

[San Francisco Public Utilities Commission Water Revenue Bond and Other Forms of Indebtedness Issuance - Not to Exceed \$1,054,138,857]

Ordinance authorizing the issuance and sale of tax-exempt or taxable Water Revenue Bonds and other forms of indebtedness by the San Francisco Public Utilities Commission (“Commission”) in an aggregate principal amount not to exceed \$1,054,138,857 to finance the costs of various capital water and Hetch Hetchy Water projects benefitting the Water Enterprise pursuant to amendments to the San Francisco Charter enacted by the voters on November 5, 2002, as Proposition E; authorizing the issuance of Water Revenue Refunding Bonds and the retirement of outstanding Water Enterprise Commercial Paper; declaring the Official Intent of the Commission to reimburse itself with one or more issues of tax-exempt bonds or other forms of indebtedness; and ratifying previous actions taken in connection with the previously listed matters.

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

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

Section 1. Findings. The San Francisco Board of Supervisors (“Board”) hereby finds and declares as follows:

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

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

4 b. Proposition E (Charter Section 8B.121(a)) ("Proposition E") authorized the
5 Commission to issue revenue bonds, including notes, commercial paper or other forms of
6 indebtedness, when authorized by ordinance approved by a two-thirds vote of the Board of
7 Supervisors, for the purpose of reconstructing, replacing, expanding, repairing or improving
8 water facilities or clean water facilities or combinations of water and clean water facilities
9 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 \$750,000,000 of commercial paper notes outstanding at any one time (see Ordinance
23 No. 0269-24 (December 26, 2024) and Commission Resolution No. 24-0193 (September 10,
24 2024)), and the Commission has caused Water Enterprise commercial paper to be issued
25 from time 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"), and 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 or other forms of indebtedness (including without limitation SRF Loans, and other State
9 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, including obtaining SRF Loans ("State Loans"), grants
19 from the State Water Resources Control Board, loans from the Water Infrastructure Finance
20 and Innovation Act ("WIFIA") program, loans from the Corps Water Infrastructure Financing
21 Program ("CWIFP") and/or other Federal loans (WIFIA and CWIFP and other Federal loans
22 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 considering concurrently with this Ordinance related supplemental
4 appropriation ordinances for Fiscal Year ("FY") 2025-26, including expenditures of the
5 proceeds of the Water Revenue Bonds and other forms of indebtedness (including, without
6 limitation and for illustrative purposes only, State Loans, Federal Loans (including WIFIA
7 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.

18 The Board hereby authorizes the issuance and sale of taxable or tax-exempt Water
19 Revenue Bonds or other forms of indebtedness (including for illustrative purposes only,
20 commercial paper, bank liquidity or credit agreements, State and Federal Loans, or bond
21 anticipation notes) (in one or more series from time to time by the Commission pursuant to
22 Proposition E and in accordance with the Commission Resolution, in an aggregate principal
23 amount not to exceed \$1,054,138,857 (inclusive of financing costs), bearing a maximum rate
24 or rates of interest of not to exceed twelve percent (12%) per annum, to finance a portion of
25 the costs of the design, acquisition and construction of the Capital Improvement Projects.

1 Without limiting the foregoing, the Commission shall also be authorized to incur State and
2 Federal Loans at such time, in such amounts, and upon such other terms and conditions as
3 the Commission may deem advantageous, and to approve any financing documentation
4 related thereto consistent with this Ordinance. The Commission is hereby further authorized
5 to determine the timing, amount and manner of sale (i.e., competitive or negotiated) of, or
6 borrowing under each, series of Water Revenue Bonds, bond anticipation notes, revolving
7 credit agreements, commercial paper, or State or Federal Loan pursuant to this authorization;
8 provided however, the Commission's authorization to issue Water Revenue Bonds, bond
9 anticipation notes, revolving credit agreements, or commercial paper, or to borrow under a
10 State Loan or Federal Loan, is subject to approval by the Commission of the form of
11 substantially final offering document related to such obligations (if any) and the approval of
12 any related agreements, financing documents and the filing with its Board and the Clerk of the
13 Board any certifications required by Proposition E prior to the issuance of any bonds or
14 incurrence of any indebtedness herein authorized. The Commission shall also file, within 30
15 days of closing any Water Revenue Bond or other form of indebtedness (including State and
16 Federal Loans and bond anticipation notes) transactions authorized hereby, with the Clerk of
17 the Board of Supervisors, a report showing the results of the transaction, including (i) principal
18 amount sold and method of sale, (ii) true interest cost, (iii) final maturity, (iv) the facilities
19 constructed and/or improved, and (v) a statement about the remaining bonding authorization
20 under this Ordinance ("Bond Report"), provided that the failure to file such Bond Report shall
21 not affect the validity of any debt authorized hereunder.

22 Section 3. Authorization to Issue Water Revenue Refunding Bonds; Commercial
23 Paper Retirement.

24 Notwithstanding Section 2, the Board further authorizes and approves the issuance by
25 the Commission of Water Revenue Refunding Bonds ("Refunding Bonds") without limitation

