

1 [Public Utilities Commission - Issuance of Water Revenue Bond and Other Forms of
2 Indebtedness - Not to Exceed \$570,508,918]

3 **Ordinance authorizing the issuance and sale of tax-exempt or taxable Water Revenue**
4 **Bonds and other forms of indebtedness by the San Francisco Public Utilities**
5 **Commission (“Commission”) in an aggregate principal amount not to exceed**
6 **\$570,508,918 to finance the costs of various capital water and Hetch Hetchy Water**
7 **projects benefitting the Water Enterprise pursuant to amendments to the Charter of the**
8 **City and County of San Francisco enacted by the voters on November 5, 2002, as**
9 **Proposition E; authorizing the issuance of Water Revenue Refunding Bonds and the**
10 **retirement of outstanding Water Enterprise Commercial Paper; declaring the Official**
11 **Intent of the Commission to reimburse itself with one or more issues of tax-exempt or**
12 **taxable bonds or other forms of indebtedness; and ratifying previous actions taken in**
13 **connection therewith.**

14 NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
15 **Additions to Codes** are in single-underline italics Times New Roman font.
16 **Deletions to Codes** are in ~~striketrough italics Times New Roman font~~.
17 **Board amendment additions** are in double-underlined Arial font.
18 **Board amendment deletions** are in ~~striketrough Arial font~~.
19 **Asterisks (* * * *)** indicate the omission of unchanged Code
20 subsections or parts of tables.

21 Be it ordained by the People of the City and County of San Francisco:

22 Section 1. Findings. The Board of Supervisors (“Board”) of the City hereby finds
23 and declares as follows:

24 a. On November 5, 2002, the voters of the City and County of San Francisco
25 (“City”) approved Proposition E, City Charter Section 8B.121(a) (“Proposition E”), which,
among other things, states that the San Francisco Public Utilities Commission (“Commission”) shall have exclusive charge of the construction, management, supervision, maintenance,

1 extension, expansion, operation, use and control of all water, clean water (sewer) and energy
2 supplies and utilities of the City as well as the real, personal and financial assets, that are
3 under the Commission's jurisdiction or assigned to the Commission under City Charter
4 Section 4.132.

5 b. Proposition E authorized the Commission to issue revenue bonds, including
6 notes, commercial paper or other forms of indebtedness, when authorized by ordinance
7 approved by a two-thirds vote of the Board of Supervisors, for the purpose of reconstructing,
8 replacing, expanding, repairing or improving water facilities or clean water facilities or
9 combinations of water and clean water (sewer) facilities under the jurisdiction of the
10 Commission or for any other lawful purpose of the water or clean water (sewer) utilities of the
11 City in furtherance of the purposes provided in Proposition E; and

12 c. The Commission adopted the Amended and Restated Water Indenture dated as
13 of January 1, 2002, as further amended and supplemented from time to time ("Indenture"),
14 between the Commission and U.S. Bank National Association and in connection therewith,
15 has from time to time issued revenue bonds to finance projects benefitting the Water
16 Enterprise; and

17 d. Pursuant to Section 43.5 of the San Francisco Administrative Code ("Article V"),
18 enacted by Ordinance No. 203-98 adopted by the Board on June 8, 1998, and signed by the
19 Mayor of the City on June 19, 1998, as amended by Ordinance No. 270-06, adopted on
20 October 24, 2006 by the Board and signed by the Mayor on October 31, 2006, the Board
21 established a procedure pursuant to which the Commission may issue short-term
22 indebtedness, including the issuance of commercial paper in anticipation of the issuance of its
23 revenue bonds; and

24 e. Pursuant to Ordinance No. 269-24, finally passed by the Board of Supervisors
25 on November 19, 2024, and signed by the Mayor on November 25, 2024, and Resolution No.

1 24-0193, adopted by this Commission on September 10, 2024, the Water Enterprise’s
2 commercial paper program (“Water CP Program”) was increased to an aggregate principal
3 amount of \$750,000,000 outstanding at one time, and the Commission has caused its Water
4 Enterprise commercial paper to be issued from time to time; and

