

File No. 120355

Committee Item No. 3
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS
AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Sub-Committee Date: April 25, 2012

Board of Supervisors Meeting Date _____

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| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
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OTHER

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| <input checked="" type="checkbox"/> | <input type="checkbox"/> | *Preliminary Official Statement |
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Completed by: Victor Young
Completed by: Victor Young

Date: April 20, 2012
Date: _____

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

1 [2012 Water Revenue Bonds Issuance - Not to Exceed \$692,000,000]

2
3 **Resolution approving the issuance of water revenue bonds to be issued by the Public**
4 **Utilities Commission of the City and County of San Francisco not to exceed**
5 **\$675,000,000 to finance various projects under the Water System Improvement**
6 **Program pursuant to amendments to the Charter of the City and County of San**
7 **Francisco enacted by voters on November 5, 2002 as Proposition E; the issuance of**
8 **water revenue bonds to be issued by the Public Utilities Commission of the City and**
9 **County of San Francisco not to exceed \$17,000,000 to finance the reimbursement of**
10 **certain legal settlement costs related to various projects under the Capital**
11 **Improvement Program pursuant to Proposition A of 2002 enacted by voters on**
12 **November 5, 2002; the issuance of water revenue refunding bonds to be issued by**
13 **the Public Utilities Commission of the City and County of San Francisco pursuant to**
14 **the Charter of the City and County of San Francisco; affirming covenants contained**
15 **in the indenture pursuant to which the water revenue bonds are issued; authorizing**
16 **the taking of appropriate actions in connection therewith; and related matters.**

17
18 WHEREAS, pursuant to Section 9.107 of the Charter (the "Charter") of the City and
19 County of San Francisco (the "City"), the Board of Supervisors of the City (the "Board") is
20 authorized to provide for the issuance of revenue bonds by the Public Utilities Commission
21 of the City (the "Commission") following the approval of the issuance of such revenue bonds
22 by a majority of the voters, such revenue bonds to be issued and sold in accordance with
23 the law of the State of California or any procedure provided for by ordinance; and

24 WHEREAS, pursuant to Section 9.109 of the Charter, the Board is authorized to
25 provide for the issuance of bonds of the City for the purpose of refunding any revenue bonds

1 of the City then outstanding without voter approval, provided that such refunding is expected
2 to result in net debt service savings to the City on a present value basis, calculated as
3 provided by ordinance; and

4 WHEREAS, at a duly called and held revenue bond election on November 5, 2002, a
5 majority of voters voting on the measure approved Proposition E ("Proposition E of 2002") to
6 authorize the Commission to issue its revenue bonds, including notes, commercial paper or
7 other forms of indebtedness, when authorized by ordinance approved by a two-thirds vote of
8 the Board, for the purpose of reconstructing, replacing, expanding, repairing or improving
9 water facilities under the jurisdiction of the Commission; and,

10 WHEREAS, on August 4, 2009, the Board passed its Ordinance No. 189-09
11 ("Ordinance No. 189-09"), approving the issuance and sale of water revenue bonds by the
12 Commission pursuant to Proposition E of 2002, in an aggregate principal amount not to
13 exceed \$1,310,307,119, to finance and refinance projects that fall under the Commission's
14 Water System Improvement Program ("WSIP Projects"), which ordinance became effective
15 on September 12, 2009; and

16 WHEREAS, on April 20, 2010, the Board passed its Ordinance No. 089-10
17 ("Ordinance No. 089-10") approving the issuance and sale of additional water revenue
18 bonds by the Commission pursuant to Proposition E of 2002, in one or more series and on
19 one or more dates, in an aggregate principal amount not to exceed \$1,737,724,038, to
20 finance WSIP Projects and associated financing costs, which ordinance became effective on
21 May 30, 2010; and

22 WHEREAS, pursuant to Ordinance No. 189-09 and Ordinance No. 089-10, the
23 Commission has previously issued, pursuant to Proposition E of 2002, \$2,087,940,000
24 aggregate principal amount of water revenue bonds and an aggregate principal amount not
25

1 to exceed \$960,091,157 remains authorized by the Board pursuant to Ordinance No. 189-09
2 and Ordinance No. 089-10 and unissued by the Commission; and

3 WHEREAS, at a duly called and held revenue bond election on November 5, 2002, a
4 majority of voters voting on the measure approved Proposition A ("Proposition A of 2002") to
5 authorize the Commission to issue its revenue bonds, including notes, commercial paper or
6 other forms of indebtedness, when authorized by ordinance approved by a two-thirds vote of
7 the Board, for the purpose of, among other things, acquiring and constructing improvements
8 to the City's water system, including improvements to the Commission's Capital
9 Improvement Program and costs and expenses incidental thereto, including but not limited
10 to legal fees (the "CIP Projects"); and,

11 WHEREAS, on October 4, 2011, the Board passed its Ordinance No. 208-11
12 ("Ordinance No. 208-11") approving the issuance and sale of water revenue bonds by the
13 Commission, in one or more series and on one or more dates, in a total aggregate principal
14 amount not to exceed \$17,000,000, to finance the reimbursement of certain legal settlement
15 costs related to various CIP Projects (authorized by Proposition A of 2002) and other
16 associated financing costs, which ordinance became effective on November 3, 2011; and

17 WHEREAS, the Commission has previously issued, pursuant to Proposition A of
18 2002, \$1,331,815,000 aggregate principal amount of water revenue bonds and an
19 aggregate principal amount not to exceed \$296,185,000 remains authorized by the Board
20 pursuant to Ordinance No. 208-11 and Proposition A of 2002 and unissued by the
21 Commission; and

22 WHEREAS, the Commission, pursuant to the terms of a resolution (12-0053) adopted
23 by the Commission on March 27, 2012 (the "Commission Resolution"), has authorized: (A)
24 the issuance of its (i) Public Utilities Commission of the City and County of San Francisco
25 Water Revenue Bonds in an aggregate principal amount not to exceed \$675,000,000, for

1 the purpose of financing WSIP Projects, funding debt service reserve and paying costs of
2 issuance and other incidental costs therefor, with the title and series designations to be
3 determined by the General Manager of the Commission (the "Proposition E Bonds"); (ii)
4 Public Utilities Commission of the City and County of San Francisco Water Revenue Bonds
5 in an aggregate principal amount not to exceed \$17,000,000, for the purpose of reimbursing
6 the Commission for amounts paid in connection with legal settlement costs related to
7 various CIP Projects (authorized by Proposition A of 2002), funding debt service reserve
8 and paying costs of issuance and other incidental costs therefor, with the title and series
9 designations to be determined by the General Manager of the Commission (the "Proposition
10 A Bonds"); and (iii) Public Utilities Commission of the City and County of San Francisco
11 Water Revenue Refunding Bonds without limitation as to par amount, for the purpose of
12 refunding outstanding water revenue bonds or commercial paper of the Commission,
13 funding reserve funds and paying costs of issuance and other incidental costs therefor, with
14 the title and series designations to be determined by the General Manager of the
15 Commission, provided that the applicable requirements of the policies, procedures and
16 Charter of the City are satisfied (the "Refunding Bonds" and together with the Proposition A
17 Bonds and the Proposition E Bonds, the "Bonds"); (B) approved the form of one or more
18 Supplemental Indentures (the "Supplemental Indentures"), by and between the Commission
19 and U.S. Bank National Association, as trustee (the "Trustee"), which supplements the
20 Amended and Restated Indenture dated as of August 1, 2002, as amended and
21 supplemented (collectively with the Supplemental Indentures, the "Indenture") by and
22 between the Commission and the Trustee; and (C) authorized other related actions and
23 matters; and
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25

Supervisor Chu
BOARD OF SUPERVISORS

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1 WHEREAS, the Commission Resolution, among other things, establishes a
2 maximum rate of interest for the Bonds of twelve percent (12%) per annum; now, therefore,
3 be it

4 RESOLVED by the Board of Supervisors of the City and County of San Francisco, as
5 follows:

6 Section 1. Recitals. All of the recitals herein are true and correct.

7 Section 2. Approval and Authorization of Bonds. The Board hereby authorizes and
8 approves the issuance by the Commission of Proposition E Bonds in an aggregate principal
9 amount not to exceed \$675,000,000, in one or more series and on one or more dates, at a
10 maximum rate or rates of interest not to exceed twelve percent (12%) per annum. The
11 Proposition E Bonds may be issued as tax-exempt bonds or taxable bonds, or any
12 combination thereof.

13 The Board hereby authorizes and approves the issuance by the Commission of
14 Proposition A Bonds in an aggregate principal amount not to exceed \$17,000,000, in one or
15 more series and on one or more dates, at a maximum rate or rates of interest not to exceed
16 twelve percent (12%) per annum. The Proposition A Bonds may be issued as tax-exempt
17 bonds or taxable bonds, or any combination thereof.

18 The Board further authorizes and approves the issuance by the Commission of
19 Refunding Bonds, without limitation as to principal amount, in one or more series and on
20 one or more dates, at a maximum rate or rates of interest not to exceed twelve percent
21 (12%) per annum, provided that each such Refunding Bond issue is permitted under the
22 applicable policies and procedures of the City and authorized by either (A) Section 9.109 of
23 the Charter, (B) Proposition E of 2002 or (C) Proposition A of 2002 (including related
24 ordinances and resolutions of the Board). The Refunding Bonds may be issued as tax-
25 exempt bonds or taxable bonds, or any combination thereof.

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1 The forms of the Bonds, in substantially the forms presented to the Board, as set
2 forth in the exhibits to the Supplemental Indentures, are hereby approved. The General
3 Manager of the Commission or the designee of either, and the Controller of the City or any
4 deputy thereof, are hereby authorized and directed to approve and to execute the Bonds by
5 manual or facsimile signature, with such changes, additions, amendments or modifications
6 therein which he or she may approve with the advice of the City Attorney, such approval to
7 be conclusively evidenced by the execution and delivery of the Bonds.

8 Section 3. Affirmation of Existing Bond Covenants. The Board hereby confirms
9 Section 5.01(b) of the Indenture which sets forth the disposition of Revenues (as defined in
10 the Indenture) applicable to the Bonds and covenants with the holders of the Bonds that the
11 Revenues shall be appropriated and expended as set forth in Section 5.01(b) of the
12 Indenture. The Board also hereby declares that the City will comply with all of the terms,
13 provisions and covenants contained in the Indenture, as the same may be amended from
14 time to time, including the covenants to establish, fix, prescribe and collect rates, fees and
15 charges sufficient to enable the Commission to comply with the terms, conditions and
16 covenants of the Indenture.

17 Section 4. Approval of Financing Documents. In accordance with the grant of
18 authority contained in the Ordinances, the forms of Supplemental Indentures, Official
19 Notices of Sale, Notices of Intention to Sell Bonds, Bond Purchase Agreements, Official
20 Statements, Escrow Agreements and Continuing Disclosure Certificates relating to the
21 Bonds, submitted to this Board and on file with the Clerk of the Board, are hereby approved.
22 Any of the Controller, the Treasurer, the City Attorney and the officers of the Commission
23 authorized by resolution of the Commission, and their designees, are hereby authorized to
24 execute, attest, seal, publish and deliver (as appropriate) each such document, with such
25 changes thereto as the officer executing or publishing the same shall approve with the

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BOARD OF SUPERVISORS

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1 advice of the City Attorney, such approval to be conclusively evidenced by the execution
2 and delivery, or the publication, as applicable, of such document.

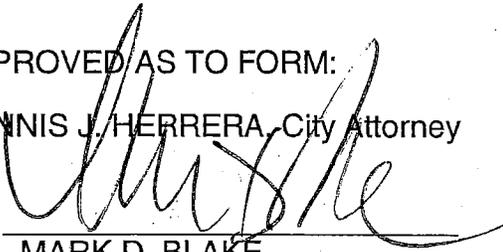
3 Section 5. Proposition P. Pursuant to Proposition P, approved by the voters of the
4 City in November 2002, this resolution and the Bonds (excluding the Refunding Bonds) are
5 subject to, and incorporate by reference, the provisions of Section 5A.30 et seq. ("Public
6 Utilities Revenue Bond Oversight Committee") of Chapter V of the San Francisco
7 Administrative Code (the "Proposition P Requirements"). Pursuant to the Proposition P
8 Requirements, to the extent permitted by law, one-twentieth of one percent (0.05%) of the
9 gross proceeds of the Bonds (excluding the Refunding Bonds) shall be deposited in a fund
10 established by the Controller's Office and appropriated by the Board at the direction of the
11 Public Utilities Revenue Bond Oversight Committee established by Proposition P
12 Requirements to cover the costs of said committee.

