Bond will bear interest from the interest payment date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the calendar month next preceding any interest payment date to the interest payment date, inclusive, in which event it will bear interest from such interest payment date, or unless it is authenticated on or before September 15, 2026, in which event it will bear interest from the Closing Date; provided, however, that if, at the time of authentication of any 2026 Series B Bond, interest is in default on Outstanding 2026 Series B Bonds, such 2026 Series B Bond will bear interest from the interest payment date to which interest has previously been paid or made available for payment on the Outstanding 2026 Series B Bonds and will be payable to the Owners thereof of record as of a special date as will be established by the Trustee following such default.

On January 30, 2013, certain amendments set forth in the First Amendment that govern the sizing of the Required Reserve for each Series of Bonds became effective in accordance with the terms of the Indenture. As a result, the Commission has determined not to fund a Reserve Account for the 2026 Series B Bonds.

The Commission has reviewed all proceedings previously taken relative to the authorization of the 2026 Series B Bonds and has found, as a result of such review, that all conditions, things and acts required by law to exist, happen or be performed precedent to and in the issuance of the 2026 Series B Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Commission is authorized, pursuant to each and every requirement of law, including the Law, to issue the 2026 Series B Bonds in the manner and form provided in the Twentieth Supplemental Indenture.

Use of Depository.

(a) The 2026 Series B Bonds will be initially registered as provided in the Twentieth Supplemental Indenture. Registered ownership of the 2026 Series B Bonds, or any portions thereof, may not thereafter be transferred except: (i) to any successor of The Depository Trust Company or its nominee, or of any substitute depository designated pursuant to the Twentieth Supplemental Indenture (a "Substitute Depository"); provided that any successor of The Depository Trust Company or Substitute Depository will be qualified under any applicable laws to provide the service proposed to be provided by it; (ii) to any Substitute Depository not objected to by the Trustee, upon (A) the resignation of The Depository Trust Company or its successor (or any Substitute Depository or its successor) from its functions as depository, or (B) a determination by the Commission that The Depository Trust Company (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository will be qualified under any applicable laws to provide the services proposed to be provided by it; or (iii) to any person as provided below, upon (1) the resignation of The Depository Trust Company or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the Commission to remove The Depository Trust Company or its successor (or Substitute Depository or its successor) from its functions as depository.

(b) In the case of any transfer described in clause (a)(i) or clause (a)(ii) above, upon receipt of all Outstanding 2026 Series B Bonds by the Trustee, together with a Written Request of the Commission to the Trustee designating the Substitute Depository, a single new 2026 Series B Bond, which the Commission will prepare or cause to be prepared, will be executed and delivered for each maturity of each series of the 2026 Series B Bonds then Outstanding, registered in the name of such successor or such Substitute Depository, or their nominees, as the case may be, all as specified in such Written Request of the Commission.

In the case of any transfer described in clause (a)(iii) above, upon receipt of all Outstanding 2026 Series B Bonds by the Trustee, together with a Written Request of the Commission to the Trustee, new 2026 Series B Bonds, which the Commission will prepare or cause to be prepared in definitive form, will be executed and delivered in such denominations and registered in the names of such persons as are requested in such Written Request of the Commission, subject to the limitations of the Twentieth Supplemental Indenture, provided that the Trustee will not be required to deliver such new 2026 Series B Bonds within a period less than 60 days after the date of receipt of such Written Request from the Commission.

(c) In the case of a partial redemption or an advance refunding of any 2026 Series B Bonds evidencing a portion of the principal maturing in a particular year, The Depository Trust Company or its successor (or any Substitute Depository or its successor) will make an appropriate notation on such 2026 Series B Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee. The Trustee will not be liable for such depository's failure to make such notations or errors in making such notations.

(d) The Commission and the Trustee will be entitled to treat the person in whose name any 2026 Series B Bond is registered as the Owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Commission; and the Commission and the Trustee will not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the 2026 Series B Bonds. Neither the Commission nor the Trustee will have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including The Depository Trust Company or its successor (or Substitute Depository or its successor), except to the Owner of any 2026 Series B Bonds, and the Trustee may rely conclusively on its records as to the identity of the Owners of the 2026 Series B Bonds.

