

1 [San Francisco Public Utilities Commission Water Revenue Bond and Other Forms of
2 Indebtedness Issuance - Not to Exceed ~~\$1,035,007,350~~ 1,040,007,350]

3 **Ordinance authorizing the issuance and sale of tax-exempt or taxable Water Revenue**
4 **Bonds and other forms of indebtedness (as described below) by the San Francisco**
5 **Public Utilities Commission (“Commission”) in an aggregate principal amount not to**
6 **exceed ~~\$1,035,007,350~~ 1,040,007,350 to finance the costs of various capital water and**
7 **Hetch Hetchy Water projects benefitting the Water Enterprise pursuant to amendments**
8 **to the Charter of the City and County of San Francisco enacted by the voters on**
9 **November 5, 2002 as Proposition E; authorizing the issuance of Water Revenue**
10 **Refunding Bonds and the retirement of outstanding Water Enterprise Commercial**
11 **Paper; and declaring the Official Intent of the Commission to reimburse itself with one**
12 **or more issues of tax-exempt bonds or other forms of indebtedness; and ratifying**
13 **previous actions taken in connection therewith, as defined herein.**

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 ~~strikethrough italics Times New Roman font~~.
17 **Board amendment additions** are in double-underlined Arial font.
18 **Board amendment deletions** are in ~~strikethrough 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 San Francisco Board of Supervisors (“Board”) 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 (“Proposition E”, City Charter Section 8B.121(a)), which,
among other things, provides that the Commission shall have exclusive charge of the

1 construction, management, supervision, maintenance, extension, expansion, operation, use
2 and control of all water, clean water and energy supplies and utilities of the City as well as the
3 real, personal, and financial assets that are under the Commission's jurisdiction or assigned to
4 the Commission under Charter 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 facilities under the jurisdiction of the Commission; and

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

15 d. Under San Francisco Administrative Code Chapter 43, Article V, Section 43.5.1,
16 *et seq.*, the Commission may by prescribed procedure issue short-term indebtedness,
17 including the issuance of commercial paper in anticipation of the issuance of its revenue
18 bonds; and

19 e. As prescribed by Administrative Code Chapter 43, Article V, the Commission
20 issues short-term indebtedness for the Water Enterprise under the Water Enterprise
21 commercial paper program (“Water CP Program”) up to an aggregate principal amount not to
22 exceed \$500,000,000 of commercial paper notes outstanding at any one time (see Ordinance
23 No. 311-08 (December 16, 2008) and Commission Resolution No. 09-175 (October 27, 2009),
24 and the Commission has caused Water Enterprise commercial paper to be issued from time
25 to time; and

1 f. On February 13, 2024, by Resolution No. 24-0031 (“Commission Resolution”),
2 the Commission determined to issue Water Revenue Bonds (“Water Revenue Bonds”) and
3 other forms of indebtedness (including without limitation State Revolving Fund Loans
4 borrowed from the State Water Resources Control Board (“SRF Loans”), other State and
5 Federal Loans, all as described below), and interim funding vehicles such as commercial
6 paper, revolving credit agreements, bond anticipation notes or other forms of notes, which
7 interim funding vehicles will be issued in advance of being paid off by either Water Revenue
8 Bonds and other forms of indebtedness (including without limitation SRF Loans, and other
9 State Loans and Federal Loans, all as described below) to finance the costs of various capital
10 projects benefitting the Water Enterprise and Hetch Hetchy Water (the "Capital Improvement
11 Projects" such projects being more fully described in the Commission Resolution), pursuant to
12 Proposition E, and the Commission has formally requested this Board to authorize the
13 issuance and sale of Water Revenue Bonds and other forms of indebtedness for such
14 purposes, such Commission Resolution being on file with the Clerk of the Board of
15 Supervisors in Board File No. 240455; and

16 g. In order to finance the costs of the Capital Improvement Projects, the Board now
17 desires to authorize the issuance and sale of Water Revenue Bonds and other forms of
18 indebtedness, as described above, for such purposes, including obtaining SRF Loans (“State
19 Loans”), grants from the State Water Resources Control Board, loans from the Water
20 Infrastructure Finance and Innovation Act (“WIFIA”) program, loans from the Corps Water
21 Infrastructure Financing Program (“CWIFP”) and/or other Federal loans (WIFIA and CWIFP
22 and other Federal loans being, “Federal Loans”); and

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

3 i. This Board is concurrently considering with this Ordinance related supplemental
4 appropriation ordinances for Fiscal Years (“FY”) 2024-25 and 2025-26, including expenditures
5 of the proceeds of the Water Revenue Bonds and other forms of indebtedness (including,
6 without limitation and for illustrative purposes only, State Loans, Federal Loans (including
7 WIFIA Loans and CWIFP Loans), commercial paper, revolving credit agreements, and bond
8 anticipation notes); and

9 j. This Board, on behalf of the Commission, adopts this Ordinance as official
10 action of the Commission in order to comply with Treasury Regulation §1.150-2 and any other
11 regulations of the Internal Revenue Service relating to the qualification for reimbursement of
12 Commission expenditures incurred prior to the date of issue of the Water Revenue Bonds and
13 other forms of indebtedness (including, without limitation and for illustrative purposes only,
14 State and Federal Loans, commercial paper, revolving credit agreements, and bond
15 anticipation notes).