13 Section 6. General Authority. The Controller of the City, the Treasurer of the City,
14 the City Attorney, and all other appropriate officers, employees, representatives and agents
15 of the City, the Commission, and all other appropriate officers, employees, representatives
16 and agents of the Commission are hereby authorized and directed to do everything
17 necessary or desirable to provide for the issuance and sale of and security for the Bonds,
18 including, but not limited to, approval of one or more Preliminary Official Statements and one
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1 or more Official Statements for the Bonds, and executing and delivering such other
2 certificates and other documents as they may deem necessary or advisable, including
3 without limitation any custody agreements or filing agent agreements required by the
4 Trustee.

5 APPROVED AS TO FORM:

6 DENNIS J. HERRERA, City Attorney

7
8 By: 

9 MARK D. BLAKE
Deputy City Attorney

Item 3
File 12-0355

Department: Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objective

The proposed resolution would approve (a) San Francisco Public Utilities Commission's (PUC) issuance of previously authorized Water Revenue Bonds in a total not-to-exceed amount of \$692,000,000, including (1) an amount not to exceed \$675,000,000 (Series 2012A) to finance various projects under the Water System Improvement Program (WSIP), pursuant to City Charter Section 8B.124; and (2) an amount not to exceed \$17,000,000 (Series 2012B) to finance the reimbursement of legal settlement costs related to various projects under the PUC's Water Enterprise Capital Improvement Program, pursuant to Proposition A, enacted by voters on November 5, 2002; (b) PUC's issuance of Water Revenue Refunding Bonds to refinance outstanding Water Revenue bonds at a lower interest rate; (c) affirming covenants contained in the indenture pursuant to which the Water Revenue Bonds are issued; and (d) related matters.

Key Points

- The Water System Improvement Program (WSIP) was initiated to repair, replace, and seismically upgrade the Hetch Hetchy water system's aging pipelines, tunnels, pumps, tanks, reservoirs and dams. The approved WSIP project budget is \$4,113,856,317, plus \$471,700,000 in financing costs, for a total cost of \$4,585,556,317. WSIP is funded with PUC Water Revenue Bonds, the debt service from which will be repaid from revenues received from water rates charged to the PUC's water customers.
- Series 2012B, in an amount not to exceed \$17,000,000, would reimburse the PUC Water Enterprise for settlement costs incurred in nine lawsuits involving the PUC and Mitchell Engineering, pertaining to a water-related construction project. The Board of Supervisors previously approved the Mitchell Settlement on October 4, 2011 (File 11-0955).
- Although the PUC is requesting Water Revenue Bond issuance authorization in an amount not to exceed \$675,000,000 for Series 2012A, the PUC requires issuance authority in the amount of \$636,079,195. Therefore the issuance authorization for Series 2012A should be reduced by \$38,920,805 to meet the PUC's actual need.
- Similarly, although the PUC is requesting Water Revenue Bond issuance authority in an amount not to exceed \$17,000,000 for Series 2012B, the PUC requires issuance authority in the amount of \$16,439,670. Therefore the issuance authorization for Series 2012B should be reduced by \$560,330 to meet the PUC's actual need.
- However, the PUC notes that any market volatility could result in increased borrowing rates with corresponding increased borrowing costs. Therefore, the PUC has requested a reduction for the Series 2012A bond issuance in the amount of \$25,000,000 instead of \$38,920,805, which would result in a Water Revenue Bond amount not to exceed \$650,000,000. The PUC also requested that there be no reduction of the Series 2012B bond issuance.
- The proposed resolution also includes authorization to issue Water Revenue Refunding Bonds, which the PUC would use to refinance outstanding Water Revenue Bonds at a lower interest rate, and thereby generate savings.

Fiscal Impact

- The PUC would authorize the issuance of up to \$692,000,000 in Water Revenue Bonds in June 2012 for both WSIP projects (\$675,000,000 - Series 2012A) and litigation costs related to other PUC Water Enterprise capital projects (\$17,000,000 – Series 2012B). Debt service for the up to \$692,000,000 Water Revenue Bonds issuance would total an estimated \$1,350,881,550 for series 2012A and \$34,352,600 for 2012B, or a total of \$1,385,234,150 over 30 years, including \$599,570,000 in principal and \$785,664,150 in interest. The PUC estimates the average annual debt service for Series 2012A and Series 2012B would be \$45,566,913 per year for 30 years. This new debt service would impact the average single San Francisco family's water bill by \$0.11 per month in FY 2012-13; \$0.12 per month in FY 2013-14; \$0.85 per month in FY 2014-15; and \$1.72 per month in both FY 2015-16 and FY 2016-17. Full repayment would impact water rates for 30 years. Repayment of debt for WSIP uses would be paid by both the PUC's retail water customers and wholesale water customers.
- The proposed resolution would also authorize the PUC to refund outstanding Water Revenue Bonds with Water Revenue Refunding Bonds in the future if market rates were favorable to such an exchange. Under the proposed resolution, there is no set limit on the proposed Water Revenue Refunding Bonds that the PUC may issue. However, any issuance of Water Revenue Refunding Bonds would need to meet the City's minimum refunding bond standards of exceeding a 3 percent savings at the time of sale. Based on the PUC's plans to refund outstanding Series 2001A, 2002A, and 2002B Water Revenue Bonds in the amount of \$139,172,999, the PUC would realize an estimated savings of \$9,000,000 based on estimated lower interest rates on a present value basis over the life of the bonds.

Recommendations

- Amend the proposed resolution by reducing the PUC's total requested Water Revenue Bond issuance authorization by \$25,000,000, from \$692,000,000 to \$667,000,000 (\$650,000,000 for Series 2012A and \$17,000,000 for Series 2012B), to meet the PUC's actual anticipated need by replacing \$675,000,000 with \$650,000,000 on page 1, line 5; page 3, line 25; and page 5, line 9.
- Approve the proposed resolution, as amended.

MANDATE STATEMENT & BACKGROUND

Mandate Statement

Under San Francisco Proposition A (November 5, 2002), the San Francisco Public Utilities Commission (PUC) is authorized to issue revenue bonds and other forms of financing in an amount of up to \$1,628,000,000 to finance the acquisition and construction of improvements to the City's water system, subject to Board of Supervisors approval.

Under San Francisco Charter Section 8B.124 (Proposition E, November 5, 2002), the PUC is authorized to issue revenue bonds, including notes, commercial paper or other forms of indebtedness for the purpose of reconstructing, replacing, expanding, repairing or improving water facilities or clean water facilities, subject to approval by two-thirds of the Board of Supervisors. The Board of Supervisor's authority to authorize an issuance of debt under Charter Section 8B.124 is subject to (a) certification from an independent engineer that (i) the projects to be financed by such debt meet utility standards and (ii) estimated net revenue will be sufficient to meet operating, maintenance, debt service coverage and other indenture or resolution requirements, and (b) certification by the San Francisco Planning Department that facilities under the PUC's jurisdiction that are to be funded by the debt will comply with the California Environmental Quality Act (CEQA).

Background

The PUC's Water System Improvement Program (WSIP) consists of 86 projects organized into 11 project regions to repair, replace, and seismically upgrade the Hetch Hetchy water system's aging pipelines, tunnels, pumps, tanks, reservoirs and dams. PUC commenced the WSIP in FY 2002-03 and is scheduled to complete all projects by the end of July 2016. The approved WSIP project budget is \$4,113,856,317, plus \$471,700,000 in financing costs, for a total cost of \$4,585,556,317. WSIP is funded with PUC Water Revenue Bonds, the debt service from which will be repaid from revenues received from water rates charged to the PUC's water customers.

As is noted in the Mandate Statement section above, on November 5, 2002, San Francisco voters approved (a) Proposition A, authorizing the PUC to issue up to \$1,628,000,000 in revenue bonds and other forms of financing to finance the acquisition and construction of improvements to the City's water system, subject to Board of Supervisors approval, and (b) Proposition E, authorizing the PUC to issue revenue bonds and other forms of financing water and clean water facilities and services, subject to approval by two-thirds of the Board of Supervisors. Total Water Revenue Bond authorization for the WSIP is \$4,585,556,317, which includes \$1,628,000,000 authorized by Proposition A and \$2,957,556,317 authorized by the Board of Supervisors in accordance with Proposition E.

As shown in Table 1 below, the PUC has issued Water Revenue Bonds totaling \$1,331,815,000 of the total of \$1,628,000,000 authorized under Proposition A, and \$1,968,425,000 of the total of \$2,957,556,317 previously authorized by the Board of Supervisors for WSIP-related costs in accordance with Proposition E.

Table 1. Water Revenue Bond Issuance History

	WSIP	Non-WSIP	Total
Proposition A			
Total Authorization	\$1,628,000,000		
Prop A WSIP Bonds Issued			
Series	Par	Par	
2006A	\$507,815,000	\$0	\$507,815,000
2009A	412,000,000	0	412,000,000
2009B	412,000,000	0	412,000,000
Total Issued, Prop A	\$1,331,815,000	0	1,331,815,000
Remaining Capacity, Prop A	\$296,185,000	0	296,185,000
Proposition E			
Total Prop. E WSIP Authorization*	\$2,957,556,317	\$139,574,840	\$3,097,131,157
Prop E WSIP Bonds Issued			
Series	Par	Par	
2010A	\$0	\$ 56,945,000	\$ 56,945,000
2010B	417,720,000	0	417,720,000
2010D	71,360,000	0	71,360,000
2010E	344,200,000	0	344,200,000
2010FG	532,430,000	0	532,430,000
2011A	602,715,000	0	602,715,000
2011B	0	28,975,000	28,975,000
2011C	0	33,595,000	33,595,000
Total Issued, Prop E	\$1,968,425,000	\$119,515,000	\$2,087,940,000
Remaining Capacity, Prop E	\$989,131,317	\$20,059,840	\$1,009,191,157
Total Bond Authorization	\$4,585,556,317	\$139,574,840	\$4,725,131,157
Total Bonds Issued	\$3,300,240,000	\$119,515,000	\$3,419,755,000
Total Remaining Bond Authorization	\$1,285,316,317	\$20,059,840	\$1,305,376,157

Source: PUC

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve (a) the PUC's issuance of Water Revenue Bonds previously authorized by the Board of Supervisors in a total not-to-exceed amount of \$692,000,000, including (1) an amount not to exceed \$675,000,000 (Series 2012A) to finance various projects under the

SAN FRANCISCO BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

PUC's Water Enterprise Water System Improvement Program (WSIP), pursuant to City Charter Section 8B.124; and (2) an amount not to exceed \$17,000,000 (Series 2012B) to finance the reimbursement of legal settlement costs related to various projects under the PUC's Water Enterprise Capital Improvement Program, pursuant to Proposition A, enacted by voters on November 5, 2002; (b) the PUC's issuance of Water Revenue Refunding Bonds to refund outstanding debt; (c) affirming covenants contained in the indenture pursuant to which the Water Revenue Bonds are issued; and (d) related matters.

Water Revenue Bonds

Under the proposed resolution, the PUC could issue up to \$692,000,000 in Water Revenue Bonds in June 2012 for both WSIP projects (\$675,000,000 - Series 2012A) and litigation costs related to other Water Enterprise capital projects (\$17,000,000 - Series 2012B).

According to Mr. Mike Brown, Capital Finance Analyst for the PUC, Water Revenue Bonds Series 2012A, the up to \$675,000,000 Water Revenue Bonds, would be allocated to the WSIP projects listed in the Attachment to this report, provided by the PUC. As is shown in the Attachment, the Water Revenue Bond allocations to the various projects total \$530,000,000. Debt issuance costs are shown in Table 2, below.

The Water Revenue Bond Series 2012B would be in an amount not to exceed \$17,000,000 in Proposition A Bonds in order to reimburse the PUC Water Enterprise for settlement costs incurred in nine lawsuits involving the SFPUC and Mitchell Engineering, related to water-related construction projects, including associated financing costs. The bonds will be sold as Series 2012B and under the authority of Proposition A. The Board of Supervisors previously approved the Mitchell Settlement on October 4, 2011 (File 11-0955).

Breakdowns of the projected uses for both Series 2012A and 2012B are shown in Table 2, below.