(e) Notwithstanding any other provision of the Twentieth Supplemental Indenture and so long as all Outstanding 2026 Series B Bonds are registered in the name of Cede & Co. or its registered assigns, the Commission and the Trustee will cooperate with Cede & Co., as sole registered Bondowner, and its registered assigns, in effecting payment of the principal of and redemption premium, if any, and interest on the 2026 Series B Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made available on the date they are due, all in accordance with the Letter of Representations delivered by the Commission to The Depository Trust Company with respect to the 2026 Series B Bonds, the provisions of which the Trustee may rely upon to implement the foregoing procedures notwithstanding any inconsistent provisions in the Twentieth Supplemental Indenture.

Establishment and Application of the 2026 Series B Rebate Fund.

(a) The Trustee will establish and maintain a fund separate from any other fund established and maintained under the Twentieth Supplemental Indenture to be known as the "2026 Series B Rebate Fund." Within 2026 Series B Rebate Fund, the Trustee will maintain such accounts as it is instructed by the Commission as necessary in order to comply with the terms and requirements of the Tax Certificate with respect to the 2026 Series B Bonds, dated the date of issuance of the 2026 Series B Bonds (for purposes hereof, the "2026 Series B Tax Certificate").

Subject to the transfer provisions described in paragraph (e) below, all money at any time deposited in the applicable Rebate Fund will be held by the Trustee for the account of the Commission in trust, to the extent required to satisfy the requirements for rebate, as set forth in the 2026 Series B Tax Certificate (for purposes hereof, the "2026 Series B Rebate Requirement"), for payment to the federal government of the United States of America, and no other person will have any rights in or claim to such money. All amounts deposited into or on deposit in the applicable Rebate Fund will be governed by the Twentieth Supplemental Indenture and by the 2026 Series B Tax Certificate. The Trustee will be deemed conclusively to have complied with such provisions and fulfilled its obligation with respect to rebate as long as it follows the written directions of the Commission, including supplying all necessary information in the manner provided in the 2026 Series B Tax Certificate. The Trustee will not be required to take any actions under the Twentieth Supplemental Indenture or the 2026 Series B Tax Certificate in the absence of written directions by the Commission, and will have no liability or responsibility to enforce compliance by the Commission with the terms of the 2026 Series B Tax Certificate nor make computations in connection therewith.

(b) Upon the Commission's written direction, an amount will be deposited to the applicable Rebate Fund by the Trustee from deposits by the Commission so that the balance of the amount on deposit thereto equals the 2026 Series B Rebate Requirement. Computations of the 2026 Series B Rebate Requirement will be furnished by or on behalf of the Commission in accordance with the 2026 Series B Tax Certificate.

(c) The Trustee will have no obligation to rebate any amounts required to be rebated pursuant to the Twentieth Supplemental Indenture, other than from moneys held in the funds and accounts created under the Indenture or from other moneys provided to it by or on behalf of the Commission.

(d) The Trustee will invest all amounts held in the Rebate Funds in Permitted Investments as instructed in writing by the Commission, subject to the restrictions set forth in the 2026 Series B Tax Certificate. Moneys will not be transferred from the Rebate Funds except as described in paragraph (e) below.

(e) Upon receipt of the Commission's written directions, the Trustee will remit part or all of the balances in the applicable Rebate Fund to the United States, as so directed. In addition, if the Commission so directs, the Trustee will deposit moneys into or transfer moneys out of the applicable Rebate Fund from or into such accounts or funds as directed by the Commission's written directions. Any funds remaining in each Rebate Fund after redemption and payment of all of the 2026 Series B Bonds, as the case may be, and payment and satisfaction of any 2026 Series B Rebate Requirement will be withdrawn and remitted to the Commission upon the Commission's written request.

(f) Notwithstanding any other provision of the Indenture, the obligation to remit the 2026 Series B Rebate Requirement to the United States and to comply with all other requirements of the Twentieth Supplemental Indenture and the 2026 Series B Tax Certificate will survive the defeasance or payment in full of the 2026 Series B Bonds.

Tax Covenants

(a) The Commission covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the 2026 Series B Bonds under Section 103 of the Code.

(b) The Commission will not directly or indirectly use or permit the use of any proceeds of the 2026 Series B Bonds or any other funds of the Commission, or take or omit to take any action that would cause the 2026 Series B Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code. To that end, the Commission will comply with all requirements of Section 148 of the Code to the extent applicable to the 2026 Series B Bonds. If at any time the Commission is of the opinion that for purposes of this provision of the Twentieth Supplemental Indenture it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture or otherwise, the Commission will so instruct the Trustee in writing, and the Trustee will take such action as required by such instructions. Without limiting the generality of the foregoing, the Commission agrees that there will be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applied to the 2026 Series B Bonds from time to time. This covenant will survive payment in full or defeasance of the 2026 Series B Bonds. The Commission specifically covenants to pay or cause to be paid to the United States, at the times and in the amounts determined, the 2026 Series B Rebate Requirement. The Trustee agrees to comply with all written instructions of the Commission given in accordance with the 2026 Series B Tax Certificate.

