

File No. 100534

Committee Item No. 2

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Sub - Committee: Budget and Finance

Date: May 19, 2010

Board of Supervisors Meeting

Date: _____

Cmte Board

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

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| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>Water Revenue Bonds 2010 - Series A/B/C + D/E *</u> |
| <input type="checkbox"/> | <input type="checkbox"/> | _____ |
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Completed by: Andrea S. Ausberry

Date Friday, May 14, 2010

Completed by: _____

Date _____

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

1 [Water Revenue Bonds Issuance - 2010]

2

3 **Resolution approving the issuance of water revenue bonds and water revenue refunding**
4 **bonds to be issued by the Public Utilities Commission of the City and County of San**
5 **Francisco; affirming covenants contained in the indenture pursuant to which the water**
6 **revenue bonds are issued; authorizing the taking of appropriate actions in connection**
7 **therewith; and related matters.**

8

9 WHEREAS, pursuant to Section 9.107 of the Charter (the "Charter") of the City and
10 County of San Francisco (the "City"), the Board of Supervisors of the City (the "Board") is
11 authorized to provide for the issuance of revenue bonds by the Public Utilities Commission of
12 the City (the "Commission") following the approval of the issuance of such revenue bonds by
13 a majority of the voters, such revenue bonds to be issued and sold in accordance with State
14 law or any procedure provided for by ordinance; and

15 WHEREAS, pursuant to Section 9.109 of the Charter, the Board is authorized to
16 provide for the issuance of bonds of the City for the purpose of refunding any revenue bonds
17 of the City then outstanding without voter approval, provided that such refunding is expected
18 to result in net debt service savings to the City on a present value basis, calculated as
19 provided by ordinance; and

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

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

6 WHEREAS, on April 20, 2010, the Board passed Ordinance No. 89-10 (the "April 2010
7 Ordinance" and together with the aforesaid Ordinance No. 189-09, the "Ordinances")
8 approving the issuance and sale of additional water revenue bonds by the Commission
9 pursuant to Proposition E of 2002, in one or more series and on one or more dates, in an
10 aggregate principal amount not to exceed \$1,737,724,022, including (i) \$1,647,249,182
11 principal amount to finance WSIP Projects and associated financing costs, (ii) \$62,000,000
12 principal amount to finance Projects relating to the Commission's Advance Meter
13 Infrastructure System ("AMI Projects") and associated financing costs, and (iii) \$28,474,840
14 principal amount to finance Projects other than WSIP Projects and AMI Projects ("Other CIP
15 Projects" and together with the AMI Projects, "Non-WSIP Projects") and associated financing
16 costs, which ordinance becomes effective thirty (30) days following the execution thereof by
17 the Mayor; and

18 WHEREAS, a condition of approval in each of the aforesaid Ordinances is that the
19 Commission shall return to the Board prior to the issuance of any such water revenue bonds
20 to obtain approval by resolution of the Board of any related financing or disclosure documents
21 prepared in connection with the issuance of such water revenue bonds; and

22 WHEREAS, the Commission, pursuant to the terms of a resolution adopted by the
23 Commission on April 27, 2010 (the "Resolution"), has authorized the issuance of its San
24 Francisco Water Revenue Bonds in an aggregate principal amount not to exceed
25 \$950,000,000, for the purpose of financing Projects, funding reserve funds (including the

1 replacement of existing reserve fund credit instruments) and paying costs of issuance and
2 other incidental costs therefor, with the title and series designations to be determined by the
3 General Manager of the Commission (the "New Money Bonds"); authorized the issuance of its
4 San Francisco Water Revenue Refunding Bonds without limitation as to par amount, for the
5 purpose of refunding outstanding water revenue bonds of the Commission, funding reserve
6 funds and paying costs of issuance and other incidental costs therefor, with the title and series
7 designations to be determined by the General Manager of the Commission, provided that the
8 applicable requirements of the policies, procedures and Charter of the City are satisfied (the
9 "Refunding Bonds" and together with the New Money Bonds, the "Bonds"); approved the form
10 of one or more Supplemental Indentures (the "Supplemental Indentures"), by and between the
11 Commission and U.S. Bank National Association, as trustee (the "Trustee"), which
12 supplements the Amended and Restated Indenture dated as of August 1, 2002, as amended
13 and supplemented (collectively with the Supplemental Indentures, the "Indenture") by and
14 between the Commission and the Trustee; and authorized other related actions and matters;
15 and,

