Public Utilities Commission of the City and County of San Francisco

Water Enterprise

Annual Disclosure Report

For Fiscal Year Ending June 30, 2008





SAN FRANCISCO PUBLIC UTILITIES COMMISSION

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VIA E-MAIL: DisclosureUSA.org

March 30, 2009

Dear Friends and Interested Parties:

We are pleased to present the Annual Disclosure Report for fiscal year ending June 30, 2008 for the Public Utilities Commission of the City and County of San Francisco (SFPUC), Water Enterprise. This filing relates to the following associated base CUSIP number:

SFPUC Water Enterprise 79765R

This Annual Disclosure Report is being provided by the SFPUC in connection with our undertaking entered into in accordance with Rule 15c2-12, promulgated by the U.S. Securities Exchange Commission. The information provided in this Annual Disclosure Report speaks only as of its date, March 30, 2009. The delivery of this Annual Disclosure Report may not, under any circumstances, create an implication that there has been no other change to the information provided in any final official statement. Other than as set forth in the Continuing Disclosure Agreement, SFPUC has not agreed to notify the secondary market of subsequent changes to the information in this Annual Disclosure Report.

The filing of this Report does not constitute or imply any representation (1) that any or all of the information provided is material to investors, (2) regarding any other financial, operating or other information relating to the security for the referenced securities, (3) that no changes, circumstances or events have occurred which may have a bearing on the security for the referenced securities or an investor's decision to buy, sell, or hold the referenced securities.

Any statements regarding the referenced securities, other than a statement made by the City in an official release or subsequent notice or annual report, published in a financial newspaper of general circulation and/or filed with the Municipal Securities Rulemaking Board or the NRMSIRs, are not authorized by the SFPUC. The SFPUC shall not be responsible for the accuracy, completeness, or fairness of any such unauthorized statement.

If you have any questions regarding this Annual Disclosure Report, please contact Todd Rydstrom, Assistant General Manager, Business Services & Chief Financial Officer, at (415) 554-3155 or by e-mail at trydstrom@sfwater.org.

GAVIN NEWSOM MAYOR

ANN MOLLER CAEN PRESIDENT

F.X. CROWLEY

FRANCESCA VIETOR COMMISSIONER

JULIET ELLIS
COMMISSIONER

ED HARRINGTON GENERAL MANAGER Sincerely,

Edward M. Harrington General Manager

Enclosure

CC:

José Cisneros, Treasurer Ben Rosenfield, Controller

Dennis J. Herrera, City Attorney
Nadia Sesay, Director, Office of Public Finance
Angela Calvillo, Clerk of the Board of Supervisors

City and County of San Francisco

Gavin Newsom, Mayor

Board of SupervisorsDavid Chiu, President

Michela Alioto-Pier John Avalos David Campos Carmen Chu Chris Daly Bevan Dufty Sean Elsbernd Eric Mar Sophie Maxwell Ross Mirkarimi

Dennis J. Herrera, City Attorney José Cisneros, Treasurer

Public Utilities Commission

Ann Moller Caen, President F.X. Crowley, Vice President Francesca Vietor, Commissioner Juliet Ellis, Commissioner

City and County Officials

Edwin M. Lee, City Administrator Ben Rosenfield, Controller

Public Utilities Commission Staff

Edward M. Harrington, General Manager
Michael Carlin, Deputy General Manager & Chief Operating Officer
Ellen Levin, Acting Assistant General Manager, Water
Barbara Hale, Assistant General Manager, Power
Harlan Kelly, Jr., Assistant General Manager, Infrastructure
Tommy Moala, Assistant General Manager, Wastewater
Todd Rydstrom, Assistant General Manager, Business Services & Chief Financial Officer
Laura Spanjian, Assistant General Manager, External Affairs

Water Annual Disclosure Report Fiscal Year Ended June 30, 2008

The San Francisco Public Utilities Commission (SFPUC) hereby provides this Annual Disclosure Report for the fiscal year ending June 30, 2008 in connection with obligations undertaken pursuant to Continuing Disclosure Certificates for revenue bonds issued by SFPUC's Water Enterprise, as provided in the table below. Audited Financial Statements for the years ending June 30, 2007 and June 30, 2008 are submitted separately.