Table 2. Anticipated Water Revenue Bond Uses

	Series 2012A	Series 2012B	Total
Project Fund	\$530,000,000	\$15,500,000	\$545,500,000
Capitalized Interest Fund	69,766,216		69,766,216
Debt Service Reserve Fund	32,966,980	850,557	33,817,537
Cost of Issuance	421,036	10,863	431,899
Underwriter's Discount	2,922,450	75,400	2,997,850
Additional Proceeds	2,513	2,851	5,364
Total	\$636,079,195	\$16,439,670	\$652,518,865
Issuance Authorization Requested	\$675,000,000	\$17,000,000	\$692,000,000
Difference	\$38,920,805	\$560,330	\$39,481,135

Source: PUC presentation to San Francisco Revenue Bond Oversight Committee, April 16, 2012.

As Table 2 shows, for both Series 2012A and 2012B, the projected total uses are \$39,481,135 less than the \$692,000,000 in Water Revenue Bond authorization being requested. This issue is discussed in the Policy Considerations section below.

Water Revenue Refunding Bonds

The proposed resolution would also authorize the issuance of Water Revenue Refunding Bonds, which the PUC would use to refinance outstanding Water Revenue Bonds at a lower interest rate, and thereby generate savings. Under the proposed resolution, there is no set limit on the proposed Water Revenue Refunding Bonds that the PUC may issue. However, any issuance of Water Revenue Refunding Bonds would need to meet the City's minimum refunding bond standards of meeting or exceeding a 3 percent savings at the time of sale. The PUC reports that few of the PUC's outstanding Water Revenue Bonds would qualify for refunding, due in part to much of the PUC's debt being issued during a period of historically low borrowing rates. However, at this time, the PUC's objective is to use Water Revenue Refunding Bonds to refinance the outstanding PUC's Series 2001A, 2002A, and 2002B Water Revenue Bonds, in an amount totaling \$139,172,999.

As is noted in the Mandate Statement section above, the Board of Supervisor's authority to authorize an issuance of debt under Charter Section 8B.124 is subject to (A) certification from an independent engineer that (i) the projects to be financed by such debt meet utility standards and (ii) estimated net revenue will be sufficient to meet operating, maintenance, debt service coverage and other indenture or resolution requirements, and (B) certification by the San Francisco Planning Department that facilities under the PUC's jurisdiction that are to be funded by the bonds will comply with the California Environmental Quality Act (CEQA). According to Mr. Brown, these documents have been filed with the Clerk of the Board.

FISCAL IMPACTS

According to Mr. Brown, debt service for the up to \$692,000,000 Water Revenue Bonds issuance would total an estimated \$1,350,881,550 for series 2012A and \$34,352,600 for 2012B, or a total debt service of \$1,385,234,150 over 30 years, including \$599,570,000 in principal and \$785,664,150 in interest. The PUC estimates the average annual debt service for Series 2012A and Series 2012B would be \$45,566,913 per year for 30 years. This new debt service would impact the average single San Francisco family's water bill by \$0.11 per month in FY 2012-13; \$0.12 per month in FY 2013-14; \$0.85 per month in FY 2014-15; and \$1.72 per month in both FY 2015-16 and FY 2016-17. Full repayment would impact water rates for 30 years. Repayment of debt for WSIP uses would be paid by both the PUC's retail water customers and wholesale water customers.

The proposed resolution would also authorize the PUC to refund outstanding Water Revenue Bonds with Water Revenue Refunding Bonds in the future if market rates were favorable to such an exchange. According to Mr. Brown, based on the PUC's plans to refund outstanding Series 2001A, 2002A, and 2002B Water Revenue Bonds in a total estimated amount of \$139,172,999, the PUC would realize an estimated savings of \$9,000,000, on a present value basis over the life of the bonds at a blended interest rate of between 2.75 percent and 5.0 percent.

POLICY CONSIDERATIONS**As Shown in Table 2 above, the Requested Water Revenue Bond Issuance Authorization Exceeds the PUC's Current Anticipated Needs by \$39,481,135**

As shown in Table 2 above, although the PUC is requesting Water Revenue Bond issuance authorization in an amount not to exceed \$675,000,000 for the Series 2012A, the PUC reports that it currently anticipates requiring issuance authority in amount of \$636,079,195.

As also shown in Table 2 above, similarly, although the PUC is requesting Water Revenue Bond issuance authorization in an amount not to exceed \$17,000,000 for the Series 2012B, the PUC reports that it currently anticipates requiring issuance authority in amount of \$16,439,670.

Therefore, as shown in Table 2 above and based on the PUC's current anticipated needs, the requested issuance authorization for Series 2012A should be reduced by \$38,920,805, from \$675,000,000 to \$636,079,195 and Series 2012B should be reduced by \$560,330, from \$17,000,000 to \$16,439,670.

However, the PUC notes that any market volatility could result in increased borrowing rates with corresponding increased borrowing costs. Therefore, the PUC has requested a reduction for the Series 2012A bond issuance in the amount of \$25,000,000 instead of \$38,920,805, which would result in a Water Revenue Bond amount not to exceed \$650,000,000. The PUC also requested that there be no reduction for of the Series 2012B bond issuance.

RECOMMENDATION

1. Amend the proposed resolution by reducing the PUC's total requested Water Revenue Bond issuance authorization by \$25,000,000, from \$692,000,000 to \$667,000,000 (\$650,000,000 for Series 2012A and \$17,000,000 for Series 2012B), to meet the PUC's actual anticipated need by replacing \$675,000,000 with \$650,000,000 on page 1, line 5; page 3, line 25; and page 5, line 9.
2. Approve the proposed resolution, as amended.

Region	Project ID	Project Name	Total 2012 A Bonds
San Joaquin Region	CUW37301	San Joaquin Pipeline System	\$ 17,794,741
	CUW37302	Rehabilitation of Existing San Joaquin Pipelines	\$ 281,950
	CUW38401	Tesla Treatment Facility	\$ 963,749
Sunol Valley Region	CUW35201	Upper Alameda Creek Filter Gallery	\$ 5,463,362
	CUW35901	New Irvington Tunnel	\$ 12,156,809
	CUW35902	Alameda Siphon #4	\$ 12,578
	CUW37401	Calaveras Dam Replacement	\$ 51,165,390
	CUW37403	San Antonio Backup Pipeline	\$ 34,190,273
	CUW38101	SVWTP Expansion & Treated Water Reservoir	\$ 12,621,870
Bay Division Region	CUW35302	Seismic Upgrade of BDPL Nos. 3 & 4	\$ 55,038,943
	CUW36801	BDPL Reliability Upgrade - Tunnel	\$ 25,646,134
	CUW36802	BDPL Reliability Upgrade - Pipeline	\$ 3,086,458
	CUW38001	BDPL Nos. 3 & 4 Crossovers	\$ 2,170,864
Peninsula Region	CUW35401	Lower Crystal Springs Dam Improvements Pulgas Balancing - Modifications of the Existing	\$ 24,586
	CUW36105	Dechloramination Facility	\$ 43,679
	CUW36701	HTWTP Long-Term Improvements	\$ 19,311,644
	CUW36702	Peninsula Pipelines Seismic Upgrade	\$ 4,079,971
	CUW37101	Crystal Springs/San Andreas Transmission Upgrade	\$ 16,603,250
	CUW37801	Crystal Springs Pipeline No. 2 Replacement	\$ 6,673,778
CUW39101	Baden and San Pedro Valve Lots Improvements	\$ 32,571	
San Francisco Regional Region	CUW30103	Regional Groundwater Storage and Recovery	\$ 49,611,063
Support Projects	CUW36302	System Security Upgrades	\$ 4,591,801
	CUW38802	Bioregional Habitat Restoration	\$ 13,925,500
	CUW39201	Program Management Project	\$ 16,466,046
	CUW39401	Watershed Environmental Improvement Program	\$ 16,388,516
Reservoirs	CUW31901	Hunters Point Reservoir Rehab & Seismic Upgrade	\$ 21,134
	CUW33701	Sutro Reservoir Rehab & Seismic Upgrade	\$ 6,907,894
Pump Stations / Tanks	CUW30901	Lake Merced Pump Station Essential Upgrades	\$ 602,407
	CUW32001	Forest Hill Pump Station Upgrades	\$ 1,260,113
	CUW33801	La Grande Pump Station Upgrades	\$ 36,183
Local Water Supply	CUW30101	Lake Merced Water Level Restoration	\$ 3,787,912
	CUW30102	San Francisco Groundwater Supply	\$ 37,838,690
	CUW30201	San Francisco Westside Recycled Water	\$ 107,412,036
	CUW30204	Harding Park Recycled Water	\$ 38,216
	CUW30205	San Francisco Eastside Recycled Water	\$ 3,749,888
2012 A Bonds	TOTAL		\$ 530,000,000



**San Francisco
Water Power Sewer**

Services of the San Francisco Public Utilities Commission

1155 Market Street, 11th Floor
San Francisco, CA 94103
T 415.554.3155
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TO: Angela Calvillo, Clerk of the Board of Supervisors

FROM: Nathan Purkiss, 554-3404

DATE: 4/9/12

SUBJECT: Resolution approving issuance of 2012 Water Revenue Bonds

Please find the original and 4 copies of a Board of Supervisors resolution relating to the 2012 water revenue bond issuance. The entire packet includes:

1. Board of Supervisor's Resolution approving the issuance of water revenue bonds to be issued by the SFPUC for an amount not to exceed \$675,000,000 for Water System Improvement Program projects; and \$17,000,000 to finance the reimbursement of legal settlement costs related to the Capital Improvement Program.
2. Signed copy of SFPUC Commission Resolution 12-0053, and the SFPUC Agenda Item related to this resolution.
3. Preliminary Official Statement and related bond documents.

Please contact us if you need any additional information on these items.

Departmental representative to receive a copy of the adopted resolution:

Name: Nathan Purkiss
Phone: 554-3404

Interoffice Mail Address: 1145 Market Street, 7th Floor

Edwin M. Lee
Mayor

Anson Moran
President

Art Torres
Vice President

Ann Moller Caen
Commissioner

Francesca Viator
Commissioner

Vince Courtney
Commissioner

Ed Harrington
General Manager





AGENDA ITEM
Public Utilities Commission
City and County of San Francisco



DEPARTMENT Financial Services AGENDA NO. 10
MEETING DATE March 27, 2012

Water Bond Sale Authorization: Regular Calendar
Project Manager: Charles Perl

Authorize the Issuance of a principal amount up to \$692,000,000 in new Water Revenue Bonds under Propositions A and E to fund the Water System Improvement Program and Settlement Costs, and Achieve Ratepayer Savings from Refundings Related to Outstanding Water Enterprise Revenue Bonds

<p>Summary of Proposed Commission Action:</p>	<p>Discussion and possible action to Authorize the Issuance of a principal amount up to \$692,000,000 in new Water Revenue Bonds under Propositions A and E to fund the Water System Improvement Program and Settlement Costs, and Achieve Ratepayer Savings from Refundings Related to Outstanding Water Enterprise Revenue Bonds, in one or more series of bonds and subject to the further approval of the Board of Supervisors; approving the form and authorizing the execution and delivery of related documents; authorizing the General Manager to sell in one or more series of bonds on either a competitive or a negotiated basis, as the General Manager determines is in the best financial interest of the San Francisco Public Utilities Commission (SFPUC); delegating to the General Manager authorization to award each series of bonds to the highest bidder (lowest-cost); authorizing the General Manager to submit a resolution to the Board of Supervisors authorizing the issuance of not to exceed \$692,000,000 aggregate principal amount of Water Revenue Bonds; and with this resolution serving as an Inducement Resolution with the California Debt Limit Allocation Committee (CDLAC), authorizing the General Manager to submit an application to CDLAC requesting "Volume Capacity" to authorize the use of lower-cost, tax-exempt bond capacity for a portion of the private use activity associated with regional WSIP projects; provided, however, the issuance of such Water Revenue Bonds shall be subject to the terms of Propositions A and E (approved by the voters November 2002).</p>
<p>Background:</p>	<p>San Francisco voters approved Propositions A and E in November 2002. The Propositions authorized the issuance of revenue bonds to finance costs for SFPUC</p>

APPROVAL:

DEPARTMENT / BUREAU

FINANCE

Todd L. Rydstrom

COMMISSION SECRETARY

Donna Hood

GENERAL MANAGER

Ed Harrington

Execute Agreement: Authorize the Issuance of a principal amount up to \$692,000,000 in new Water Revenue Bonds under Propositions A and E to fund the Water System Improvement Program and Settlement Costs, and Achieve Ratepayer Savings from Refundings Related to Outstanding Water Enterprise Revenue Bonds
Commission Meeting Date: March 27, 2012

capital programs, including the Water System Improvement Program (WSIP), settlement costs as well as the refunding of outstanding revenue bonds.