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

18 RESOLVED by the Board of Supervisors of the City and County of San Francisco, as
19 follows:

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

21 Section 2. Approval and Authorization of New Money Bonds and Refunding Bonds.

22 The Board hereby authorizes and approves the issuance by the Commission of New Money
23 Bonds in an aggregate principal amount not to exceed \$950,000,000, in one or more series
24 and on one or more dates, at a maximum rate or rates of interest not to exceed twelve percent
25 per annum, provided that the authorization to issue New Money Bonds to finance Non-WSIP

1 Projects is subject to the effectiveness of the April 2010 Ordinance. The New Money Bonds
2 may be issued as tax-exempt bonds, taxable bonds or Build America Bonds (as authorized by
3 the American Recovery and Reinvestment Act of 2009), or any combination thereof, as the
4 General Manager shall determine is in the best interest of the Commission.

5 The Board further authorizes and approves the issuance by the Commission of
6 Refunding Bonds, without limitation as to principal amount, in one or more series and on one
7 or more dates, at a maximum rate or rates of interest not to exceed twelve percent per
8 annum, provided that each such Refunding Bond issue is permitted under the applicable
9 policies and procedures of the City and authorized by either (A) Section 9.109 of the Charter
10 or (B) Proposition E of 2002 (including related ordinances and resolutions of the Board), and
11 provided further that the authorization to issue Refunding Bonds to refinance Non-WSIP
12 Projects under the authority granted by Proposition E of 2002 is subject to the effectiveness of
13 the April 2010 Ordinance. The Refunding Bonds shall be issued as tax-exempt bonds.

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

21 Section 3. Affirmation of Existing Bond Covenants. The Board hereby confirms
22 Section 5.01(b) of the Indenture which sets forth the disposition of Revenues (as defined in
23 the Indenture) applicable to the Bonds (as defined in the Indenture) and covenants with the
24 holders of the Bonds that the Revenues shall be appropriated and expended as set forth in
25 Section 5.01(b) of the Indenture. The Board also hereby declares that the City will comply

1 with all of the terms, provisions and covenants contained in the Indenture, as the same may
2 be amended from time to time, including the covenants to establish, fix, prescribe and collect
3 rates, fees and charges sufficient to enable the Commission to comply with the terms,
4 conditions and covenants of the Indenture.

5 Section 4. Approval of Financing Documents. In accordance with the grant of authority
6 contained herein and in the Ordinances, the forms of Supplemental Indentures, Official
7 Notices of Sale, Notices of Intention to Sell Bonds, Bond Purchase Agreements, Official
8 Statements, Escrow Agreements and Continuing Disclosure Certificates relating to the Bonds,
9 submitted to this Board and on file with the Clerk of the Board, are hereby approved. The
10 Controller, the Treasurer, the City Attorney and the officers of the Commission authorized by
11 resolution of the Commission, and their designees, are hereby authorized to execute, attest,
12 seal, publish and deliver (as appropriate) each such document, with such changes thereto as
13 the officer executing or publishing the same shall approve with the advice of the City Attorney,
14 such approval to be conclusively evidenced by the execution and delivery, or the publication,
15 as applicable, of such document.

16 Section 5. Proposition P. Pursuant to Proposition P approved by the voters of the City
17 in November 2002, this resolution and the Bonds are subject to, and incorporate by reference,
18 the provisions of Section 5A.30 et seq. ("Revenue Bond Oversight Committee") of Chapter V
19 of the San Francisco Administrative Code (the "Proposition P Requirements"). Pursuant to
20 the Proposition P Requirements, to the extent permitted by law, one-twentieth of one percent
21 of the gross proceeds of the Bonds shall be deposited in a fund established by the Controller's
22 Office and appropriated at the direction of the Revenue Bond Oversight Committee for the
23 purposes permitted by Proposition P; provided however that amounts deposited to the benefit
24 of the Revenue Bond Oversight Committee shall expended within three years of the date of
25

1 deposit with the Controller and thereafter transferred to the Commission for deposit to the
2 Improvement Fund or such other account under the Indenture, as permitted by applicable law.

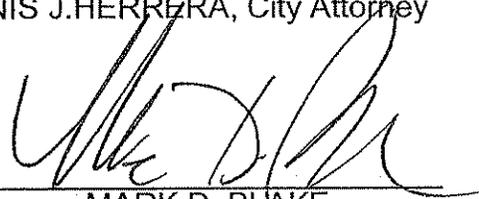
3
4 Section 6. Release of Project CUW 300 WSIP Reserve. In furtherance of the funding
5 of the WSIP, the Board hereby releases the remaining balance held on reserve pursuant to
6 Ordinance No. 311-08 for Project CUW 300 WSIP Financing Cost.