5 f. By Resolution No. 26-0021, adopted by the Commission on February 10, 2026
6 (“Commission Resolution”), the Commission has determined to issue or incur, as applicable,
7 Water Revenue Bonds (“Water Revenue Bonds”) and other forms of indebtedness (including
8 without limitation State Revolving Fund Loans borrowed from the State Water Resources
9 Control Board and other loans by the State of California or any department or agency thereof
10 (“State Loans”), grants from the State Water Resources Control Board, loans from the Water
11 Infrastructure Finance and Innovation Act (“WIFIA”) program, loans from the Corps Water
12 Infrastructure Financing Program (“CWIFP”) and/or other federal loans (WIFIA and CWIFP
13 and other federal loans being, “Federal Loans”)), as well as interim funding vehicles such as
14 commercial paper, bank liquidity or credit agreements, revolving credit agreements, bond
15 anticipation notes or other forms of notes, which interim funding vehicles will be issued in
16 advance of being paid off by either Water Revenue Bonds and other forms of indebtedness
17 (Water Revenue Bonds and other forms of indebtedness, as well as interim funding vehicles,
18 are collectively referred to as “Commission Indebtedness”) to finance the costs of various
19 capital projects benefitting the Water Enterprise and Hetch Hetchy Water (the "Capital
20 Improvement Projects" such projects being more fully described in the Commission
21 Resolution), pursuant to Proposition E, and the Commission has formally requested this
22 Board to authorize the issuance and sale or incurrence of Commission Indebtedness for such
23 purposes, such Commission Resolution being on file with the Clerk of the Board in File No.
24 _____; and
25

1 g. In order to finance the costs of the Capital Improvement Projects, the Board now
2 desires to authorize the issuance and sale or incurrence, as applicable, of Commission
3 Indebtedness, as described above, for such purposes; and

4 h. The Commission has paid, beginning no earlier than 60 days prior to the
5 adoption of this Ordinance and will pay, on and after the date hereof, certain expenditures
6 (“Expenditures”) in connection with the acquisition, construction and/or equipping of the
7 Capital Improvement Projects; and

8 i. This Board is concurrently considering with this Ordinance, related supplemental
9 appropriation ordinances for Fiscal Years (“FY”) 2026-27 and 2027-28, including expenditures
10 of the proceeds of Commission Indebtedness; and

11 j. This Board, on behalf of the Commission, adopts this Ordinance as official
12 action of the Commission in order to comply with Treasury Regulation §1.150-2 and any other
13 regulations of the Internal Revenue Service relating to the qualification for reimbursement of
14 Commission expenditures incurred prior to the date of issue or incurrence of Commission
15 Indebtedness.

16 Section 2. Authorization to Issue or Incur Commission Indebtedness. The Board
17 hereby authorizes the issuance and sale or incurrence, as applicable, of taxable or tax-
18 exempt Commission Indebtedness from time to time by the Commission pursuant to
19 Proposition E and in accordance with the Commission Resolution, in an aggregate principal
20 amount not to exceed \$570,508,918 (inclusive of financing costs), bearing a maximum rate or
21 rates of interest of not to exceed twelve percent (12%) per annum, to finance a portion of the
22 costs of the design, acquisition and construction of the Capital Improvement Projects. The
23 Commission is hereby further authorized to determine the timing, amount, series or subseries,
24 other terms and conditions and manner of sale (i.e., competitive or negotiated) of, or
25 borrowing under, the Commission Indebtedness pursuant to this authorization; provided

1 however, the Commission’s authorization to issue or incur Commission Indebtedness is
2 subject to approval by the Commission of the form of substantially final offering document
3 related to such obligations (if any) and the approval of any related agreements, financing
4 documents and the filing with its Board and the Clerk of the Board any certifications required
5 by Proposition E prior to the issuance or incurrence of any Commission Indebtedness herein
6 authorized. The Commission shall also file, within 30 days of closing any Commission
7 Indebtedness transactions authorized hereby, with the Clerk of the Board of Supervisors, a
8 report showing the results of the transaction, including (i) principal amount sold and method of
9 sale, (ii) true interest cost, (iii) final maturity, (iv) the facilities constructed and/or improved, and
10 (v) a statement about the remaining bonding authorization under this Ordinance (“Bond
11 Report”), provided that the failure to file such Bond Report shall not affect the validity of any
12 debt authorized hereunder.

13 Section 3. Authorization to Issue Water Revenue Refunding Bonds; Commercial
14 Paper Retirement. Notwithstanding Section 2 immediately above, the Board further
15 authorizes and approves the issuance by the Commission of Water Revenue Refunding
16 Bonds (“Refunding Bonds”) without limitation as to principal amount, in one or more series on
17 one or more dates, at a maximum interest rate or rates of interest not to exceed twelve
18 percent (12%) per annum, provided that each such Refunding Bond issue is permitted under
19 the applicable policies and procedures of the City and authorized by either Section 9.109 of
20 the Charter (including related ordinances and resolutions of the Board) or Proposition E. The
21 Refunding Bonds may be issued as taxable or tax-exempt obligations, or any combination
22 thereof. Refunding Bonds authorized hereunder shall be subject to the further following
23 conditions, that: (i) three percent (3%) net present value debt service savings or greater is
24 achieved to ensure ratepayer savings (exclusive of any issuance to refund commercial paper,
25 revolving credit notes, or bond anticipation notes); (ii) that the maturity of the refunded bonds