WSIP Projects:

The size of each series of bonds is calibrated to the amount of commercial paper being refunded, if any; projected WSIP encumbrances; debt service reserve funds; and financing costs. The 2012 Series ABC bond sale, with a not to exceed amount of \$692,000,000 for new revenue bonds, is planned for May 2012. The WSIP-related financing will be issued under the authority of Proposition E. 2012 Series A will fund WSIP projects in estimated not to exceed par amount of \$675,000,000, including all associated financing costs.

Settlement Reimbursement:

In addition to the WSIP projects described above, the planned Water Revenue Bond sale includes a not to exceed par amount of \$17 million in Proposition A Bonds to reimburse the SFPUC for legal costs associated with the settlement of litigation between the SFPUC and Mitchell Engineering arising out of certain water related construction projects (Mitchell Settlement), including associated financing costs. The bonds will be sold as 2012 Series B and under the authority of Proposition A. Board of Supervisors Ordinance 208-11, approved by the Mayor on October 11, 2011, authorizes the above referenced Mitchell Settlement and the issuance of settlement bonds.

Refunding Bonds:

Based on the interest rate environment, a current refunding of the remaining outstanding Water Series 2001A bonds, with a total par amount of approximately \$30,000,000, would provide significant economic benefit to the SFPUC's retail customers. A refunding of these bonds is planned should the City Policy of producing savings of 3% or greater be met at the time of sale.

In the event favorable market conditions remain, the SFPUC anticipates a second transaction to refund the Water Series 2002A and 2002B bonds, with a total par amount of approximately \$120,000,000 during the summer. A refunding of these bonds is planned for July should the City Policy of producing savings of 3% or greater is met at the time of sale.

Bond Authorization:

The total combined WSIP-related bond issuance to date under Propositions A and E is \$3,300,240,000. The total WSIP-related bond issuance to date under Proposition A is \$1,331,815,000 out of the total voter-approved authority of \$1,628,000,000, or \$296,185,000 in remaining capacity for WSIP and other qualified Water Enterprise capital projects. The total WSIP-related bond issuance to date under Proposition E is \$1,968,425,000 out of the Board of Supervisors authorized \$2,957,556,317 with \$989,131,317 in remaining WSIP-bond capacity.

Execute Agreement: Authorize the Issuance of a principal amount up to \$692,000,000 in new Water Revenue Bonds under Propositions A and E to fund the Water System Improvement Program and Settlement Costs, and Achieve Ratepayer Savings from Refundings Related to Outstanding Water Enterprise Revenue Bonds
Commission Meeting Date: March 27, 2012

	<p>Bond sales issued under the authority of Proposition E require an ordinance from the Board of Supervisors and a resolution from both the Commission and the Board of Supervisors in advance of each issuance. The Board of Supervisors provided authorization to issue these revenue bonds with ordinance 189-09 approved on August 4, 2009, for the issuance of up to \$1,310,307,119 for WSIP Projects. On April 20, 2010, the Board passed Ordinance 089-10, authorizing Proposition E Water Revenue Bonds in an amount up to \$1,737,724,038 for both WSIP projects as well as other Water Enterprise Capital Improvement Projects, including the Advanced Meter Infrastructure project; the WSIP-related authorization is \$1,647,249,198. And on June 20, 2011 the Board of Supervisors passed ordinance 100-11 authorizing Proposition E Water Revenue Bonds in an amount up to \$49,100,000 to finance non-WSIP Water Enterprise capital projects using existing authorization.</p>
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Execute Agreement: Authorize the Issuance of a principal amount up to \$692,000,000 in new Water Revenue Bonds under Propositions A and E to fund the Water System Improvement Program and Settlement Costs, and Achieve Ratepayer Savings from Refundings Related to Outstanding Water Enterprise Revenue Bonds
Commission Meeting Date: March 27, 2012

**Bond Financing Authorizations
March 2012**

	WSIP	Non-WSIP
Proposition A		
Total Authorization	\$ 1,628,000,000	
Prop A WSIP Bonds Issued		
<u>Series</u>	<u>Par</u>	<u>Par</u>
2006 A	\$ 507,815,000	\$ -
2009 A	\$ 412,000,000	\$ -
2009 B	\$ 412,000,000	\$ -
Total Issued, Prop A	\$ 1,331,815,000	\$ -
Remaining Capacity, Prop A	\$ 296,185,000	\$ -
Proposition E		
Total Prop. E WSIP Authorization*	\$ 2,957,556,317	\$ 139,574,840
Prop E WSIP Bonds Issued		
<u>Series</u>	<u>Par</u>	<u>Par</u>
2010 A	\$ -	\$ 56,945,000
2010 B	\$ 417,720,000	\$ -
2010 D	\$ 71,360,000	\$ -
2010 E	\$ 344,200,000	\$ -
2010 FG	\$ 532,430,000	\$ -
2011 A	\$ 602,715,000	\$ -
2011 B	\$ -	\$ 28,975,000
2011 C	\$ -	\$ 33,595,000
Total Issued, Prop E	\$ 1,968,425,000	\$ 119,515,000
Remaining Capacity, Prop E	\$ 989,131,317	\$ 20,059,840
Total Bond Authorization	\$ 4,585,556,317	\$ 139,574,840
Total Bonds Issued	\$ 3,300,240,000	\$ 119,515,000
Total Remaining Bond Authorization	\$ 1,285,316,317	\$ 20,059,840

*Includes ordinances 189-09 and 89-10; 100-11 added to Non-WSIP authorization

Private Use Activity:

Most of the Water Revenue bonds issued by the SFPUC qualify for tax exemption status due to the intended public use of the capital improvements funded. A portion of our water deliveries, however, are to wholesale customer private entities that do not qualify for the same tax exemption status. This means that a portion of the Water Bonds sold to fund WSIP improvements are issued under IRS taxable bond provisions. We actively manage the bond program to both minimize the cost for ratepayers as well as ensure all Federal and State tax regulations are met.

Execute Agreement: Authorize the Issuance of a principal amount up to \$692,000,000 in new Water Revenue Bonds under Propositions A and E to fund the Water System Improvement Program and Settlement Costs, and Achieve Ratepayer Savings from Refundings Related to Outstanding Water Enterprise Revenue Bonds
Commission Meeting Date: March 27, 2012

	<p>One way to help minimize costs is to periodically review unused, California tax exempt issuance volume capacity to see if we can apply for and make use of additional tax exempt capacity where we would otherwise need to issue taxable, private use bonds. The attached bond financing resolution serves as an Inducement Resolution for our application to the California Debt Limit Allocation Committee (CDLAC) and authorizes the General Manager to submit an application to CDLAC for additional Volume Capacity to permit the use of tax-exempt bonds for private use associated with WSIP projects. Tax-exempt bonds provide the lowest cost of borrowing to the SFPUC, thereby helping to minimize WSIP financing costs.</p> <p>Schedule: Board of Supervisors approval of a Resolution to issue these bonds as well an Ordinance requesting additional capacity under Proposition E will be introduced at the April 3, 2012 meeting. If approved, the bond sale will be scheduled for May/June 2012.</p> <p>Bond Documents: The Commission is being asked to approve the form and authorize the execution of documents relating to the bond sale. These documents are described below.</p> <ol style="list-style-type: none"> 1) Sixteenth, Seventeenth, and Eighteenth Supplemental Indentures – The Indenture is the bond document providing both the legal structure and security for the bonds, including pledge of revenues, covenants, default and remedy provisions, flow of funds (priority for use of pledged revenues) and provisions to issue additional debt. The Supplemental Indentures set forth the terms of each individual series of bonds, including maturities, interest rates and terms of early redemption. 2) Official Statement (Preliminary/Final) – Primary disclosure document for bidders, rating agencies, and investors regarding terms of bonds, security, risk factors, financial and operating results and projections and background information. The document is substantially final (except for certain pricing information and projection updates that may occur prior to sale) and through this resolution the General Manager is permitted to make such changes as are necessary to update the document. 3) Official Notice of Sale – Document inviting bids, if sold on a competitive bid basis, and describing details of the bonds, including the method of delivering bids, the date, time and place of bid opening, and the basis for determining the winning bid. 4) Notice of Intention to Sell – Brief document published up to 15 days prior to sale date alerting prospective investors and bidders of sale. 5) Continuing Disclosure Certificate – Document containing commitments to providing annual financial and operating data disclosure, and interim disclosure in the event of certain enumerated events, for the benefit of bondholders. 6) Bond Purchase Contract – In the event that the bonds need to be sold on a negotiated basis, the document between the SFPUC and the underwriter(s) providing the terms of the bond sale. 7) Escrow Agreement – Agreement used with bond refundings to outline the role and responsibility of the trustee to pay debt service on refunded bonds.
<p>Result of Inaction:</p>	<p>A delay or denial in approving this agenda item will adversely impact the SFPUC's ability to complete the Water System Improvement Program as well as other planned Water Enterprise capital projects. In addition, the SFPUC will not be able to able to</p>

Execute Agreement: Authorize the Issuance of a principal amount up to \$692,000,000 in new Water Revenue Bonds under Propositions A and E to fund the Water System Improvement Program and Settlement Costs, and Achieve Ratepayer Savings from Refundings Related to Outstanding Water Enterprise Revenue Bonds
Commission Meeting Date: March 27, 2012

	reimburse the Water Enterprise operating fund in the current fiscal year for the previously made settlement payment.
Description of Scope of Services:	<p>SFPUC Finance staff analyzed the financing requirements of the Water System Improvement Program, financing alternatives to fund settlement costs, and ways to achieve savings for ratepayer through the refunding of outstanding revenue bonds and determined that a bond funding at this time would be both necessary and advantageous to meet the program's encumbrances related to anticipated contract awards and construction schedules, as well as the reimbursement of settlement costs.</p> <p>SFPUC Finance worked collaboratively with outside financial advisors, as well as the City Attorney's Office and outside bond and disclosure counsel, to develop all aspects of the documents associated with the sale of water revenue bonds, including all attachments. The individuals and firms working with the SFPUC on this financing are as follows:</p> <ul style="list-style-type: none"> • City Attorney of the City and County of San Francisco • Disclosure Counsel: Jones Hall, A Professional Law Corporation • Co-Bond Counsel: Sidley Austin LLP and Curls Bartling P.C. • Co-Financial Advisors: Montague DeRose & Associates and Backstrom McCarley Berry & Co., LLC • Trustee: U.S. Bank National Association
Environmental Review:	<p>A Final Program EIR ("PEIR") was prepared for the WSIP and certified by the Planning Commission on October 30, 2008 by Motion No. 17734; and thereafter, the Commission approved the WSIP and adopted findings and a Mitigation Monitoring and Reporting Program (MMRP) as required by the California Environmental Quality Act ("CEQA") on October 30, 2008 by Resolution No. 08-200; and the PEIR has been made available for review by the Commission and the public, and is part of the record before this Commission. The Commission has reviewed and considered further WSIP project specific Final EIRs ("FEIRs") and Mitigated Negative Declarations ("MNDs") and adopted findings and MMRPs, which are on file with the Commission Secretary, and finds that the PEIR, FEIRs and MNDs are adequate for its use as the decision-making body for the actions taken herein, and hereby reaffirms the previously adopted findings, including the Statements of Overriding Considerations and the MMRPs (CEQA Findings) and incorporates the same herein as part of this Resolution by this reference thereto. The Commission further finds that there have been no substantial Program or project changes and no substantial changes in circumstances that would require major revisions to the PEIR, FEIRs and MNDs due to the involvement of new significant environmental effects or an increase in the severity of previously identified significant impacts, and there is no new information of substantial importance that would change the conclusions set forth in the PEIR, FEIRs and MNDs. The General Manager is hereby authorized and directed to cause to be filed with the Clerk of the Board the appropriate Planning Certificates issued by the San Francisco Planning Department Environmental Review Officer as are necessary in connection with the Non-WSIP projects prior to the consideration by the Board of the June Ordinance, or otherwise in connection with the consideration by the Board of any resolution authorizing the issuance and sale of Non-WSIP Bonds.</p>
Recommendation:	SFPUC staff recommends that the Commission adopt the attached resolution.