(c) Notwithstanding any provision of this provision of the Twentieth Supplemental Indenture, if the Commission provides to the Trustee an opinion of nationally recognized bond counsel to the effect that any action required under this provision of the Twentieth Supplemental Indenture or under the 2026 Series B Tax Certificate is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the 2026 Series B Bonds under Section 103 of the Code, the Commission and the Trustee may rely conclusively on such opinion in complying with the provisions hereof, and the covenants hereunder will be deemed to be modified to that extent.

(d) The Commission will assure that the proceeds of the 2026 Series B Bonds are not so used as to cause the 2026 Series B Bonds to satisfy the private business tests of Section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

(e) The Commission will not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the 2026 Series B Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

Continuing Disclosure. The Commission covenants and agrees in the Twentieth Supplemental Indenture that it will comply with and carry out all of the provisions of the 2026B Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the Commission to comply with the 2026B Continuing Disclosure Certificate will not be considered an Event of Default; however, any Bondowner or beneficial owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Commission to comply with its obligations under this provision of the Twentieth Supplemental Indenture, and the sole remedy in the event of any failure of the Commission to comply with the 2026B Continuing Disclosure Certificate will be an action to compel performance.

No Senior State Loans. No Senior State Loans are currently Outstanding. Notwithstanding anything contained in the Indenture, the Commission will not issue or enter into any additional Senior State Loans or pay any amounts with respect to any loan agreement with the State of California (or any board, department or agency thereof) prior to the payment of amounts described in the Indenture.

Terms of 2026 Series B Bonds Subject to the Indenture. Except as expressly provided in the Twentieth Supplemental Indenture, every term and condition contained in the Indenture will apply to the Twentieth Supplemental Indenture, and to the 2026 Series B Bonds, with the same force and effect as if the same were set forth at length in the Twentieth Supplemental Indenture, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to the Twentieth Supplemental Indenture.

The Twentieth Supplemental Indenture and all the terms and provisions contained in the Twentieth Supplemental Indenture will form part of the Indenture as fully and with the same effect as if all such terms and provisions had been set forth in the Indenture. The Indenture is ratified and confirmed by the Twentieth Supplemental Indenture and will continue in full force and effect in accordance with the terms and provisions thereof, as supplemented and amended by the Twentieth Supplemental Indenture.

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Delivery Date]

Public Utilities Commission of the
City and County of San Francisco
San Francisco, California

Board of Supervisors of the
City and County of San Francisco
San Francisco, California

$________
Public Utilities Commission of the
City and County of San Francisco
Wastewater Revenue Bonds, 2026 Series B
(Refunding)

Ladies and Gentlemen:

We have acted as bond counsel to the Public Utilities Commission of the City and County of San Francisco (the "Commission"), a commission duly constituted under the Charter (the "Charter") of the City and County of San Francisco (the "City"), in connection with the issuance by the Commission of its Wastewater Revenue Bonds, 2026 Series B (Refunding), in the aggregate principal amount of $___________ (the "Bonds"). The Bonds are being issued pursuant to authority granted by the Charter of the City, Resolution No. __-____, adopted by the Commission on July 28, 2026 (the "Resolution"), and an Indenture, dated as of January 1, 2003, by and between the Commission and U.S. Bank Trust Company, National Association, as successor trustee (the "Trustee"), as previously amended and supplemented (the "Original Indenture"), and as further supplemented by a Twentieth Supplemental Indenture, dated as of August 1, 2026 (the "Twentieth Supplemental Indenture"). The Twentieth Supplemental Indenture together with the Original Indenture are referred to herein as the "Indenture."

Capitalized terms not otherwise defined herein shall have the respective meanings ascribed thereto in the Indenture.