1 as to principal amount, in one or more series on one or more dates, at a maximum interest
2 rate or rates of interest not to exceed twelve percent (12%) per annum, provided that each
3 such Refunding Bond issue is permitted under the applicable policies and procedures of the
4 City and authorized by Section 9.109 and Article VIIIB of the Charter (including related
5 ordinances and resolutions of the Board). The Refunding Bonds may be issued as taxable or
6 tax-exempt obligations, or any combination of such obligations. Refunding Bonds authorized
7 hereunder shall be subject to the further following conditions, that: (i) three percent (3%) net
8 present value debt service savings or greater is achieved to ensure ratepayer savings
9 (exclusive of any issuance to refund commercial paper, revolving credit notes, or bond
10 anticipation notes); (ii) that the maturity of the refunded bonds is not extended (exclusive of
11 any issuance to refund commercial paper, revolving credit notes, or bond anticipation notes);
12 (iii) this authorization is subject to a 5-year term through June 30, 2030, at which time this
13 Board may consider an extension; (iv) principal payments and term may be adjusted, where
14 permitted under federal and state tax law, only if and when the underlying capital asset funded
15 through said refunded bonds has a useful life not in excess of any limit permitted under
16 federal and state tax law than the refunded term; and (v) the Commission shall within 30 days
17 of any executed refunding transaction provide a refunding savings report ("Bond Refunding
18 Savings Report") (that reflects at least a three percent (3%) net present value debt service
19 savings) to the Board, together with a copy of the final Official Statement (if any) with respect
20 to such series of Refunding Bonds, provided that the failure to deliver such Bond Refunding
21 Savings Report shall in no way affect the validity of any Refunding Bonds. Notwithstanding
22 the foregoing, the Commission is authorized to issue Refunding Bonds that do not meet all of
23 the foregoing conditions provided that the Commission makes a finding, by resolution, that
24 significant non-economic factors exist that justify the waiver of the three percent (3%) net
25 present value debt service savings test and other conditions set forth above. Such non-

1 economic factors may include, by way of illustration and not limitation, eliminating onerous
2 covenants and obsolete provisions contained in the Commission's indenture or other security
3 documents, risk mitigation, or restructuring a series of bonds in response to then-current
4 market conditions. In furtherance of the purpose of managing the Commission's outstanding
5 indebtedness, the General Manager of the Commission ("General Manager") is hereby
6 authorized to use Available Water Enterprise Revenues and other funds as appropriate to
7 retire outstanding Water Enterprise Commercial Paper and other forms of indebtedness at
8 such times and in such amounts advantageous to the Commission.

9 Section 4. Declaration of Official Intent.

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

1 Issuer that evidences the Commission's use of proceeds of the Water Revenue Bonds or
2 other forms of indebtedness to reimburse an Expenditure, no later than 18 months after the
3 later of the date on which the Expenditure is paid or the component of the Capital
4 Improvement Projects is placed in service or abandoned, but in no event more than three
5 years after the date on which the Expenditure is paid. The Commission recognizes that
6 exceptions are available for certain "preliminary expenditures," costs of issuance, certain de
7 minimis amounts, expenditures by "small issuers" (based on the year of issuance and not the
8 year of expenditure) and expenditures for construction projects of at least five years.

9 Section 5. General Authority.

10 The Controller of the City ("Controller"), Treasurer of the City ("Treasurer"), the City
11 Attorney and other officers of the City, including the Director of the Office of Public Finance,
12 and their duly authorized deputies and agents are hereby authorized and directed, jointly and
13 severally, to take such actions and to execute and deliver such certificates, agreements,
14 requests or other documents, as they may deem necessary or desirable to facilitate the
15 issuance, sale and delivery of the Water Revenue Bonds or other forms of indebtedness,
16 including Refunding Bonds or State or Federal Loans, and to obtain bond insurance or other
17 credit or liquidity enhancements with respect to any such obligations, and otherwise to carry
18 out the provisions of this Ordinance. The Commission is hereby directed to provide the final
19 form to the Clerk of the Board of any disclosure document prepared in connection with the
20 execution of any Water Revenue Bonds, other forms of indebtedness, or Refunding Bonds,
21 and the final executed Installment Sale Agreement or other document reflecting the
22 incurrence of a State or Federal Loan, within 30 days of the closing of such transactions
23 provided that the failure to deliver such document shall not affect the validity of the
24 obligations authorized under this Ordinance. The Commission is further directed as a part of
25 the two-year budget review to provide to this Board of Supervisors a written report about

1 Water Revenue Bonds authorized hereunder, detailing the total amount authorized, the total
2 amount sold, the remaining authorized but unissued amount, and the bond authorization no
3 longer necessary due to changes in projects and project financing.

4 Section 6. Ratification of Prior Actions.

5 All actions authorized and directed by this Ordinance in connection with the issuance of
6 the Water Revenue Bonds, other forms of indebtedness (including, without limitation and for
7 illustrative purposes only, SRF Loans, federal loan, commercial paper, revolving credit notes,
8 or bond anticipation notes) or Refunding Bonds and taken prior to the enactment of this
9 Ordinance are hereby ratified, approved and confirmed by this Board.

10 Section 7. Additional Definitions and Terms Pertaining to Proceeds.

11 The following additional definitions and declarations of the Board shall be as follows:

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

3 b. For all purposes of this Ordinance and any related Commission Resolution, a
4 Financing Agreement ("Financing Agreement") is: any contract, agreement, financing lease,
5 installment purchase or sale agreement, application, draw notice, joint powers agreement,
6 securitization agreement, or other similar financing agreements or arrangement, or
7 amendment to any of these, entered into by the Commission in connection with any
8 Financing.

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

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

23 Section 8. File Documents.

24 All documents referred to as on file with the Clerk of the Board of Supervisors are in
25 Board File No. 250601.

1 Section 9. Effective Date.

2 Pursuant to Charter Section 8B.124, this Ordinance shall take effect thirty (30) days
3 after its adoption. Adoption occurs when the Mayor signs the ordinance, the Mayor returns the
4 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board
5 of Supervisors overrides the Mayor’s veto of the ordinance.

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7 APPROVED AS TO FORM:
8 DAVID CHIU, City Attorney

9 By: /s/
10 KATHERINE T. ORTEGA
 Deputy City Attorney