Execute Agreement: Authorize the Issuance of a principal amount up to \$692,000,000 in new Water Revenue Bonds under Propositions A and E to fund the Water System Improvement Program and Settlement Costs, and Achieve Ratepayer Savings from Refundings Related to Outstanding Water Enterprise Revenue Bonds
Commission Meeting Date: March 27, 2012

Attachments:	<ol style="list-style-type: none">1) SFPUC Resolution – Bond Authorization and CDLAC Inducement2) Form of Corresponding Board of Supervisors Resolution3) Form of Preliminary Official Statement4) Form of Sixteenth, Seventeenth, and Eighteenth Supplemental Indentures5) Form of Official Notice of Sale6) Form of Notice of Intention to Sell7) Form of Continuing Disclosure Certificate (see Appendix in Preliminary Official Statement)8) Form of Bond Purchase Agreement9) Form of Escrow Agreement10) Presentation
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PUBLIC UTILITIES COMMISSION
City and County of San Francisco

RESOLUTION NO. 12-0053

WHEREAS, at a duly called and held election on November 5, 2002, a majority of voters voting on the measure approved Proposition E ("Proposition E of 2002") which, among other things, authorized the San Francisco Public Utilities Commission (the "Commission") of the City and County of San Francisco (the "City") to issue its 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 of the City (the "Board"), for the purpose of reconstructing, replacing, expanding, repairing or improving water facilities under the jurisdiction of the Commission; and,

WHEREAS, on August 4, 2009, the Board adopted its Ordinance No. 189-09, approving the issuance and sale of water revenue bonds by the Commission pursuant to Proposition E of 2002, in a principal amount not to exceed \$1,310,307,119, to finance and refinance projects that are within the Commission's Water System Improvement Program ("WSIP Projects"), which ordinance became effective on September 12, 2009; and,

WHEREAS, on April 20, 2010, the Board adopted its Ordinance No. 89-10 to approve, among other things, the issuance and sale of water revenue bonds by the Commission pursuant to Proposition E of 2002, in a principal amount not to exceed \$1,737,724,038, to finance, among other things, WSIP Projects and other associated financing costs, which ordinance became effective on May 30, 2010; and,

WHEREAS, at a duly called and held revenue bond election on November 5, 2002, a majority of voters voting on the measure approved Proposition A ("Proposition A of 2002") which, among other things, authorized the Commission of the City to issue its revenue bonds and/or other forms of revenue financing for the purpose of, among other things, acquiring and constructing improvements to the City's water system, including improvements to the Commission's Capital Improvement Program and costs and expenses incidental thereto, including but not limited to legal fees (the "CIP Projects"); and,

WHEREAS, on October 4, 2011, the Board adopted its Ordinance No. 208-11 ("Ordinance No. 208-11") approving the issuance and sale of water revenue bonds by the Commission, in one or more series and on one or more dates, in a total aggregate principal amount not to exceed \$17,000,000, to finance the reimbursement of certain legal settlement costs related to various CIP Projects and other associated financing costs, which ordinance became effective on November 3, 2011; and,

WHEREAS, the Board will consider a resolution on and after the date hereof, to authorize (i) the issuance of not to exceed \$675,000,000 aggregate principal amount of water revenue bonds pursuant to Proposition E of 2002 to finance or refinance WSIP Projects (ii) the issuance of not to exceed \$17,000,000 aggregate principal amount of water revenue bonds pursuant to Proposition A of 2002 to reimburse the Commission for

amounts paid in connection with legal settlement costs related to various CIP Projects (authorized by Proposition A of 2002), and (iii) the issuance of refunding water revenue bonds by the Commission, without limitation as to principal amount, under the authority granted pursuant to Section 9.109 of the Charter or Proposition E of 2002; and,

WHEREAS, pursuant to Proposition E of 2002 and under Ordinance No. 189-09 and Ordinance No. 89-10, there are authorized but unissued water revenue bonds in a principal amount of \$989,131,317 for WSIP Projects and pursuant to Proposition A of 2002 and under Ordinance No. 208-11, there are authorized but unissued water revenue bonds in a principal amount of \$296,185,000 to finance the acquisition and construction of improvement to the City's water system, including the CIP Projects and expenses incidental thereto or connected therewith; and,

WHEREAS, under the authority granted or proposed to be granted under Proposition A of 2002 and Proposition E of 2002 and by the ordinances and resolution hereinabove mentioned, it is proposed that the Commission issue (i) one or more series of water revenue bonds for the principal purpose of providing long-term financing or refinancing for WSIP Projects ("Proposition E Bonds"), in an aggregate principal amount not to exceed \$675,000,000, (ii) one or more series of water revenue bonds for the principal purpose of providing funds to reimburse the Commission for amounts paid in connection with legal settlement costs related to various CIP Projects (authorized by Proposition A of 2002) ("Proposition A Bonds"), in an aggregate principal amount not to exceed \$17,000,000, and (iii) one or more series of water revenue refunding bonds for the principal purpose of refunding outstanding water revenue bonds or commercial paper of the Commission, subject to limitation as to principal amount as provided herein (the "Refunding Bonds," and together with the Proposition A Bonds and Proposition E Bonds, the "Bonds"), all pursuant to the Amended and Restated Indenture, dated as of August 1, 2002 (as amended and supplemented, the "Indenture"), by and between the Commission and U.S. Bank National Association, as trustee (the "Trustee"), and one or more supplemental indentures as herein provided; and,

WHEREAS, each such refunding of the Commission's outstanding water revenue bonds is proposed to be accomplished by depositing proceeds of the Refunding Bonds and certain other amounts in an irrevocable escrow fund established and held in trust by the trustee for the bonds to be refunded pursuant to an escrow agreement between the Commission and said trustee (each, an "Escrow Agreement"), which moneys and the investment income thereon are to be applied to pay the principal of and the interest and redemption premium, if any, on the bonds to be refunded; and,

WHEREAS, it is proposed that such Bonds be issued as obligations the interest on which is exempt from federal income tax pursuant to one or more supplemental indentures, between the Commission and the Trustee (each, a "Supplemental Indenture"); and,

WHEREAS, it is proposed that such Bonds be sold in a competitive sale pursuant to a official notice of sale (the "Official Notice of Sale") and a notice of intention to sell bonds (the "Notice of Intention"), or a negotiated sale pursuant to a Bond Purchase Contract (the "Bond Purchase Contract"), or in some combination of competitive and negotiated sales; and,

WHEREAS, it is proposed that one or more official statements for the Bonds (the "Official Statement") be used in connection with the offering and sale of the Bonds from time to time; and,

WHEREAS, it is proposed that a continuing disclosure certificate (the "Continuing Disclosure Certificate") be executed and delivered with respect to the Bonds in order to assist the purchasers or underwriters thereof in complying with Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"); and,

WHEREAS, pursuant to Article IX of the Indenture, the Indenture may be amended from time to time upon the compliance with the terms and conditions provided in said Article IX; and,

WHEREAS, the voters of the City approved Proposition P in November 2002, pursuant to which this resolution and the Bonds (excluding the Refunding Bonds) are subject to the provisions of Section 5A.30 et seq. ("Public Utilities Revenue Bond Oversight Committee") of Chapter V of the San Francisco Administrative Code (the "Proposition P Requirements"), including the requirement that, to the extent permitted by law, one-twentieth of one percent (0.05%) of the gross proceeds of the Bonds (excluding the Refunding Bonds) shall be deposited in a fund established by the Office of the Controller of the City (the "Controller's Office") and appropriated by the Board at the direction of the Public Utilities Revenue Bond Oversight Committee to cover the costs of said committee; and,

WHEREAS, the Commission has been presented with and has examined the proposed forms of a Supplemental Indenture for each series of Bonds, an Official Notice of Sale, a Notice of Intention, a Bond Purchase Contract, an Escrow Agreement, an Official Statement and a Continuing Disclosure Certificate; and,

WHEREAS, the Commission is duly authorized and empowered, pursuant to each and every requirement of law, to authorize the foregoing transactions and issue the Bonds and to authorize the publication, execution and delivery (as appropriate) of a Supplemental Indenture for each series of Bonds, an Official Notice of Sale, a Notice of Intention, a Bond Purchase Contract, an Official Statement, an Escrow Agreement, a Continuing Disclosure Certificate and related documents for the purposes, in the manner and upon the terms provided herein; and,

WHEREAS, the Commission has paid and will pay, on and after the date hereof, certain expenditures (the "Expenditures") in connection with the projects; and,

WHEREAS, the Commission has historically issued bonds or other indebtedness as bonds that are not "private activity bonds" within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended (the "Code"), to finance its various capital projects; and,

WHEREAS, the Commission intends that interest on the Bonds used to finance or refinance the cost of acquisition, construction and equipping of the projects to be excluded from gross income for federal income tax purposes; and,

WHEREAS, the Commission is currently contemplating that some of the Bonds may be issued as bonds that would be characterized as "private activity bonds" within the

meaning of Section 141 of the Code but that would be intended to qualify as "exempt facility bonds" within the meaning of Section 142 of the Code; and,

WHEREAS, Section 1.142-4(b) of the United States Income Tax Regulations (the "Treasury Regulations") provides that, with respect to private activity bonds intended to qualify as exempt facility bonds, if an expenditure is paid prior to the issue date of tax-exempt debt (including for this purpose the repayment of debt other than state or local debt), such debt will qualify as exempt facility bonds under Section 142(a) of the Code only if the expenditure meets the requirement of Section 1.150-2 of the Treasury Regulations (relating to the ability to "reimburse" for pre-issuance expenditures); and,

WHEREAS, Section 1.150-2 of the Treasury Regulations provides generally that proceeds of tax-exempt debt are not deemed to be expended when such proceeds are used to reimburse expenditures made prior to the date of issuance of such debt unless certain procedures are followed, among which is a requirement that (with certain exceptions), prior to the payment of any such expenditure, the issuer declares an intention to reimburse such expenditure; and,

WHEREAS, the Commission has determined that those moneys advanced by the Commission no more than 60 days prior to the date hereof and to be advanced on and after the date hereof to pay the Expenditures are to be available only for a temporary period, and that it is necessary to reimburse the Commission for the Expenditures from the proceeds of the Bonds; now, therefore, be it

RESOLVED by the Public Utilities Commission of the City and County of San Francisco, as follows:

Issuance of the Bonds. The issuance of the Proposition E Bonds, in one or more series and on one or more dates, in an aggregate principal amount not to exceed \$675,000,000, is hereby authorized and approved by the Commission, subject to Board approval pursuant to the Charter and subject to the limitations and conditions provided herein. The Proposition E Bonds may be issued for the purpose of providing funds (a) for the financing or refinancing of WSIP Projects in such relative amounts as may be determined by the General Manager, and (b) to pay the costs of issuance of the Bonds. If determined to be beneficial to the Commission by the General Manager, with the advice of Montague DeRose and Associates, LLC and Backstrom McCarley Berry & Co., LLC, the financial advisors to the Commission with respect to the Bonds (together, the "Financial Advisors"), the Proposition E Bonds may also be issued for the secondary purposes of providing funds for (i) the credit enhancement of any Proposition E Bonds (including without limitation bond insurance policies and/or reserve fund surety bonds or insurance policies), and (ii) the funding of debt service reserves for the Proposition E Bonds or for other bonds issued under the Indenture.

The issuance of the Proposition A Bonds, in one or more series and on one or more dates, in an aggregate principal amount not to exceed \$17,000,000, is hereby authorized and approved by the Commission, subject to Board approval pursuant to the Charter and subject to the limitations and conditions provided herein. The Proposition A Bonds may be issued for the purpose of providing funds (a) for reimbursing the Commission for amounts paid in connection with certain legal settlement costs related to various CIP Projects (authorized by Proposition A of 2002) as may be determined by the

General Manager, and (b) to pay the costs of issuance of the Bonds. If determined to be beneficial to the Commission by the General Manager, with the advice of the Financial Advisors, the Proposition A Bonds may also be issued for the secondary purposes of providing funds for (i) the credit enhancement of any Proposition A Bonds (including without limitation bond insurance policies and/or reserve fund surety bonds or insurance policies), and (ii) the funding of debt service reserves for the Proposition A Bonds.