Name of Bonds	Original Par (\$000s)	Dated Date	Official Statement Date	Trustee	Source of Undertaking
Public Utilities Commission of the City and County of San Francisco Water Revenue Bonds, 1991 Series	\$70,146	April 24, 1991	May 8, 1991	n/a	n/a
Public Utilities Commission of the City and County of San Francisco Water Revenue Bonds, 2001 Series A	\$140,000	August 7, 2001	July 1, 2001	US Bank	Continuing Disclosure Certificate, August 7, 2001
Public Utilities Commission of the City and County of San Francisco Water Revenue Bonds, 2002 Series A	\$164,000	August 8, 2002	July 10, 2002	US Bank	Continuing Disclosure Certificate, August 8, 2002
Public Utilities Commission of the City and County of San Francisco Water Revenue Bonds, 2002 Refunding Series B	\$85,260	August 8, 2002	July 10, 2002	US Bank	Continuing Disclosure Certificate, August 8, 2002
Public Utilities Commission of the City and County of San Francisco Water Revenue Bonds, 2006 Series A	\$507,815	March 15, 2006	February 28, 2006	US Bank	Continuing Disclosure Certificate, March 15, 2006
Public Utilities Commission of the City and County of San Francisco Water Revenue Bonds, 2006 Refunding Series B	\$110,065	March 15, 2006	February 28, 2006	US Bank	Continuing Disclosure Certificate, March 15, 2006
Public Utilities Commission of the City and County of San Francisco Water Revenue Bonds, 2006 Series C	\$48,730	August 3, 2006	July 19, 2006	US Bank	Continuing Disclosure Certificate, August 3, 2006

For the convenience of bondholders, the following table provides CUSIP numbers for revenue bonds outstanding as of June 30, 2008. No assurance as to the accuracy or completeness of such CUSIP numbers is given. The base CUSIP number for these bonds is

79765R

Maturity November 1	1991 Series	2001 Series A	2002 Series A	2002 Series B	2006 Series A	2006 Series B	2006 Series C
2008		FK0	GR4	HX0	JK6	KK4	NA3
2009		FL8	GS2	HY8	JL4	KL2	NB1
2010	CN7	FM6	GT0	HZ5	JM2	KM0	NC9
2011		FN4	GU7	JA8	JN0	KN8	ND7
2012		FP9	GV5	JB6	JP5	KP3	NE5
2013		FQ7	GW3	JC4	JQ3	KQ1	NF2
2014		FR5	GX1	JD2	JR1	KR9	NG0
2015		FS3	GY9	JE0	JS9	KS7	NH8
2016		FT1	GZ6		JT7	KT5	NJ4
2017	CQ0	FU8	HA0		JU4	KU2	NK1
2018	DN6, CR8	FV6	HB8		JV2	KV0	NL9
2019	FC8, CS6	FW4	HC6		JW0	KW8	NM7
2020	CT4	FX2	HD4		JX8	KX6	NN5
2021		FY0	HE2		JY6	KY4	NP0
2022			HF9		JZ3	KZ1	NQ8
2023			HG7		KA6	LA5	NR6
2024		GB9			KB4	LB3	NS4
2025			HJ1		KC2	LC1	NT2
2026			HK8		KD0	LD9	NU9
2027		GE3	HL6		KE8		
2028							
2029							
2030							
2031		GJ2			KF5		
2032			HR3				
2033					KG3		
2034							
2035							
2036					KH1		
2037							

The following tables are provided pursuant to the Continuing Disclosure Certificates executed in connection with the SFPUC's Water Revenue Bonds.