1 is not extended (exclusive of any issuance to refund commercial paper, revolving credit notes,
2 or bond anticipation notes); (iii) this authorization is subject to a 5-year term through June 30,
3 2031, at which time this Board may consider an extension; (iv) principal payments and term
4 may be adjusted, where permitted under federal and state tax law, only if and when the
5 underlying capital asset funded through said refunded bonds has a useful life not in excess of
6 any limit permitted under federal and state tax law than the refunded term; and (v) the
7 Commission shall within 30 days of any executed refunding transaction provide a refunding
8 savings report ("Bond Refunding Savings Report") prepared by its municipal advisors (that
9 reflects at least a three percent (3%) net present value debt service savings) to the Board,
10 together with a copy of the final Official Statement (if any) with respect to such series of
11 Refunding Bonds, provided that the failure to deliver such Bond Refunding Savings Report
12 shall in no way affect the validity of any Refunding Bonds. Notwithstanding the foregoing, the
13 Commission is authorized to issue Refunding Bonds that do not meet all of the foregoing
14 conditions provided that the Commission makes a finding, by resolution, that significant non-
15 economic factors exist that justify the waiver of the three percent (3%) net present value debt
16 service savings test and other conditions set forth above. Such non-economic factors may
17 include, by way of illustration and not limitation, eliminating onerous covenants and obsolete
18 provisions contained in the Commission's indenture or other security documents, or
19 restructuring a series of bonds in response to then-current market conditions. On May 27,
20 2025, the Commission adopted Resolution No. 25-0086 approving the issuance of its 2025
21 Series F Water Revenue Refunding Bonds to refund certain outstanding Build America Bonds
22 originally issued pursuant to Proposition E. The 2025 Series F bonds were issued in the
23 aggregate principal amount of \$550,275,000. In connection therewith, the Commission made
24 a finding that significant non-economic factors justified such refunding, including the
25 avoidance of the risk that the Federal government may further reduce subsidy payments

1 payable with respect to Build America Bonds. The principal amount of the 2025 Series F
2 bonds shall not reduce or count against the principal amount of indebtedness of the
3 Commission previously authorized by the Board pursuant to Proposition E. In furtherance of
4 the purpose of managing the Commission’s outstanding indebtedness, the General Manager
5 is hereby authorized to use Available Water Enterprise Revenues and other funds as
6 appropriate to retire outstanding Water Enterprise commercial paper and other forms of
7 indebtedness at such times and in such amounts advantageous to the Commission.

8 Section 4. Declaration of Official Intent. The Board, on behalf of the Commission,
9 hereby declares the official intent of the Commission to reimburse the Commission with
10 proceeds of Commission Indebtedness for the Expenditures with respect to the Capital
11 Improvement Projects made on and after a date that is no more than 60 days prior to the
12 adoption of this Ordinance. The Commission reasonably expects on the date hereof that it
13 will reimburse the Expenditures with proceeds of Commission Indebtedness. Each said
14 Expenditure was and will be either (A) of a type properly chargeable to a capital account
15 under general federal income tax principles (determined in each case as of the date of the
16 Expenditure), (B) a cost of issuance with respect to such obligations, (C) a nonrecurring item
17 that is not customarily payable from current revenues, or (D) a grant to pay a party that is not
18 related to or an agent of the issuer so long as such grant does not impose any obligation or
19 condition (directly or indirectly) to repay any amount to or for the benefit of the Commission.
20 The Commission will make a reimbursement allocation, which is a written allocation by the
21 Issuer that evidences the Commission’s use of proceeds of Commission Indebtedness to
22 reimburse an Expenditure, no later than 18 months after the later of the date on which the
23 Expenditure is paid or the component of the Capital Improvement Projects is placed in service
24 or abandoned, but in no event more than three years after the date on which the Expenditure
25 is paid. The Commission recognizes that exceptions are available for certain “preliminary

1 expenditures,” costs of issuance, certain de minimis amounts, expenditures by “small issuers”
2 (based on the year of issuance and not the year of expenditure) and expenditures for
3 construction projects of at least 5 years.