The issuance of the Refunding Bonds, in one or more series and on one or more dates, is hereby authorized and approved by the Commission, subject to the limitations and conditions provided herein. The Refunding Bonds may be issued (a) for the purpose of refunding outstanding water revenue bonds or commercial paper of the Commission without limitation as to principal amount, provided that such Refunding Bonds (i) satisfy the applicable requirements of the Indenture, including without limitation Section 3.04 or Section 3.05 of the Indenture, (ii) satisfy the applicable requirements of the City's policies and procedures for refunding bonds, and (iii) are authorized to be issued under either (A) Section 9.109 of the Charter, (B) Proposition E of 2002 or (C) Proposition A of 2002 (including related ordinances and resolutions of the Board); and (b) to pay the costs of issuance of the Refunding Bonds. If determined to be beneficial to the Commission by the General Manager, with the advice of the Financial Advisors, the Refunding Bonds may also be issued for the secondary purposes of providing funds for (y) the credit enhancement of any Refunding Bonds (including without limitation bond insurance policies and/or reserve fund surety bonds or insurance policies), and (z) the funding of debt service reserves for the Refunding Bonds.

The Bonds shall be issued in accordance with this resolution, the Indenture and the Charter. The General Manager is hereby authorized and directed to determine the aggregate principal amount of Bonds to be issued from time to time (subject to the maximum amount and further limitations and conditions set forth herein) and to determine the various titles and series designations of the Bonds. The Bonds may be issued as tax-exempt bonds or taxable bonds, or any combination thereof. The forms of the Bonds, in substantially the forms set forth in the forms of the Supplemental Indentures presented to this meeting, are hereby approved. The General Manager of the Commission is hereby authorized and directed to approve and to execute the Bonds by manual or facsimile signature, and the Secretary of the Commission is hereby authorized and directed to attest, by manual or facsimile signature, with such changes, additions, amendments or modifications thereto which they may approve with the advice of the City Attorney, such approval to be conclusively evidenced by the execution and delivery of the Bonds, subject to the limitations set forth in Section 2 hereof.

Sale of the Bonds. The sale of the Bonds, in one or more series and on one or more dates, is hereby authorized and approved by the Commission, subject to Board approval pursuant to the Charter and subject to the limitations and conditions provided herein. The Commission hereby delegates to the General Manager the authority to determine, with the advice of the Financial Advisors, whether to sell the Bonds from time to time by negotiated sale or competitive sale, provided that the General Manager shall not approve the sale of the Bonds on a negotiated basis until he determines, upon consultation with the Financial Advisors, that (i) the sale of the Bonds through a negotiated process is likely to enhance the ability of the Commission to timely sell the

Bonds or to achieve a lower overall cost to the Commission, or both, and (ii) the requirements of Section VIII of the Commission's Debt Management Policies and Procedures, as the same may have been amended and in effect at the time of such determination, have been satisfied. The interest rate or rates on the Bonds shall not exceed twelve percent (12%) and the final maturity of any Bonds shall not be later than 40 years after the issue date thereof.

Escrow Agreements. The proposed form of Escrow Agreement submitted to this Commission, and the terms and conditions thereof, is hereby approved. In order to implement any refunding authorized herein, the General Manager or his designee is hereby authorized to enter into one or more Escrow Agreements with the trustee of the water revenue bonds to be refunded, substantially in the form presented to this meeting and on file with the Secretary of the Commission, with such changes and additions as the General Manager may approve upon consultation with the City Attorney, each such approval to be evidenced conclusively by the delivery to the trustee of such Escrow Agreement. The Secretary of the Commission is directed to file a copy of said form of Escrow Agreement with the minutes of this meeting.

Disposition of Revenues; Rate Covenant. Section 5.01(b) of the Indenture which sets forth the disposition of Revenues (as defined in the Indenture) applicable to the Commission's Water Enterprise Bonds is hereby confirmed by the Commission and the Commission further confirms, pledges and covenants with the holders of the Bonds that the Revenues shall be appropriated and expended in the order of priority set forth in Section 5.01(b) of the Indenture, as the same may be amended from time to time. This Commission also declares that the Commission will comply with all of the terms, provisions and covenants contained in the Indenture, as the same may be amended from time to time, including the covenants to establish, fix, prescribe and collect rates, fees and charges sufficient to enable the Commission to comply with the terms, conditions and covenants of the Indenture.

Supplemental Indentures. The proposed forms of Supplemental Indentures for each series of Bonds submitted to this Commission, and the terms and conditions thereof, are hereby approved. The General Manager of the Commission or their designees are authorized and directed to execute and deliver and the Secretary of the Commission or the designee thereof is authorized to attest one or more Supplemental Indentures in such forms, with such additions thereto or changes therein which they may approve with the advice of the City Attorney, such approval to be conclusively evidenced by the execution and delivery of such Supplemental Indentures. The Secretary of the Commission is directed to file a copy of each form of Supplemental Indenture with the minutes of this meeting. Subject to the further limitations hereof, the principal amount, date, maturity date or dates, maximum interest rate or rates, series designation, interest payment dates, forms, registration privileges, place or places of payment, terms of redemption, insurance provisions and other terms of the Bonds shall be as provided in the Indenture.

Preliminary Official Statement and Official Statement. The preliminary Official Statement (the "Preliminary Official Statement"), in substantially the form submitted to the Commission, is hereby approved, and the General Manager or the General Manager's designee is hereby authorized to certify from time to time, for and on behalf of the Commission, that the Preliminary Official Statement, with such changes, additions and

supplements as they may deem necessary or appropriate in the interest of the Commission, in consultation with the City Attorney, is deemed final as of its date, within the meaning of Rule 15c2-12 (except for the omission of certain final pricing, rating and related information as permitted by Rule 15c2-12). The Preliminary Official Statement is hereby authorized to be used from time to time in connection with the marketing of the Bonds and the Official Notice of Sale for the Bonds, if applicable. In connection with the sale of all or a portion of the Bonds, the General Manager is hereby authorized and directed, for and on behalf of the Commission, to execute one or more Official Statements for such Bonds in substantially the form of the Preliminary Official Statement, and to cause the delivery of such Official Statement to the purchasers of such Bonds. Notwithstanding the foregoing authorization, Commission staff is hereby directed to return to the Commission for authorization of any Preliminary Official Statement or Official Statement to be used in connection with any sale of Bonds that is to occur more than ninety (90) days following the earlier of (i) the first sale of Bonds pursuant to the authority granted hereunder or (ii) the most recent Commission approval of the form of such Preliminary Official Statement or Official Statement.

Competitive Sale; Official Notice of Sale. If the General Manager determines to sell all or a portion of the Bonds by competitive sale from time to time, the proposed form of Official Notice of Sale inviting bids for such Bonds, submitted to this Commission, is hereby approved, and the Financial Advisors are hereby authorized and directed to disseminate the Official Notice of Sale to prospective bidders in connection with each sale of Bonds, with such additions, changes and corrections thereto as the General Manager shall approve with the advice of the City Attorney, such approval to be conclusively evidenced by the dissemination thereof to prospective bidders. In a competitive sale, sealed proposals shall be received on such date or dates as shall be selected and changed as necessary by the General Manager for the purpose of the sale of the Bonds, in accordance with the terms and conditions of the applicable Official Notice of Sale. In a competitive sale, the General Manager is hereby authorized to award the Bonds to be sold to the highest responsible bidder, so long as such bid shall provide a true interest cost to the Commission of not to exceed twelve percent (12%) per annum, and the price to be paid to the Commission for such series of Bonds shall not be less than the par value thereof, less a total discount of not to exceed five percent (5%). If such true interest cost and price are acceptable to the General Manager and satisfy the foregoing criteria, the General Manager is hereby authorized and directed to accept, on behalf of the Commission, the best responsive bid for such series of Bonds. The Secretary of the Commission is directed to file a copy of the proposed form of Official Notice of Sale with the minutes of this meeting.

Notice of Intention. The proposed form of Notice of Intention, submitted to this Commission, is hereby approved. If the General Manager determines to sell all or a portion of the Bonds by competitive sale, the General Manager is hereby authorized and directed to cause a Notice of Intention, subject to such corrections, revisions or additions as may be approved by the General Manager (such approval to be conclusively evidenced by the publication thereof), to be published once at least five (5) days before the date of sale of the applicable series of Bonds in a financial newspaper of general circulation in the City and in a financial publication generally circulated throughout the state or reasonably expected to be disseminated among prospective bidders for the Bonds. The

Secretary of the Commission is directed to file a copy of said form of Notice of Intention with the minutes of this meeting.

Negotiated Sale; Bond Purchase Contract. If the General Manager determines to sell all or a portion of the Bonds by negotiated sale from time to time pursuant to the authority granted in Section 2 hereof, the General Manager is hereby authorized to select and appoint one or more underwriters (each, an "Underwriter" and, collectively, the "Underwriters") from the Commission's or the City's pool of prequalified underwriters in accordance with the City's policies and procedures with respect thereto, subject to the limits on underwriter compensation set forth below. The General Manager is hereby authorized and directed, for and on behalf of and in the name of the Commission, to sell at one or more negotiated sales, Bonds in such aggregate principal amount as the General Manager may determine, subject to the further limitations and conditions hereof. The General Manager or his designee is hereby authorized to enter into a Bond Purchase Contract with one or more of the Underwriters, individually or collectively as the General Manager deems appropriate, substantially in the form presented at this meeting and on file with the Secretary of the Commission, with such changes and additions as the General Manager may approve upon consultation with the City Attorney, such approval to be evidenced conclusively by the execution and delivery of each such Bond Purchase Contract; provided, however, that the total compensation to the Underwriters shall not exceed one percent (1%) of the par value of the Bonds. Bonds sold in a negotiated sale shall be delivered to the Underwriters upon payment of the purchase price agreed upon in the applicable Bond Purchase Contract, together with accrued interest, if any.

Continuing Disclosure Certificate. The proposed form of Continuing Disclosure Certificate for the Bonds, submitted to this Commission, is hereby approved. The General Manager or the General Manager's designee is hereby authorized and directed to execute the Continuing Disclosure Certificate for the Bonds from time to time, substantially in the form submitted to this Commission, with such additions, changes and corrections thereto as the General Manager or the designee thereof shall approve with the advice of the City Attorney, such approval to be conclusively evidenced by the execution and delivery of such Continuing Disclosure Certificate. The Secretary of the Commission is directed to file a copy of said form of Continuing Disclosure Certificate with the minutes of this meeting.

CEQA Findings. A Final Program EIR ("PEIR") was prepared for the WSIP and certified by the Planning Commission on October 30, 2008 by Motion No. 17734; and thereafter, the Commission approved the WSIP and adopted findings and a Mitigation Monitoring and Reporting Program (MMRP) as required by the California Environmental Quality Act ("CEQA") on October 30, 2008 by Resolution No. 08-200; and the PEIR has been made available for review by the Commission and the public, and is part of the record before this Commission. The Commission has reviewed and considered further WSIP project specific Final EIRs ("FEIRs") and Mitigated Negative Declarations ("MNDs") and adopted findings and MMRPs, which are on file with the Commission Secretary, and finds that the PEIR, FEIRs and MNDs are adequate for its use as the decision-making body for the actions taken herein, and hereby reaffirms the previously adopted findings, including the Statements of Overriding Considerations and the MMRPs (CEQA Findings) and incorporates the same herein as part of this Resolution by this

reference thereto. The Commission further finds that there have been no substantial program or project changes and no substantial changes in circumstances that would require major revisions to the PEIR, FEIRs and MNDs due to the involvement of new significant environmental effects or an increase in the severity of previously identified significant impacts, and there is no new information of substantial importance that would change the conclusions set forth in the PEIR, FEIRs and MNDs.

Proposition P. Pursuant to Proposition P approved by the voters of the City in November 2002, this resolution and the Bonds (excluding the Refunding Bonds) are subject to, and incorporate by reference, the Proposition P Requirements. Pursuant to the Proposition P Requirements, to the extent permitted by law, one-twentieth of one percent (0.05%) of the gross proceeds of the Bonds (excluding the Refunding Bonds) shall be deposited in a fund established by the Controller's Office and appropriated by the Board at the direction of the Public Utilities Revenue Bond Oversight Committee established by Proposition P Requirements to cover the costs of said committee.

Reimbursement. The Commission hereby declares its intent to reimburse the Commission with the proceeds of the Bonds for the Expenditures made with respect to the projects on and after the date that is no more than 60 days prior to the date hereof. The Commission reasonably expects on the date hereof that it will reimburse the Expenditures with the proceeds of the Bonds. The declaration made in this Section 14 is consistent with the intent evidenced in the Consolidated Budget.