In our capacity as bond counsel, we have reviewed the Indenture, certifications of the Commission, the Trustee and others, opinions of counsel to the Commission and the Trustee, and such other documents, opinions and instruments as we have deemed necessary to render the opinions set forth herein. We have assumed, but have not verified, that the signatures on all documents, certificates and opinions that we have reviewed are genuine. In our examination, we have assumed, but have not verified, the legal capacity of all natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies or by facsimile or other means of electronic transmission or which we obtained from sites on the internet, and the authenticity of the originals of such latter documents. As to facts and certain other matters and the consequences thereof relevant to the opinions expressed herein and the other statements made herein, we have relied without investigation or verification upon, and have assumed the accuracy and completeness of, certificates and letters (including opinion letters), and oral and written statements and representations of public officials, officers and other representatives of the Commission and the City, counsel for the Commission, the City and others.

Our services as bond counsel have been limited to such examination and to rendering the opinions set forth below. Furthermore, we have assumed compliance with all covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the interest on the Bonds to be included in gross income for federal tax purposes. With respect to the opinions expressed herein, we call attention to the fact that the enforceability of the rights and obligations under the Bonds and the Indenture are subject to bankruptcy, insolvency, reorganization, arrangement, moratorium and other similar laws affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities and counties in the State of California. In addition, the imposition of certain fees and charges by the Commission relating to the Enterprise is subject to the provisions of Articles XIII C and XIII D of the California Constitution.

Based upon the foregoing and subject to the limitations and qualifications herein specified, as of the date hereof, we are of the opinion, under existing law, that:

(1) The Bonds have been duly authorized, executed and delivered by, and constitute the valid and binding special limited obligations of, the Commission.

(2) The Indenture has been duly authorized, executed and delivered by, and constitutes the valid and binding obligation of, the Commission. The Indenture creates a valid pledge of the Net Revenues of the Enterprise and certain other amounts held by the Trustee under the Indenture to secure the payment of the principal of and interest on the Bonds, as and to the extent set forth in the Indenture and subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

(3) The Bonds are special limited obligations of the Commission and are payable exclusively from and are secured by a pledge of the Net Revenues of the Enterprise and certain amounts held under the Indenture. The general fund of the City is not liable, and the credit or taxing power of the City is not pledged, for the payment of the Bonds or the interest thereon. The Commission has no taxing power. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the City or of the Commission or any of its income or receipts except the Net Revenues.

(4) Bonds and other parity debt of the Commission have been, and from time to time hereafter may be, issued under the Indenture which are payable from Net Revenues of the Enterprise on a parity basis with the Bonds.

(5) Assuming continuing compliance by the Commission with certain covenants in the Indenture, the Tax Certificate (hereafter described) and other documents pertaining to the Bonds and requirements of the Internal Revenue Code of 1986 regarding the use, expenditure and investment of proceeds of the Bonds and the timely payment of certain investment earnings to the United States, interest on the Bonds is not included in the gross income of the owners of the Bonds for purposes of federal income taxation.

(6) Interest on the Bonds is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax on individuals. We express no opinion regarding the applicability of the corporate alternative minimum tax to the adjusted financial statement income of any owner of the Bonds.

(7) Interest on the Bonds is exempt from personal income tax imposed by the State of California.

Our opinion in paragraph 5 above is rendered in reliance on representations and certifications of the Commission made in a Tax Certificate dated the date hereof pertaining to the use, expenditure and investment of the proceeds of the Bonds. Except as stated in paragraphs 5, 6 and 7 above, we express no opinion as to any federal or state tax consequences of the ownership or disposition of, or the receipt or accrual of interest on, the Bonds. Further, certain requirements and procedures contained or referred to in the Indenture, the Tax Certificate or other documents pertaining to the Bonds may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the effect of any change to any document pertaining to the Bonds or of any action taken or not taken where such change is made or action is taken or not taken without our approval or in reliance upon the advice of counsel other than ourselves with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes.

The opinions expressed and the statements made herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions and statements may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur, and we have no obligation to update this letter in light of such actions or events or for any other reason.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds.

The opinions in this letter are limited to the laws of the State of California and federal law. The opinions in this letter are expressed solely as of the date hereof for your benefit and may not be relied upon in any manner for any purposes by any other person.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$__________
Public Utilities Commission of the
City and County of San Francisco
Wastewater Revenue Bonds, 2026 Series B (Refunding)

[Closing Date]

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Public Utilities Commission of the City and County of San Francisco (the "SFPUC") in connection with the issuance of its Wastewater Revenue Bonds, 2026 Series B (Refunding) (the "2026B Bonds").