7 Section 7. General Authority. The Controller of the City, the Treasurer of the City, the
8 City Attorney, and all other appropriate officers, employees, representatives and agents of the
9 City are hereby authorized and directed to do everything necessary or desirable to provide for
10 the issuance and security of the Bonds, including, but not limited to, executing and delivering
11 such certificates and other documents as they may deem necessary or advisable, including
12 without limitation any custody agreements required by the Trustee.

13
14 APPROVED AS TO FORM:

15 DENNIS J. HERRERA, City Attorney

16
17
18 By:



MARK D. BLAKE
Deputy City Attorney

Item 2
File 10-0534

Department:
Public Utilities Commission

EXECUTIVE SUMMARY

Legislative Objective

- File 10-0341: Resolution to approve the issuance of up to \$950,000,000 in Water Revenue Bonds by the Public Utilities Commission (PUC) to provide (a) \$18,717,669 to refund previously issued Water Revenue Bonds in order to refinance existing debt at a lower interest rate, (b) \$62,000,000 for the PUC's Advanced Metering Infrastructure (AMI) Project, (c) \$6,500,000 for the PUC's Replacement and Retrofit Project, and (d) \$862,782,331 for the PUC's Water System Improvement Program (WSIP). The proposed resolution would also approve various financing documents related to the proposed bond issuance.

Fiscal Impact

- The debt service on the proposed \$950,000,000 Water Revenue Bond issuance, totaling \$1,892,789,025 over 30 years, including \$950,000,000 in principal and \$942,789,025 in interest, would be paid from PUC water revenues paid by water customers.

Key Points

- On November 4, 2002, San Francisco voters approved Proposition E, which authorized the PUC to issue an unlimited amount of either Wastewater or Water Revenue Bonds for needed capital improvements for the PUC's water, wastewater, and power facilities. In order for the PUC to issue Water Revenue Bonds under Proposition E, the PUC must first (a) receive bond authority by a two-thirds vote of the Board of Supervisors by ordinance, and then (b) receive approval to issue such bonds by a majority vote of the Board of Supervisors by resolution.
- The Board of Supervisors has previously approved, pursuant to Proposition E, bond authority for the PUC totaling \$3,059,648,220, to fund (a) \$2,969,173,380 for various projects under the PUC's Water System Improvement Program, a series of 86 projects designed to provide increased water delivery capacity and seismic reliability throughout the Hetch Hetchy water system, (b) \$62,000,000 for the PUC's AMI Project, a project to replace 180,000 conventional water meters throughout the City with advanced digital water meters capable of transmitting consumption data to the PUC wirelessly, and (c) \$28,474,840 in Replacement and Retrofit (RnR) Project costs, the PUC's ongoing project to replace the PUC's aging water distribution main pipelines throughout the City. The PUC has not previously issued any bonds under this existing authority provided pursuant to Proposition E totaling \$3,059,648,220.
- Pursuant to City Charter Section 9.109, the PUC has an unlimited amount of bond authority to issue refunding bonds, subject to approval by the Board of Supervisors.
- The PUC is now requesting approval to issue \$950,000,000 in Water Revenue Bonds, including (a) \$931,282,331 from the existing \$3,059,648,220 in bond authority previously approved by the Board of Supervisors pursuant to Proposition E, and (b) \$18,717,669 in refunding bonds under authority provided by City Charter Section 9.109.

- The proposed issuance would provide (a) \$18,717,669 to refund previously issued Water Revenue Bonds in order to refinance existing debt at a lower interest rate, (b) \$62,000,000 for the PUC's Advanced Metering Infrastructure (AMI) Project, (c) \$6,500,000 for the PUC's Replacement and Retrofit Project, and (d) \$862,782,331 for the PUC's Water System Improvement Program (WSIP).

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

On November 4, 2002, San Francisco voters approved Proposition E, which authorized the PUC to issue an unlimited amount of either Wastewater or Water Revenue Bonds for needed capital improvements for the PUC's water, wastewater, and power facilities. In order for the PUC to issue such Water Revenue Bonds under Proposition E, the PUC must first (a) receive bond authority by a two-thirds vote of the Board of Supervisors by ordinance, and then (b) receive approval to issue such bonds by a majority vote of the Board of Supervisors by resolution.