4 Section 5. General Authority. The Controller of the City (“Controller”), Treasurer of
5 the City (“Treasurer”), the City Attorney and other officers of the City, including the Director of
6 the Office of Public Finance, and their duly authorized deputies and agents are hereby
7 authorized and directed, jointly and severally, to take such actions and to execute and deliver
8 such certificates, agreements, requests or other documents, as they may deem necessary or
9 desirable to facilitate the issuance, sale and delivery or incurrence of Commission
10 Indebtedness or Refunding Bonds, and to obtain bond insurance or other credit or liquidity
11 enhancements with respect to any such obligations, and otherwise to carry out the provisions
12 of this Ordinance. The Commission is hereby directed to provide the final form to the Clerk
13 of the Board of any disclosure document prepared in connection with the execution of any
14 Commission Indebtedness or Refunding Bonds, and the final executed Installment Sale
15 Agreement, loan agreement or other document reflecting the incurrence of a State Loan or
16 Federal Loan, within 30 days of the closing of such transactions provided that the failure to
17 deliver such document shall not affect the validity of the obligations authorized hereunder.
18 The Commission is further directed as a part of the two-year budget review to provide to this
19 Board of Supervisors a written report about Water Revenue Bonds authorized hereunder,
20 detailing the total amount authorized, the total amount sold, the remaining authorized but
21 unissued amount, and the bond authorization no longer necessary due to changes in projects
22 and project financing.

23 Section 6. Ratification of Prior Actions. All actions authorized and directed by this
24 Ordinance in connection with the issuance or incurrence of Commission Indebtedness or
25

1 Refunding Bonds and heretofore taken are hereby ratified, approved and confirmed by this
2 Board.

3 Section 7. Additional Definitions and Terms Pertaining to Proceeds. The following
4 additional definitions and declarations of the Board shall be as follows:

5 a. Financings. For all purposes of this Ordinance and any related Commission
6 Resolution, a Financing (“Financing”) is: (i) any issuance of tax-exempt or taxable revenue
7 bonds, notes, bond anticipation notes, commercial paper, bank liquidity or credit agreements,
8 certificates of participation or other obligations for borrowed money, including, without limitation,
9 any financing lease, installment purchase or sale agreement, or other similar financing
10 agreements or arrangement; and (ii) any indebtedness to a State or Federal lender, program, or
11 funding source, including, without limitation, any State Loan or Federal Loan, and any borrowing
12 from a similar programs or replacement programs that may come into existence after the
13 adoption date hereof; and (iii) any funding to the Commission arising from a joint powers
14 agreement between the Commission and one or more other public agencies for the joint
15 acquisition, construction, operation and/or management of infrastructure or facilities; and (iv)
16 any financial award from a Federal, State, or local government authority or a private grant-
17 making foundation or a private nonoperating foundation or a Section 501(c)3 charitable
18 organization; and (v) any funding from a securitization that involves the issuance of debt
19 instruments.

20 b. For all purposes of this Ordinance and any related Commission Resolution, a
21 Financing Agreement (“Financing Agreement”) is: any contract, agreement, financing lease,
22 installment purchase or sale agreement, application, draw notice, joint powers agreement,
23 securitization agreement, or other similar financing agreements or arrangement, or
24 amendment to any of these, entered into by the Commission in connection with any
25 Financing.

1 c. Upon request or with the consent of the Chief Financial Officer or the Deputy
2 Chief Financial Officer of the Commission, or their designee(s), the Controller shall record the
3 substitution of funds arising from any Financing Agreement (whether already in existence as
4 of the date of this Ordinance or entered into in connection with a Financing that is approved
5 hereunder) with separate and other Financing Agreement transactional funds, all as
6 necessary to conform to (i) Generally Accepted Accounting Principles and other laws and (ii)
7 the terms of any Financing Agreement. Commission funds held by the Controller generally
8 remain subject to Article VIII B of the Charter and Article XIII C and Article XIII D of the
9 California Constitution.

10 d. In accordance with Section 3.105 and Section 9.113 of the Charter, at the
11 closing of each Commission transaction involving a Financing Agreement, the Chief Financial
12 Officer or the Deputy Chief Financial Officer of the Commission, or their designee(s), shall ask
13 the Controller to independently confirm whether sufficient unencumbered balances are
14 expected to be available in the proper fund(s) to meet all payments under such obligations as
15 they become due, if any, and the Controller shall issue related certifications.

16 Section 8. File Documents. All documents referred to as on file with the Clerk of the
17 Board are in File Nos. _____.

18 Section 9. Effective Date. Pursuant to Charter Section 8B.124, this Ordinance shall
19 take effect thirty (30) days after its adoption.

20 APPROVED AS TO FORM:
21 DAVID CHIU, City Attorney

22
23 By: /s/ _____
24 Sheryl L. Bregman
25 Deputy City Attorney