The 2026B Bonds are being issued pursuant to a Twentieth Supplemental Indenture, dated as of August 1, 2026 (the "Twentieth Supplemental Indenture"), by and between the SFPUC and U.S. Bank Trust Company, National Association, as successor to U.S. Bank National Association, as trustee (the "Trustee"). The Twentieth Supplemental Indenture supplements the Indenture, dated as of January 1, 2003 (as amended and supplemented, including as supplemented by the Twentieth Supplemental Indenture, the "Indenture"), by and between the SFPUC and the Trustee. The SFPUC covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the SFPUC for the benefit of the Holders and Beneficial Owners of the 2026B Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission (the "S.E.C.") Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the SFPUC pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person that: (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any 2026B Bonds (including persons holding 2026B Bonds through nominees, depositories or other intermediaries) including, but not limited to, the power to vote or consent with respect to any 2026B Bonds or to dispose of ownership of any 2026B Bonds; or (b) is treated as the owner of any 2026B Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the SFPUC, acting in its capacity as Dissemination Agent under this Disclosure Certificate, or any successor Dissemination Agent designated in writing by the SFPUC and which has filed with the SFPUC a written acceptance of such designation.

"Financial Obligation" means, for purposes of the Listed Events set out in Section 5(a)(15) and Section 5(a)(16), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"Holder" shall mean either the registered owners of the 2026B Bonds, or, if the 2026B Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive continuing disclosure filings pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at *http://emma.msrb.org*.

"Official Statement" shall mean the final Official Statement, dated __________, 2026, prepared in connection with the sale and offering of the 2026B Bonds.

"Participating Underwriters" shall mean any of the original underwriters or purchasers of the 2026B Bonds required to comply with the Rule in connection with the offering of the 2026B Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the S.E.C. under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The SFPUC shall, or shall cause the Dissemination Agent to, not later than March 31 of each year, commencing with the report for Fiscal Year 2025-26 (which is due not later than March 31, 2027), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is not the SFPUC, the SFPUC shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to said date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate. However, if the audited financial statements of the SFPUC are not available by the date required above for the filing of the Annual Report, the SFPUC shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the SFPUC's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) If the SFPUC is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the SFPUC shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the SFPUC) file a report with the SFPUC certifying the date that the Annual Report was provided to the MSRB pursuant to this Disclosure Certificate.

SECTION 4. Content of Annual Reports. The SFPUC's Annual Report shall contain or incorporate by reference the following information:

(a) Audited financial statements of the Wastewater Enterprise for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles applicable to the SFPUC from time to time. If the SFPUC's audited financial statements are not available by the date the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available;

(b) An update for the prior Fiscal Year of the table in the Official Statement entitled "TABLE 6 – SUMMARY OF ACTIVE SEWER ACCOUNTS BY USER TYPE";

(c) An update for the prior Fiscal Year of the table in the Official Statement entitled "TABLE 17 – ADOPTED SINGLE-FAMILY AND MULTI-FAMILY RESIDENTIAL MONTHLY SEWER SERVICE CHARGES";

(d) An update for the prior Fiscal Year of the table in the Official Statement entitled "TABLE 18 – ADOPTED SIMPLIFIED RESIDENTIAL MONTHLY STORMWATER COMPONENT OF THE SEWER SERVICE CHARGE BY TIER";

(e) An update for the prior Fiscal Year of the table in the Official Statement entitled "TABLE 20 – ADOPTED NON-RESIDENTIAL MONTHLY SEWER SERVICE CHARGES";

(f) An update for the prior Fiscal Year of the table in the Official Statement entitled "TABLE 21 – ADOPTED STANDARD STORMWATER MONTHLY STORMWATER COMPONENT OF THE SEWER SERVICE CHARGE";

(g) An update for the prior Fiscal Year of the tables in the Official Statement in the sections entitled "APPENDIX A – THE PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO AND THE WASTEWATER ENTERPRISE – OBLIGATIONS PAYABLE FROM NET REVENUES – Outstanding Parity Revenue Bonds" and "– Parity Loans" showing all bonds and other obligations of the SFPUC secured by Net Revenues; and

(h) An update for the prior Fiscal Year of the table in the Official Statement entitled "TABLE 27 – HISTORICAL REVENUE, OPERATING & MAINTENANCE EXPENSE AND DEBT SERVICE COVERAGE FOR FISCAL YEARS ENDED JUNE 30."