SFPUC Water Enterprise Historical Water Sales (MGD) Fiscal Years Ending June 30

	2004	2005	2006	2007	2008	2008 % of Total
Retail Customers				200.		70 07 10141
Residential	48.1	46.1	46.1	45.5	43.6	17.3%
Commercial	21.2	20.1	20.1	20.0	21.5	8.5%
Suburban	4.9	4.6	3.9	4.5	4.7	1.9%
Municipal	1.3	1.3	1.1	1.0	4.0	1.6%
Industrial	0.3	0.3	0.2	0.2	0.2	0.1%
Docks & Shipping	0.1	0.1	0.1	0.1	0.1	0.0%
Subtotal	75.9	72.5	71.5	71.3	74.1	29.4%
Wholesale Customers						
California Water Service	38.6	34.7	34.6	37.9	37.7	14.9%
Hayward Municipal Water	19.7	18.5	17.9	18.2	19.3	7.7%
Alameda County Water	12.3	10.8	10.6	13.8	12.9	5.1%
City of Palo Alto	13.4	12.1	11.8	13.0	12.7	5.0%
City of Redwood City	12.2	11.1	10.8	11.7	11.0	4.4%
City of Mountain View	11.0	10.5	10.1	10.8	10.5	4.2%
City of Sunnyvale	9.9	8.8	9.3	9.4	10.5	4.2%
City of Milpitas	6.6	6.9	6.5	6.9	7.0	2.8%
Estero Muni Imp District	7.1	6.7	5.1	5.6	5.5	2.2%
City of Daly City	5.6	5.2	6.2	6.2	4.5	1.8%
All Other Wholesale Customers	45.2	42.1	40.6	42.3	41.7	18.3%
Subtotal	181.6	167.4	163.5	175.8	173.3	70.6%

SFPUC Water Enterprise Historical Water Rate Increases (Decreases)

Percentage Change as of July 1	Retail Rates	Wholesale Rates
1991	14.0	39.7
1992	18.0	19.2
1993	13.7	(33.2)
1994	14.0	19.1
1995	0.0	0.0
1996	7.6	0.0
1997	0.0	0.0
1998	0.0	(13.0)
1999	0.0	35.0
2000	0.0	4.4
2001	8.7	2.8
2002	8.6	0.0
2003	0.0	25.7
2004	0.0	2.7
2005	15.0	$(9.4)^{1}$
2006	15.0	18.8
2007	15.0 ²	6.3
2008	15.0	9.5

¹ Adjustment effective April 1, 2005 ² Adjustment effective July 14, 2007

SFPUC Water Enterprise Summary of Water Accounts and Billing by User Type For Fiscal Year Ending June 30, 2008

<u>User Type</u> Retail:	Active Accounts	Billings (000s) ³	Billings as Percent of <u>Total</u>
Multi-Family Residential	38,607	\$35,411	16.1%
Single Family Residential	110,723	27,074	12.3
Subtotal Residential	149,330	62,485	28.4
Commercial	20,994	35,369	16.1
Municipal Customers	1,735	7,150	3.3
Building and Construction	226	451	0.2
Industrial	103	301	0.1
Docks and Ships	1_	79	0.0
Subtotal Retail	172,389	105,835	48.1
Wholesale:	81	114,159	51.9
Total	172,470	\$219,994	100.0%

 $^{^{\}rm 3}$ Billings shown on a cash basis; revenues are on accrual basis in accordance with GAAP.

SFPUC Water Enterprise Outstanding Indebtedness as of June 30, 2008

Name of Bonds	Purpose	Outstanding Principal (\$000s)
Public Utilities Commission of the City and County of San Francisco Water Revenue Bonds, 1991 Series	Repair and replacement of water facilities	\$3,380
Public Utilities Commission of the City and County of San Francisco Water Revenue Bonds, 2001 Series A	System Reliability Project and Safe Water Project	\$80,410
Public Utilities Commission of the City and County of San Francisco Water Revenue Bonds, 2002 Series A	System Reliability Project and Safe Water Project	\$150,620
Public Utilities Commission of the City and County of San Francisco Water Revenue Bonds, 2002 Refunding Series B	Refunded 1992 Bonds	\$57,580
Public Utilities Commission of the City and County of San Francisco Water Revenue Bonds, 2006 Series A	Water System Improvement Program	\$505,230
Public Utilities Commission of the City and County of San Francisco Water Revenue Bonds, 2006 Refunding Series B	Refunded part of 1996 Bonds and 2001 Bonds	\$107,230
Public Utilities Commission of the City and County of San Francisco Water Revenue Bonds, 2006 Refunding Series C	Refunded remaining balance of 1996 Bonds	\$45,840
Total		\$950,290 ⁴

⁴ Subordinate Debt: The Water Enterprise maintains a \$250 million commercial paper program, which is subordinate to the outstanding revenue bonds. As of March 30, 2009, \$229.6 million was outstanding.

