



# San Francisco Public Utilities Commission

## PROGRAMMATIC POST-ISSUANCE VERIFICATION LETTER

### Water Infrastructure CRITERIA OF THE CLIMATE BONDS STANDARD

**Type of engagement:** Assurance Engagement

**Period engagement was carried out:** August – December 2023

**Approved verifier:** Sustainalytics

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### Scope and Objectives

San Francisco Public Utilities Commission (SFPUC) has issued green bonds aimed at financing or refinancing projects within the Sewer System Improvement Program (SSIP) under a programmatic agreement with Climate Bonds Initiative (CBI) since May 2018. In 2023, SFPUC engaged Sustainalytics to review the projects financed between August 2018 and October 2023 with proceeds from the SFPUC Green Bonds (the “Nominated Projects”) and provide an assessment as to whether the Nominated Projects meet the Post-Issuance Requirements of the Climate Bonds Standard.<sup>1</sup>

Green bonds include:<sup>2</sup>

- Wastewater Revenue Bonds (Green Bonds) 2018 Series A
- Wastewater Revenue Bonds (Green Bonds) 2018 Series C
- Wastewater Revenue Bonds (Green Bonds) 2021 Series A
- Wastewater Revenue Bonds (Green Notes) 2021 Series A
- Wastewater Revenue Bonds (Green Notes) 2021 Series B
- Wastewater Revenue Bonds (Green Bonds) 2023 Series A
- Wastewater Revenue Bonds (Green Bonds) 2023 Series C

Schedule 1 provides details of the Nominated Projects and disbursement of proceeds.

### Post-Issuance Evaluation Criteria

Post-issuance Requirements of the Climate Bonds Standard Version 2.1:<sup>3</sup>

- Part A: General Requirements - All the requirements in Part A shall be met to be eligible for post-issuance certification.
- Part B: Eligible Projects & Assets - Part B requirements shall be met based on the projects & assets associated with the bond and the specified eligibility criteria.

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<sup>1</sup> Pre-Issuance Verification Letter available at: <https://sfpuc.org/about-us/reports/debt-management-and-disclosure-reports>

<sup>2</sup> Wastewater Enterprise Green Bonds Annual Report available here: <https://sfpuc.org/about-us/reports/debt-management-and-disclosure-reports>

<sup>3</sup> Climate Bond Initiative, Climate Bond Standard v2.1 at: <https://www.climatebonds.net/climate-bonds-standard-v21-0>

- Part C: Requirements for Specific Bond Types - Part C requirements shall be met to be eligible for post-issuance certification and are used selectively, depending on the type of bond in question.

### **Issuing Entity's Responsibility**

SFPUC is responsible for providing accurate information and documentation relating to the details of projects, including description, total development cost of each project and disbursed amounts.

### **Independence and Quality Control**

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of the SFPUC Green Bonds to provide an independent opinion on its conformance with the Post-Issuance Requirements of the Climate Bonds Standard.

Sustainalytics has relied on the information and the facts presented by SFPUC with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by SFPUC.

Sustainalytics makes all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over this assessment.

### **Verifier's Responsibility**

Sustainalytics conducted the verification in accordance with the Climate Bonds Standard Version 2.1 and with International Standard on Assurance Engagements 3000 (ISAE 3000).

The work undertaken as part of this engagement included conversations with relevant SFPUC employees and review of relevant documentation to assess conformance of the SFPUC Green Bonds with the Post-Issuance Requirements of the Climate Bonds Standard Version 2.1.

### **Exceptions**

No exceptions were identified. All projects meet the Post-Issuance Requirements of the Climate Bonds Standard Version 2.1 and the Water Infrastructure criteria.

### **Conclusion**

Based on the limited assurance procedures conducted and evidence obtained, nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the allocation of the following SFPUC Green Bonds, issued to fund eligible green water infrastructure, is not in conformance with the Post-Issuance Requirements of the Climate Bonds Standard:

- USD 241,017,855 from 2018 Series A (Green Bonds)
- USD 170,720,000 from 2018 Series C (Green Bonds)
- USD 296,000,000 from 2021 Series A (Green Bonds)
- USD 220,000,000 from 2021 Series A (Green Notes)
- USD 130,000,000 from 2021 Series B (Green Notes)
- USD 556,696,799 from 2023 Series A (Green Bonds)
- USD 170,720,000 from 2023 Series C (Green Bonds)

## Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
<b>Compliance to Part A: General Requirements</b>	Verification of 9 projects by the Green Bonds: 2018 Series A and C; 2021 Series A; 2023 Series A; and Green Notes 2021 Series A and B to determine if Part A: General Requirements were met (See Schedule 2A and 2B).	All 9 projects reviewed complied with the General Requirements.	None
<b>Compliance to Part B: Eligible Projects &amp; Assets</b>	Verification of 9 projects funded by the Green Bonds: 2018 Series A and C; 2021 Series A; 2023 Series A; and Green Notes 2021 Series A and B to determine if projects fall into (i) one of the investment areas of the Climate Bonds Taxonomy (ii) meet the Water Infrastructure technical criteria.	All 9 projects fall under the Water Infrastructure criteria and meet the requirements of the Water Infrastructure technical criteria.	None
<b>Compliance to Part C: Requirements for Specific Bond Types</b>	Bond Type Applicable: Use of Proceeds Revenue Bond.	The requirements of Project Holding, Settlement Period and Earmarking have been met.	None

## Schedule 1: Overview of Nominated Projects

San Francisco Public Utilities Commission Green Series Snapshot (as of 30 November 2023)	
<b>2018 Series A Projects</b>	
<b>Project<sup>4</sup></b>	<b>Total Bond Amount (USD)</b>
Collection System Improvements	37,584,362
Central Bayside System Improvement	9,029,124
SSIP Biosolids digester Pro	55,959,809
Stormwater Management	7,283,077
Flood Resilience hydraulic	267,630
Northshore to Channel Force Main	3,276,949
SSIP Program-Wide Management	43,382,242
Treatment Plant Improvement	83,182,373
Urban Watershed Assessment Project	1,052,289
<b>2018 Series A Total</b>	<b>241,017,855</b>
<b>2018 Series C Projects</b>	
Collection System Improvements	28,560,056
Central Bayside System Improvement	838,453
SSIP Biosolids digester Pro	79,103,494
Stormwater Management	3,565,452
Flood Resilience hydraulic	-
Northshore To Channel Force Main	973,503
SSIP Program-Wide Management	4,042,310
Treatment Plant Improvement	53,636,733
Urban Watershed Assessment Project	-
<b>2018 Series C Total</b>	<b>170,720,001</b>
<b>2021 Series A Projects</b>	
Collection System Improvements	43,423,258
Central Bayside System Improvement	418,717
SSIP Biosolids digester Pro	57,533,323
Stormwater Management	16,570,511
Flood Resilience hydraulic	4,188,142
Northshore to Channel Force Main	-
SSIP Program-Wide Management	31,048,309
Treatment Plant Improvement	142,817,739
Urban Watershed Assessment Project	-
<b>2021 Series A Total</b>	<b>295,999,999</b>
<b>2021 Series A (Green Notes) Projects</b>	
SSIP Biosolids digester Pro	220,000,000
<b>2021 Series A (Green Notes) Total</b>	<b>220,000,000</b>
<b>2021 Series B (Green Notes) Projects</b>	
Treatment Plant Improvement	130,000,000
<b>2021 Series B (Green Notes) Total</b>	<b>130,000,000</b>
<b>2023 Series A (Green Bonds) Projects</b>	
Collection System Improvement	64,526,739
Central Bayside System Improvement	225,102

<sup>4</sup> Eligible projects include all SSIP Projects, subset only listed.

SSIP Biosolids-digester Pro	364,719,453
Stormwater management	34,826,681
Flood Resilience hydraulic	8,626,364
SSIP Program-wide Management	26,834,450
Treatment Plant Improvement	56,679,010
Urban Watershed Assessment	259,000
<b>2023 Series A (Green Bonds) Total</b>	<b>556,696,799</b>
<b>2023 Series C Projects (Green Bonds)<sup>5</sup></b>	
Collection System Improvements	28,560,056
Central Bayside System Improvement	838,453
SSIP Biosolids digester Pro	79,103,494
Stormwater Management	3,565,452
Northshore To Channel Force Main	973,503
SSIP Program-Wide Management	4,042,310
Treatment Plant Improvement	53,636,733
<b>2023 Series C Total</b>	<b>170,720,001</b>