Expenditures. Each Expenditure was and will be either (a) of a type properly chargeable to a capital account under general federal income tax principles (determined in each case as of the date of the Expenditure), (b) a cost of issuance with respect to the Bonds, (c) a nonrecurring item that is not customarily payable from current revenues, or (d) a grant to a party that is not related to or an agent of the Commission so long as such grant does not impose any obligation or condition (directly or indirectly) to repay any amount to or for the benefit of the Commission.

Maximum Amount. The maximum principal amount of the Bonds expected to be issued for the WSIP Projects is \$675,000,000.

Allocation. The Commission will make a reimbursement allocation, which is a written allocation by the Commission that evidences the Commission's use of proceeds of the Bonds to reimburse an Expenditure, no later than 18 months after the later of the date on which the Expenditure is paid or the WSIP Projects are placed in service or abandoned, but in no event more than three years after the date on which the Expenditure is paid. The Commission recognizes that exceptions are available for certain "preliminary expenditures," costs of issuance, certain de minimus amounts, expenditures by "small issuers" (based on the year of issuance and not the year of expenditure) and expenditures for construction projects of at least 5 years.

CDLAC. The Commission hereby authorizes and directs the General Manager of the Commission, upon consultation with the City Attorney, to take all actions necessary or desirable to obtain allocation of volume cap from the California Debt Limit Allocation Committee ("CDLAC") with respect to the Bonds in an amount not to exceed \$58,700,000 (the "Allocation"). The General Manager of the Commission shall take all actions required or desirable under the procedures of CDLAC and Chapter 11.8 of

Division 1 of Title 2 (commencing with Section 8869.80 of the California Government Code) to apply for the Allocation. In accordance with the procedures of CDLAC concerning a deposit, the General Manager of the Commission shall obtain the deposit required by CDLAC from moneys made available.

General Authority. The General Manager, the Deputy General Manager and Chief Operating Officer and the Assistant General Manager, Business Services and Chief Financial Officer, of the Commission and the officers of the City are hereby authorized and directed, each acting alone, for and in the name and on behalf of this Commission, to execute and deliver any and all documents, certificates and representations, including, but not limited to, signature certificates, no-litigation certificates, tax certificates, letters of representation relating to book-entry registration, custody agreements, filing agent agreements, and certificates concerning the contents of the Official Statement and the Preliminary Official Statement, to contract for municipal bond insurance for all or a portion of the Bonds if determined by the General Manager, with the advice of the Financial Advisors, to be beneficial to the Commission, to contract for one or more surety bonds or insurance policies for the debt service reserves for the Bonds if determined by the General Manager, with the advice of the Financial Advisors, to be beneficial to the Commission, to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate the issuance and sale of the Bonds, the financing or refinancing of the projects, the refunding of outstanding water revenue bonds or commercial paper, and the other actions which the Commission has approved in this resolution. The General Manager is authorized to delegate any of the responsibilities or duties set forth in this resolution to the Deputy General Manager and Chief Operating Officer or to the Assistant General Manager, Business Services and Chief Financial Officer, of the Commission.

Ratification. All actions heretofore taken by the officials, employees and agents of the Commission with respect to the authorization, sale and issuance of the Bonds are hereby approved, confirmed and ratified.

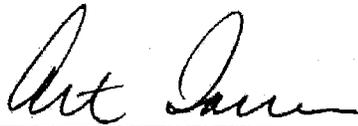
Effective Date. This resolution shall take effect from and after its adoption.

PASSED AND ADOPTED on March 27, 2012, by the following vote:

AYES: 5 (Moran, Torres, Caen, Vietor, Courtney)

NOES: 0 (Zero)

ABSENT: 0 (Zero)



President of the Public Utilities Commission
of the City and County of San Francisco

Attest:

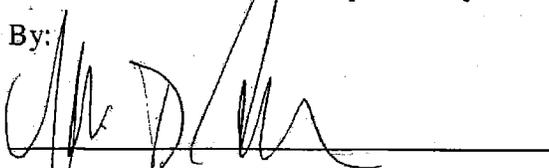


Secretary of the Public Utilities Commission
of the City and County of San Francisco

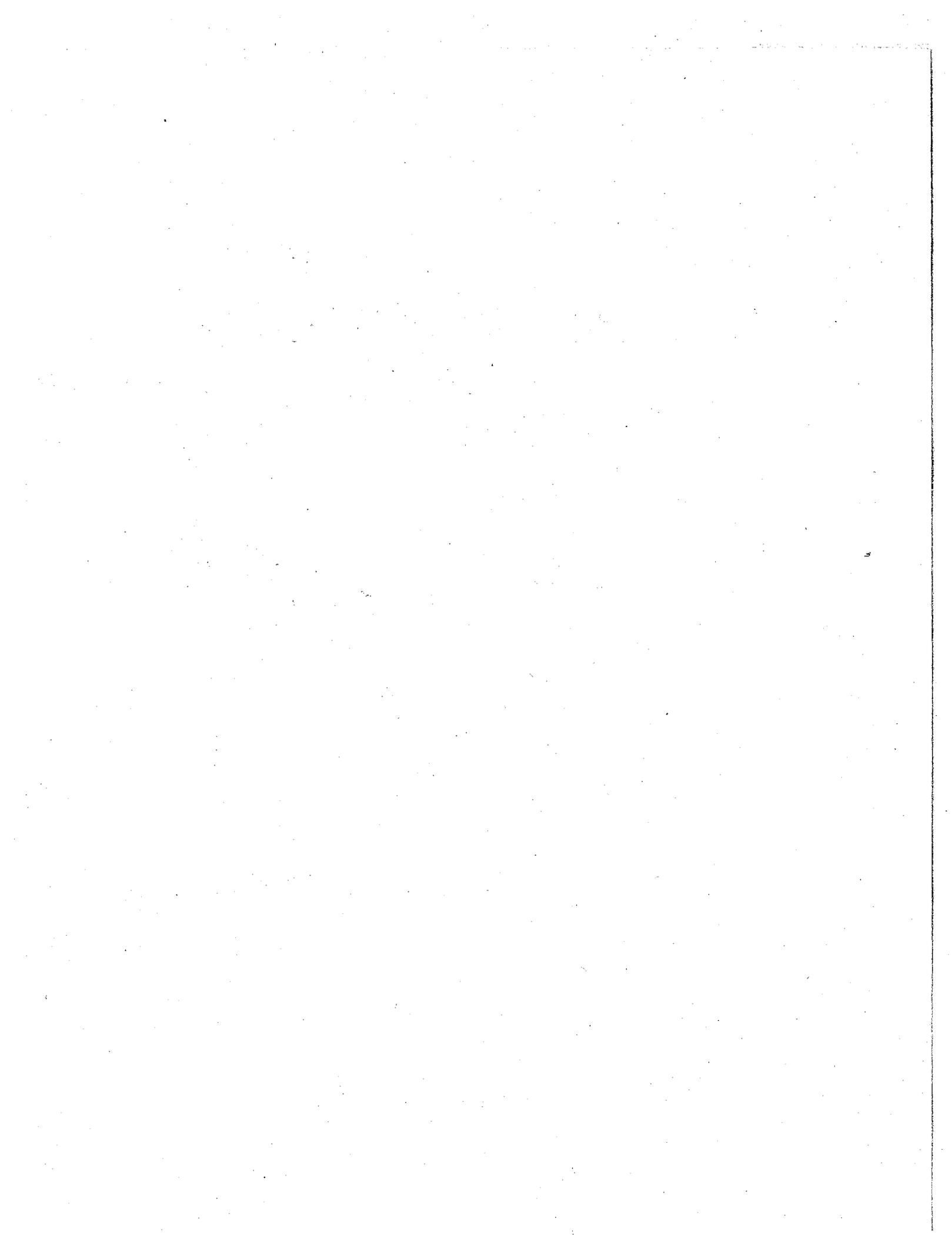
APPROVED AS TO FORM:

DENNIS J. HERRERA, City Attorney

By:



Mark D. Blake
Deputy City Attorney



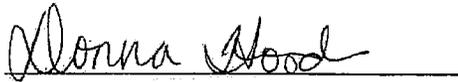
CERTIFICATE OF SECRETARY

I, Donna Hood, Secretary of the Public Utilities Commission of the City and County of San Francisco, hereby certify that the foregoing is a full, true and correct copy of Resolution No. 12-0053 duly adopted at the regular meeting of the Public Utilities Commission, duly and regularly held on March 27, 2012, of which meeting all of the members of said Commission had due notice.

I further certify that at least 72 hours prior to such meeting I caused to be delivered to the Documents Department of the San Francisco Public Library two copies of the agenda for such meeting to be posted immediately upon receipt by such Department at the place designated by the City Librarian for the posting of agenda in the central public library, which place is accessible to the public in accordance with Section 8.16 of the Administrative Code of the City and County of San Francisco, and that a brief description of such resolution appeared as an item on such agenda.

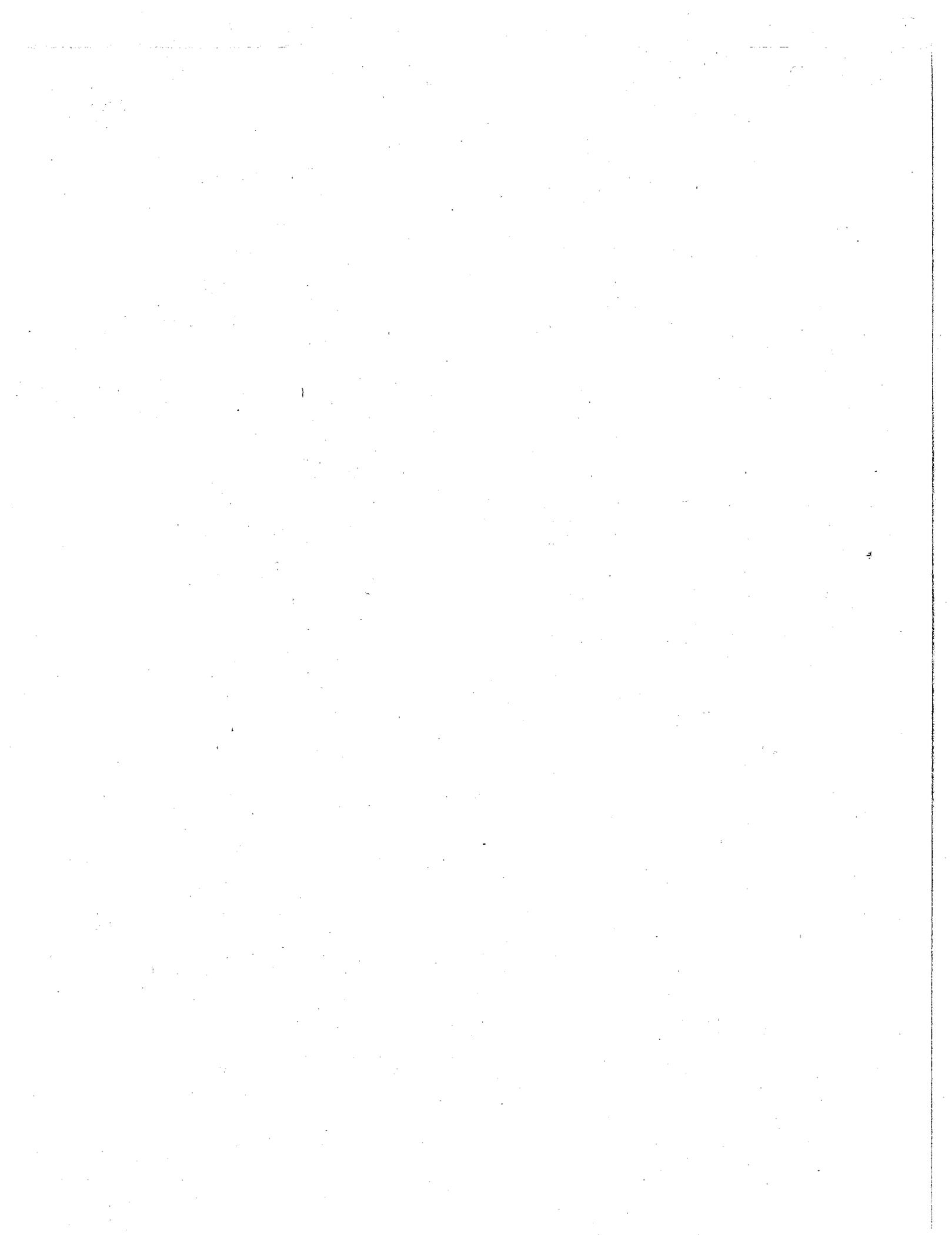
I further certify that I have carefully compared the foregoing copy with the original minutes of said meeting on file and of record in my office; that said copy is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes; and that said resolution has not been amended, modified or rescinded in any manner since the date of its adoption, and the same is now in full force and effect.