SFPUC Water Enterprise Historical Revenues, O&M Expenses and Debt Service Coverage Fiscal Years Ending June 30 (\$000s)

	2004	2005	2006	2007	2008
Operating and Investment Revenues					
Water Sales	\$156,660	\$173,884	\$189,603	\$202,787	\$216,819
Rental Income	8,451	7,898	8,763	9,929	9,645
Other Revenues	3,149	3,053	3,467	3,815	7,752
Investing Activities	6,268	5,093	11,665	24,547	12,456
Capacity Fees ⁵	0	0	1	0	213
Total Revenue	\$174,528	\$189,928	\$213,499	\$241,078	\$246,885
Operating and Maintenance Expense					
Labor and Fringe Benefits	\$54,627	\$53,683	\$58,452	\$87,200	\$102,233
Contractual Services	5,438	5,235	5,767	12,437	11,292
Material and Supplies	8,124	8,293	10,137	10,661	11,506
Depreciation	35,110	40,112	41,877	43,895	45,958
General and Administrative ⁶	28,863	28,376	32,930	4,523	8,209
Services of Other Departments	31,561	32,146	31,553	33,242	34,698
Other	23,655	8,608	6,218	10,540	9,156
Total O&M Expense	\$187,378	\$176,453	\$186,934	\$202,498	\$223,052
Operating and Investment Income	(\$12,850)	\$13,475	\$26,565	\$38,580	\$23,833
Coverage Calculation ⁷					
+Operating and Investment Income	(\$12,850)	\$13,475	\$26,565	\$38,580	\$23,833
+Adjustment to Investing Activities ⁸	6,632	2,430	(1,272)	(211)	6,971
+Depreciation & Non-Cash Expenses	57,843	48,552	46,286	52,631	50,370
+Changes in Working Capital	(2,377)	(9,619)	(26,441)	2,814	11,530
="Net Revenue"	49,248	54,838	45,138	93,814	92,704
+Other Available Funds ⁹	60,082	41,715	92,065	63,888	56,868
Funds Available for Revenue Bond					
Debt Service	109,330	96,553	137,203	157,702	149,572
Revenue Bond Debt Service	\$37,882	\$37,994	\$35,374	\$65,115	\$64,193
Revenue Bond Debt Service Coverage (DSC) ¹⁰	2.89x	2.54x	3.88x	2.42x	2.33x
Revenue Bond DSC as stated in prior year	2.37x	3.90x	2.96x	2.13x	n/a

⁵ Capacity Fees were reported as nonoperating revenue for the fiscal years presented above; implemented in 2008.

⁶ The decrease in G&A beginning in 2007 results from a reallocation of overhead expenses to various expense categories.

⁷ The Indenture defines "Net Revenue" on a cash basis.

Adjustment to Investing Activities and Revenue to a cash basis.

As per the Indenture, in addition to current year cash flow, the coverage calculation permits the inclusion of all funds not budgeted to be spent in such 12 months and legally available to pay debt service. Sources: City Controller financial accounting system, FAMIS, and San Francisco Public Utilities Commission, audited financial statements.

accounting system, FAMIS, and San Francisco Public Utilities Commission, audited financial statements.

10 Changes to prior year include addition of Capacity Fees and addition of Other Available Funds legally available to pay debt service not previously identified.

Subsequent Event

a. Water Commercial Paper

In May 2003, the SFPUC established a \$250,000,000 Commercial Paper Program for the Water Enterprise. In December 2008, the program authorization was increased by an additional \$250,000,000. As of March 30, 2009, \$229,600,000 was outstanding.