## Schedule 2A: Post-Issuance General Requirement of the Climate Bonds Standard

Nominated Projects & Assets	4.1 Statement on the environmental objectives of the bond 4.2 Nominated Projects meet the Climate Bonds criteria 4.3 Confirmation that Nominated Projects and Assets will not be nominated to other Climate Bonds
Use of Proceeds	5.1 Net Proceeds of the bond allocated to the Nominated Projects 5.2 Funds allocated to Nominated Projects within 24 months of issuance of the bond 5.3 Estimate of the share of the Net Proceeds used for financing and re-financing 5.4 Net Proceeds of the bond shall be tracked by the Issuer following a formal internal process 5.5 Net Proceeds of the bond shall be no greater than the total investment or the total Fair Market Value of the Nominated Projects & Assets at the time of issuance
Non-Contamination of Proceeds	6.1 Tracking of proceeds 6.2 Managing of unallocated proceeds 6.3 In the case of a Force Majeure, the Issuer may apply to the Climate Bonds Standard Board for an extension to the asset allocation period
Confidentiality	7.1 Information about the Nominated Projects & Assets provided to the Verifier and to the Climate Bonds Standard Board 7.2 Issuer should disclose information about the bond and the Nominated Projects & Assets to the market
Reporting Post-Issuance	8.1 Report containing the list of Nominated Projects & Assets to which proceeds of the bond have been allocated

<sup>5</sup> Sustainalytics notes that USD 179.15 million of bond series 2018C outstanding balance was refunded by bond series 2023C in April 2023, of which USD 170.72 million was originally deposited to capital project funds.

## Schedule 2B: Conformance to the Post-Issuance Requirements of the Climate Bonds Standard

Procedure Performed	Factual Findings	Error or Exceptions Identified
Verification of Nominated Projects & Assets	<p>4.1 The objective of the bonds is to primarily use proceeds to finance or refinance projects within the Sewer System Improvement Program (SSIP).</p> <p>4.2 SFPUC's management confirms that the Nominated Projects meet the Eligibility Criteria.</p> <p>4.3 SFPUC's management confirms that the projects shall not be nominated to other Certified Climate Bonds unless distinct portions of the Nominated Projects and Assets are being funded by different Certified Climate Bonds or that the existing Certified Climate Bond is being refinanced via another Certified Climate Bond.</p>	None
Verification of requirements specified under Use of Proceeds	<p>5.1 Net Proceeds of the bond have been allocated to the 9 Nominated Projects.</p> <p>5.2 SFPUC's management has confirmed that funds have been allocated to Nominated Projects within 24 months of the issuance.</p> <p>5.3 SFPUC's management has confirmed that all Net Proceeds of the bond were used for financing only.            USD 241,017,855 from 2018 Series A            USD 170,720,000 from 2018 Series CUSD            295,999,999 from 2021 Series A            USD 220,000,000 from 2021 Series A (Green Notes)            USD 130,000,000 from 2021 Series B (Green Notes)            USD 556,969,799 from 2023 Series A (Green Bonds)</p> <p>5.4 SFPUC's management has confirmed that Net Proceeds of the bonds has been tracked by the Issuer following a formal internal process.</p> <p>5.5 SFPUC's management has confirmed that the Net Proceeds of the bonds is no greater than the total investment in the Nominated Projects or the Total Development Cost of the Nominated Projects.</p>	None
Verification of requirements specified under Non-Contamination of Proceeds	<p>6.1 SFPUC's management confirms that the proceeds have been segregated and tracked in a systematic manner and were exclusively used to finance Nominated Projects.</p> <p>6.2 SFPUC's management confirms that pending the investment of proceeds, they have been held in temporary investment instruments (i) that are cash, or cash equivalent instruments, within a Treasury function; or (ii) that do not include greenhouse gas intensive projects which are inconsistent with the</p>	None

	<p>delivery of a low carbon and climate resilient economy.</p> <p>6.3 N/A</p>	
Verification of requirements specified under Confidentiality	<p>7.1 SFPUC's management confirms that all relevant information about the Nominated Projects has been provided to the Verifier and to the Climate Bonds Standard Board to support the assessment of conformance with the Climate Bonds Standard.</p> <p>7.2 SFPUC's management confirms that all relevant information about the bonds and the Nominated Projects has been disclosed to the market.</p>	None
Verification of requirements specified under Reporting Post-Issuance	<p>8.1 SFPUC's management has provided a report containing the list of Nominated Projects to which proceeds of the bond have been allocated (See Schedule 1).</p>	None

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