IN WITNESS WHEREOF, I have executed this certificate of the Public Utilities Commission of the City and County of San Francisco thereto this 27th day of March, 2012.



Donna Hood

Secretary of the Public Utilities Commission of the City and County of San Francisco

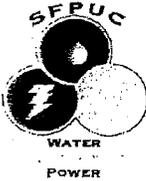


PRELIMINARY OFFICIAL STATEMENT DATED _____, 2012

NEW ISSUE—Book-Entry Only

Ratings:
S&P: "____"
Moody's: "____"
(see "RATINGS")

In the opinion of Sidley Austin LLP, San Francisco, California, and Curls Bartling P.C., Oakland, California, Co-Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions, and assuming compliance with certain covenants in the documents pertaining to the Bonds and requirements of the Internal Revenue Code of 1986 (the "Code"), as amended, as described herein, interest on the 2012 Series ABC Bonds is not includable in the gross income of the owners of such Bonds for federal income tax purposes. In the further opinion of Co-Bond Counsel, interest on the 2012 Series ABC Bonds is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Interest on the 2012 Series ABC Bonds, however, is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liability. In the further opinion of Co-Bond Counsel, interest on the 2012 Series ABC Bonds is exempt from personal income taxes imposed by the State of California. Co-Bond Counsel express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of, interest on the 2012 Series ABC Bonds. See "TAX MATTERS."



\$ _____ *
Public Utilities Commission
of the City and County of San Francisco
San Francisco Water Revenue Bonds,
2012 Series ABC

\$ _____ *
2012 Sub-Series A Bonds
(WSIP)

\$ _____ *
2012 Sub-Series B Bonds
(Prop. A Reimbursement)

\$ _____ *
2012 Sub-Series C Bonds
(Refunding)

Dated: Date of Delivery

Due: November 1, as shown on inside front cover

General. This cover page contains certain information for quick reference only. It is not intended to be a summary of the security or terms of the water revenue bonds captioned above (the "2012 Sub-Series A Bonds," "2012 Sub-Series B Bonds," the "2012 Sub-Series C Bonds," and, collectively, the "2012 Series ABC Bonds"). Investors are instructed to read the entire Official Statement to obtain information essential to making an informed investment decision.

Authority for Issuance. The Public Utilities Commission of the City and County of San Francisco (the "SFPUC") is issuing the 2012 Series ABC Bonds pursuant to authority granted by the Charter of the City and County of San Francisco (the "City"), through Proposition E, approved by the voters of the City on November 5, 2002 ("Proposition E"). The 2012 Sub-Series A Bonds will be issued under a Sixteenth Supplemental Indenture, the 2012 Sub-Series B Bonds will be issued under a Seventeenth Supplemental Indenture, and the 2012 Sub-Series C Bonds will be issued under an Eighteenth Supplemental Indenture, each dated as of _____, 2012, by and between the SFPUC and U.S. Bank National Association, as trustee (the "Trustee"), and each of which supplements the Amended and Restated Indenture, dated as of August 1, 2002, by and between the SFPUC and the Trustee (as supplemented and amended to date, the "Indenture"). See "SECURITY FOR THE BONDS."

Purposes. The 2012 Sub-Series A Bonds are being issued primarily to finance a portion of the design, acquisition and construction of various capital projects of benefit to the SFPUC's Water Enterprise. Proceeds of the 2012 Sub-Series A Bonds will also be applied to fund capitalized interest on that Series of Bonds for a limited period. The 2012 Sub-Series B Bonds are being issued primarily to reimburse the Commission for costs to settle litigation arising out of certain capital projects of benefit to the SFPUC's Water Enterprise. The 2012 Sub-Series C Bonds are being issued to refund and defease the outstanding bond issues of the SFPUC captioned "\$140,000,000 Public Utilities Commission of the City and County of San Francisco, San Francisco Water Revenue Bonds, 2001 Series A" and "\$164,000,000 Public Utilities Commission of the City and County of San Francisco, San Francisco Water Revenue Bonds, 2002 Series A." Proceeds of the 2012 Series ABC Bonds will also be applied to fund a debt service reserve account for the 2012 Series ABC Bonds, and to pay the costs of issuance of the 2012 Series ABC Bonds. See "PLAN OF FINANCE."

Denominations and Interest. The 2012 Series ABC Bonds will be available in the 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 2012 Series ABC Bonds is payable semiannually on May 1 and November 1 of each year, commencing November 1, 2012. See "THE 2012 SERIES ABC BONDS."

Book-Entry Only. The 2012 Series ABC Bonds will be issued as fully registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers (the "Beneficial Owners"), under the book-entry system maintained by DTC. Beneficial Owners will not receive physical certificates representing their interests in the 2012 Series ABC Bonds. The principal of, premium, if any, and interest on the 2012 Series ABC Bonds are payable to DTC by the Trustee, and, so long as DTC is acting as securities depository for the 2012 Series ABC Bonds, disbursements of such payments to DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC Participants. See "THE 2012 SERIES ABC BONDS."

Redemption. The 2012 Series ABC Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity. See "THE 2012 SERIES ABC BONDS."

Security. Under the Indenture, the SFPUC has irrevocably pledged the Revenues of its Water Enterprise to the punctual payment of principal of, premium, if any, and interest on the Bonds, which consist of all outstanding parity revenue bonds issued under the Indenture, including the 2012 Series ABC Bonds, subject to the allocation of funds provided in the Indenture. The 2012 Series ABC Bonds are payable on a parity with certain Outstanding Bonds previously issued by the SFPUC under the Indenture. See "SECURITY FOR THE BONDS."

Limited Obligation. The SFPUC is not obligated to pay the principal of, premium, if any, or interest on the 2012 Series ABC Bonds from any source of funds other than 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 2012 Series ABC 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 2012 Series ABC Bonds. The 2012 Series ABC 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 Revenues. See "SECURITY FOR THE BONDS."

MATURITY SCHEDULE
(See inside cover)

The 2012 Series ABC Bonds are scheduled to be sold through respective competitive sales held on _____, 2012.

The 2012 Series ABC Bonds are offered when, as and if issued by the SFPUC and received by the successful bidder, subject to the approval of validity by Sidley Austin LLP, San Francisco, California, and Curls Bartling P.C., Oakland, California, Co-Bond Counsel to the SFPUC, and to certain other conditions. Certain matters will be passed upon for the SFPUC and the City by Jones Hall, A Professional Law Corporation, San Francisco, California, Disclosure Counsel, and by the City Attorney of the City and

** Complete copy of document is
located in

File No. 120355

SIXTEENTH SUPPLEMENTAL INDENTURE

by and between

U.S. BANK NATIONAL ASSOCIATION, as Trustee

and

PUBLIC UTILITIES COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO

Dated as of [_____, 2012]

AUTHORIZING THE ISSUANCE OF
\$[_____] AGGREGATE PRINCIPAL AMOUNT OF
PUBLIC UTILITIES COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO WATER REVENUE BONDS, 2012 SERIES ABC
2012 SUB-SERIES A
(WSIP)

(Supplemental to the Amended and Restated Indenture,
dated as of August 1, 2002, as amended and supplemented)

**SEVENTEENTH SUPPLEMENTAL INDENTURE
(Supplemental to the Amended and Restated Indenture,
dated as of August 1, 2002, as amended and supplemented)
Authorizing the Issuance of**

\$() Aggregate Principal Amount of
Public Utilities Commission of the
City and County of San Francisco
San Francisco Water Revenue Bonds, 2012 SERIES ABC
2012 Sub-Series B
(Prop A Projects)

This Seventeenth Supplemental Indenture, dated as of [, 2012] (this "Seventeenth Supplemental Indenture"), by and between U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, as trustee (the "Trustee"), and 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");

WITNESSETH:

WHEREAS, this Seventeenth Supplemental Indenture is supplemental to the Amended and Restated Indenture, dated as of August 1, 2002, between the Commission and the Trustee, as amended and supplemented (the "Indenture");

WHEREAS, the Commission has the authority to issue revenue bonds for the purpose of acquiring, constructing, financing and refinancing, improving or developing water facilities of or benefiting the Enterprise (as defined in the Indenture), subject to certain conditions including, in certain instances, the revenue bond voter approval requirements of the Charter, under such terms and conditions as the Commission may authorize;

WHEREAS, in 1987, the Commission issued a series of Bonds under the Indenture designated the "San Francisco Water Revenue Bonds, Refunding Series of 1987" (the "Series of 1987 Bonds") in the original principal amount of \$106,117,011 for the purpose of refunding certain water revenue bonds previously issued by the Commission designated "San Francisco Water Revenue Bonds, Series of 1985" in the original principal amount of \$104,000,000 (the "Series of 1985 Bonds");

WHEREAS, in 1991, the Commission issued a series of Bonds under the Indenture designated "San Francisco Water Revenue Bonds, 1991 Series A" (the "1991 Series A Bonds") in the original principal amount of \$70,145,682 for the purpose of financing or refinancing the reconstruction and replacement of existing facilities of the Enterprise;

WHEREAS, in 1992, the Commission issued a series of Bonds under the Indenture designated "San Francisco Water Revenue Bonds, 1992 Refunding Series A" (the

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located in

File No. 120355

EIGHTEENTH SUPPLEMENTAL INDENTURE

by and between

U.S. BANK NATIONAL ASSOCIATION, as Trustee

and

PUBLIC UTILITIES COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO

Dated as of [____], 2012

AUTHORIZING THE ISSUANCE OF
\$[____] AGGREGATE PRINCIPAL AMOUNT OF
PUBLIC UTILITIES COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO WATER REVENUE BONDS, 2012 SERIES ABC
2012 SUB-SERIES C
(REFUNDING)

(Supplemental to the Amended and Restated Indenture,
dated as of August 1, 2002, as amended and supplemented)

OFFICIAL NOTICE OF SALE

§ _____
**PUBLIC UTILITIES COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO WATER REVENUE BONDS
2012 SERIES ABC
2012 SUB-SERIES A
(WSIP)**

** Complete copy of document is
located in

File No. 120355

NOTICE IS HEREBY GIVEN that proposals will be received in electronic form only and solely through BiDCOMP™/Parity® (“Parity”), in the manner described below, by the Public Utilities Commission of the City and County of San Francisco (the “Commission”), at the offices of the Commission on:

_____, 2012, at 8:00 a.m. (California time)

(subject to postponement or cancellation in accordance with this Official Notice of Sale)

for the purchase of the revenue bonds captioned above (the “Bonds”) of the Commission more particularly described below. See “TERMS OF SALE – *Warning Regarding Electronic Bids.*”

The Commission reserves the right to postpone, from time to time, the date established for receipt and opening of bids with respect to the Bonds. Notice of any postponement will be communicated through Parity as soon as practicable following postponement. See “TERMS OF SALE – *Postponement or Cancellation of Sale.*”

The Commission reserves the right to cancel the sale of the Bonds. Notice of cancellation will be given through Parity as soon as practicable following such cancellation. See “TERMS OF SALE – *Postponement or Cancellation of Sale.*”

Notice of any change in the terms of the sale of the Bonds will be given through Parity by 4 p.m. California time the day before the sale. See “TERMS RELATING TO THE BONDS – *Adjustment of Principal Payments*” and “TERMS OF SALE – *Right to Modify or Amend.*” As an accommodation to bidders, telephone, facsimile or electronic notice of any amendment or modification of this Official Notice of Sale will be given to any bidder requesting such notice from either of the Commission’s financial advisors (the “Financial Advisors”):

Montague DeRose and Associates, LLC
2175 N. California Boulevard, Suite 745
Walnut Creek, California 94596
Attention: Chia Yang
Telephone: (925) 256-9797
Facsimile: (925) 256-9795
E-mail: yang@montaguederose.com

Backstrom McCarley Berry & Co., LLC
115 Sansome Street, Mezzanine A
San Francisco, California 94104
Attention: Vincent McCarley
Telephone: (415) 392-5505
Facsimile: (415) 392-5276
E-mail: vmccarley@bmcaco.com

* Subject to adjustment in accordance with this Official Notice of Sale.