16 Section 2. Authorization to Issue Water Revenue Bonds and other forms of
17 indebtedness. The Board hereby authorizes the issuance and sale of taxable or tax-exempt
18 Water Revenue Bonds or other forms of indebtedness (including for illustrative purposes only,
19 commercial paper, bank liquidity or credit agreements, State and Federal Loans, or bond
20 anticipation notes) (in one or more series from time to time by the Commission pursuant to
21 Proposition E and in accordance with the Commission Resolution, in an aggregate principal
22 amount not to exceed ~~\$1,035,007,350~~ 1,040,007,350 (inclusive of financing costs), bearing a
23 maximum rate or rates of interest of not to exceed twelve percent (12%) per annum, to
24 finance a portion of the costs of the design, acquisition and construction of the Capital
25 Improvement Projects . Without limiting the foregoing, the Commission shall also be

1 authorized to incur State and Federal Loans at such time, in such amounts, and upon such
2 other terms and conditions as the Commission may deem advantageous, and to approve any
3 financing documentation related thereto consistent with this Ordinance. The Commission is
4 hereby further authorized to determine the timing, amount and manner of sale (i.e.,
5 competitive or negotiated) of, or borrowing under each, series of Water Revenue Bonds, bond
6 anticipation notes, revolving credit agreements, commercial paper, or State or Federal Loan
7 pursuant to this authorization; provided however, the Commission's authorization to issue
8 Water Revenue Bonds, bond anticipation notes, revolving credit agreements, or commercial
9 paper, or to borrow under a State Loan or Federal Loan, is subject to approval by the
10 Commission of the form of substantially final offering document related to such obligations (if
11 any) and the approval of any related agreements, financing documents and the filing with its
12 Board and the Clerk of the Board any certifications required by Proposition E prior to the
13 issuance of any bonds or incurrence of any indebtedness herein authorized. The Commission
14 shall also file, within 30 days of closing any Water Revenue Bond or other form of
15 indebtedness (including State and Federal Loans and bond anticipation notes) transactions
16 authorized hereby, with the Clerk of the Board of Supervisors a report showing the results of
17 the transaction, including (i) principal amount sold and method of sale, (ii) true interest cost,
18 (iii) final maturity, (iv) the facilities constructed and/or improved, and (v) a statement about the
19 remaining bonding authorization under this Ordinance ("Bond Report"), provided that the
20 failure to file such Bond Report shall not affect the validity of any debt authorized hereunder.

21 Section 3. Authorization to Issue Water Revenue Refunding Bonds; Commercial
22 Paper Retirement. Notwithstanding Section 2 immediately above, the Board further
23 authorizes and approves the issuance by the Commission of Water Revenue Refunding
24 Bonds ("Refunding Bonds") without limitation as to principal amount, in one or more series on
25 one or more dates, at a maximum interest rate or rates of interest not to exceed twelve

1 percent (12%) per annum, provided that each such Refunding Bond issue is permitted under
2 the applicable policies and procedures of the City and authorized by Section 9.109 of the
3 Charter (including related ordinances and resolutions of the Board). The Refunding Bonds
4 may be issued as taxable or tax-exempt obligations, or any combination of such obligations.
5 Refunding Bonds authorized hereunder shall be subject to the further following conditions,
6 that: (i) three percent (3%) net present value debt service savings or greater is achieved to
7 ensure ratepayer savings (exclusive of any issuance to refund commercial paper, revolving
8 credit notes, or bond anticipation notes); (ii) that the maturity of the refunded bonds is not
9 extended (exclusive of any issuance to refund commercial paper, revolving credit notes, or
10 bond anticipation notes); (iii) this authorization is subject to a 5-year term through June 30,
11 2029, at which time this Board may consider an extension; (iv) principal payments and term
12 may be adjusted, where permitted under federal and state tax law, only if and when the
13 underlying capital asset funded through said refunded bonds has a useful life not in excess of
14 any limit permitted under federal and state tax law than the refunded term; and (v) the
15 Commission shall within 30 days of any executed refunding transaction provide a refunding
16 savings report ("Bond Refunding Savings Report") prepared by its municipal advisors (that
17 reflects at least a three percent (3%) net present value debt service savings) to the Board,
18 together with a copy of the final Official Statement (if any) with respect to such series of
19 Refunding Bonds, provided that the failure to deliver such Bond Refunding Savings Report
20 shall in no way affect the validity of any Refunding Bonds. Notwithstanding the foregoing, the
21 Commission is authorized to issue Refunding Bonds that do not meet all of the foregoing
22 conditions provided that the Commission makes a finding, by resolution, that significant non-
23 economic factors exist that justify the waiver of the three percent (3%) net present value debt
24 service savings test and other conditions set forth above. Such non-economic factors may
25 include, by way of illustration and not limitation, eliminating onerous covenants and obsolete