Any or all of the items listed above may be set forth in a document or set of documents, or may be included by specific reference to other documents, including official statements of debt issues of the SFPUC or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The SFPUC shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The SFPUC shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the 2026B Bonds:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), other material notices or determinations with respect to the tax status of the 2026B Bonds, or other material events affecting the tax status of the 2026B Bonds;

7. Modifications to rights of Holders, if material;

8. Optional, unscheduled or contingent 2026B Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the 2026B Bonds, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the SFPUC;

13. The consummation of a merger, consolidation, or acquisition involving the SFPUC or the sale of all or substantially all of the assets of the SFPUC, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;

15. Incurrence of a Financial Obligation of the SFPUC, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the SFPUC, any of which affect Holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the SFPUC, any of which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the SFPUC in a proceeding under the United States Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the SFPUC, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the SFPUC.

(b) Whenever the SFPUC obtains knowledge of the occurrence of a Listed Event in Section 5(a), the SFPUC shall, or shall cause the Dissemination Agent (if not the SFPUC) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of a Listed Event described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected 2026B Bonds under the Indenture.

(c) The SFPUC intends to comply with the Listed Events described in Section 5(a)(15) and Section 5(a)(16) and the definition of "Financial Obligation" in Section 2, with reference to the Rule, any other applicable federal securities laws and the guidance provided by the S.E.C. in Release No. 34-83885 dated August 20, 2018 (the "2018 Release"), and any further amendments or written guidance provided by the S.E.C. or its staff with respect to the amendments to the Rule effected by the 2018 Release.

SECTION 6. Termination of Reporting Obligation. The SFPUC's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2026B Bonds. If such termination occurs prior to the final maturity of the 2026B Bonds, the SFPUC shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 7. Dissemination Agent. The SFPUC may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the SFPUC may amend or waive this Disclosure Certificate or any provision of this Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the 2026B Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of the City Attorney of the City and County of San Francisco or nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the 2026B Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the owners of a majority in aggregate principal amount of the 2026B Bonds or (ii) does not, in the opinion of the City Attorney or nationally recognized bond counsel, materially impair the interests of the Holders.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the SFPUC shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the SFPUC. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5; and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the SFPUC from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the SFPUC chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the SFPUC shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the SFPUC to comply with any provision of this Disclosure Certificate, any Participating Underwriters, Holder or Beneficial Owner of the 2026B Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the SFPUC to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in a federal or State court located in the City and County of San Francisco, State of California. Failure by the SFPUC to comply with any provision of this Disclosure Certificate shall not be deemed an Event of Default under the Indenture and the sole remedy under this Disclosure Certificate in the event of any failure of the SFPUC to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the SFPUC, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the 2026B Bonds, and shall create no rights in any other person or entity.

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Dated as of the date first written above.

PUBLIC UTILITIES COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO

By: ____
General Manager

Approved as to form:

DAVID CHIU
CITY ATTORNEY

By: ____
Deputy City Attorney

CONTINUING DISCLOSURE CERTIFICATE

EXHIBIT A

FORM OF NOTICE TO THE
MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Public Utilities Commission of the City and County of San Francisco
Name of Issue:	Wastewater Revenue Bonds, 2026 Series B (Refunding)
Date of Issuance:	__________, 2026

NOTICE IS HEREBY GIVEN that the SFPUC has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate of the Public Utilities Commission of the City and County of San Francisco, dated __________, 2026. The SFPUC anticipates that the Annual Report will be filed by _______________.

Dated: _______________

PUBLIC UTILITIES COMMISSION OF
THE CITY AND COUNTY OF SAN FRANCISCO

By:____[to be signed only if filed]_______________
Title____

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APPENDIX F

SECURITIES DEPOSITORY AND THE BOOK-ENTRY SYSTEM

The information in this Appendix F has been obtained from DTC for use in securities offering documents, and the SFPUC takes no responsibility for the accuracy or completeness thereof. The SFPUC cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the beneficial owners either (a) payments of interest, principal or premium, if any, with respect to the 2026B Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the 2026B Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

As used in this Appendix F, "Securities" means the 2026B Bonds, "Issuer" means the SFPUC, and "Agent" means the Trustee.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information contained on this Internet site is not incorporated herein by reference.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that SFPUC believes to be reliable, but the SFPUC takes no responsibility for the accuracy thereof.

San Francisco
Water
Power
Sewer

Services of the San Francisco Public Utilities Commission

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

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