1 provisions contained in the Commission's indenture or other security documents, or
2 restructuring a series of bonds in response to then-current market conditions. In furtherance
3 of the purpose of managing the Commission's outstanding indebtedness, the General
4 Manager is hereby authorized to use Available Water Enterprise Revenues and other funds
5 as appropriate to retire outstanding Water Enterprise Commercial Paper and other forms of
6 indebtedness at such times and in such amounts advantageous to the Commission.

7 Section 4. Declaration of Official Intent. The Board, on behalf of the Commission,
8 hereby declares the official intent of the Commission to reimburse the Commission with
9 proceeds of the Water Revenue Bonds or other forms of indebtedness (including State or
10 Federal Loans, commercial paper, revolving credit notes, or bond anticipation notes) for the
11 Expenditures with respect to the Capital Improvement Projects made on and after a date that
12 is no more than 60 days prior to the adoption of this Ordinance. The Commission reasonably
13 expects that it will reimburse the Expenditures with proceeds of the Water Revenue Bonds or
14 other forms of indebtedness (including, without limitation and for illustrative purposes only,
15 State or Federal Loans, commercial paper, revolving credit notes or bond anticipation notes).
16 Each Expenditure was and will be either (A) of a type properly chargeable to a capital account
17 under general federal income tax principles (determined in each case as of the date of the
18 Expenditure), (B) a cost of issuance with respect to such obligations, (C) a nonrecurring item
19 that is not customarily payable from current revenues, or (D) a grant to pay a party that is not
20 related to or an agent of the issuer so long as such grant does not impose any obligation or
21 condition (directly or indirectly) to repay any amount to or for the benefit of the Commission.
22 The Commission will make a reimbursement allocation, which is a written allocation by the
23 Issuer that evidences the Commission's use of proceeds of the Water Revenue Bonds or
24 other forms of indebtedness to reimburse an Expenditure, no later than 18 months after the
25 later of the date on which the Expenditure is paid or the component of the Capital

1 Improvement Projects is placed in service or abandoned, but in no event more than three
2 years after the date on which the Expenditure is paid. The Commission recognizes that
3 exceptions are available for certain “preliminary expenditures,” costs of issuance, certain de
4 minimis amounts, expenditures by “small issuers” (based on the year of issuance and not the
5 year of expenditure) and expenditures for construction projects of at least five years.

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

1 Section 6. Ratification of Prior Actions. All actions authorized and directed by this
2 Ordinance in connection with the issuance of the Water Revenue Bonds, other forms of
3 indebtedness (including, without limitation and for illustrative purposes only, SRF Loans,
4 federal loan, commercial paper, revolving credit notes, or bond anticipation notes) or
5 Refunding Bonds and heretofore taken are hereby ratified, approved and confirmed by this
6 Board.

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

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

24 b. For all purposes of this Ordinance and any related Commission Resolution, a
25 Financing Agreement (“Financing Agreement”) is: any contract, agreement, financing lease,

1 installment purchase or sale agreement, application, draw notice, joint powers agreement,
2 securitization agreement, or other similar financing agreements or arrangement, or
3 amendment to any of these, entered into by the Commission in connection with any
4 Financing.

5 c. The Chief Financial Officer or the Deputy Chief Financial Officer of the
6 Commission, or their designee(s), is authorized to ask the Controller to record the substitution
7 of funds arising from any Financing Agreement (whether already in existence as of the date of
8 this Ordinance or entered into in connection with a Financing that is approved hereunder) with
9 separate and other Financing Agreement transactional funds, all as necessary to conform to
10 (i) Generally Accepted Accounting Principles and other laws and (ii) the terms of any
11 Financing Agreement. Commission funds held by the Controller generally remain subject to
12 Article VIII B of the Charter and Article XIIC and Article XIID of the California Constitution.

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

19 Section 8. File Documents. All documents referred to as on file with the Clerk of the
20 Board of Supervisors are in Board File Nos. 240455.

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