City Charter Section 9.109 provides the PUC with unlimited bond authority for the issuance of refunding bonds, subject to approval by the Board of Supervisors.

Background

On August 4, 2009, pursuant to Proposition E, the Board of Supervisors approved Ordinance 189-09, which provided the PUC with bond authority of \$1,321,924,182 in Water Revenue Bonds, to fund various projects under the PUC's Water System Improvement Program.

On April 20, 2010, pursuant to Proposition E, the Board of Supervisors approved Ordinance 089-10, which provided the PUC with additional bond authority of \$1,737,724,038 in Water Revenue Bonds, to fund (a) \$1,647,249,198 in various projects under the PUC's Water System Improvement Program, (b) \$62,000,000 for the PUC's Advanced Meter Infrastructure (AMI) Project, and (c) \$28,474,840 for the PUC's Replacement and Retrofit (RnR) Program.

The PUC has not issued any bonds under the authority provided by the Board of Supervisors in Ordinances 189-09 and 089-10, totaling \$3,059,648,220. Table 1 below shows the PUC's existing authority to issue Water Revenue Bonds pursuant to Proposition E.

Table 1: Existing Bond Authority

	Ordinance 189-09	Ordinance 089-10	Total
Water System Improvement Program (WSIP)	\$1,321,924,182	\$1,647,249,198	\$2,969,173,380
Advanced Meter Infrastructure (AMI)	0	62,000,000	62,000,000
Replacement and Retrofit (RnR)	0	28,474,840	28,474,840
Total	\$1,321,924,182	\$1,737,724,038	\$3,059,648,220

The PUC is now requesting approval to issue \$950,000,000 in Water Revenue Bonds, including (a) \$931,282,331 from the existing \$3,059,648,220 in bond authority previously approved by the Board of Supervisors pursuant to Proposition E, and (b) \$18,717,669 in refunding bonds under authority provided by City Charter Section 9.109.

A description of each of the three projects shown in Table 1 above is provided below.

Water System Improvement Program (WSIP) Project

The PUC's WSIP is a series of 86 separate capital improvement projects designed to provide increased water delivery capacity and seismic reliability throughout the Hetch Hetchy water system. The 86 individual projects are categorized into five geographic regions and standalone projects, and have a current total estimated cost of \$4,585,556,261, including financing costs.

Advanced Meter Infrastructure (AMI) Project

The PUC's Advanced Meter Infrastructure (AMI) Project is a \$67,755,135 project to (a) retrofit or replace all 180,000 existing visual-read conventional water meters with advanced digital water meters and (b) create an associated network of transmitters to provide for the wireless transmission of water consumption data from the advanced digital water meters to the PUC's Customer Service Department and related organizations.

Replacement and Retrofit (RnR) Projects

Separate from the WSIP, the PUC's Replacement and Retrofit (RnR) Project is an ongoing project to either replace or retrofit all existing water distribution main pipelines in the City. According to Mr. Carlos Jacobo, PUC Budget Director, many of the PUC's existing underground water distribution main pipelines are over 100 years old and in need of replacement.

DETAILS OF PROPOSED LEGISLATION

The proposed issuance of \$950,000,000 in Water Revenue Bonds would fund various projects under the PUC's Water System Improvement Program, including (a) \$18,717,669 to refund previously issued Water Revenue Bonds in order to refinance existing debt at a lower interest

rate, (b) \$62,000,000 for the PUC's Advanced Metering Infrastructure (AMI) Project, (c) \$6,500,000 for the PUC's Replacement and Retrofit Project, and (d) \$862,782,331 for the PUC's Water System Improvement Program (WSIP), as shown in Table 2 below.

Mr. Carlos Jacobo, Budget Director at the PUC, estimates that the issuance of \$18,717,669 in refunding bonds would allow the PUC to refund \$14,100,000 of existing Water Revenue Bonds, with the difference of \$4,617,669 (\$18,717,669 less \$14,100,000) paying for financing costs¹, as shown in Table 2 below). Such refunding is estimated to result in \$561,000 in present value² savings to the PUC from reduced debt service, based on an interest rate of 4.5 percent for the proposed Water Revenue Bonds as compared to the current interest rate of 5.0 percent for the bonds to be refunded.

Table 2: Uses of Bond Proceeds

	Project Costs	Financing Costs ³	Total
Refunding of Previously Issued Water Revenue Bonds	\$14,100,000	\$4,617,669	\$18,717,669
Advanced Meter Infrastructure (AMI) Project	58,747,600	3,252,400	62,000,000
Renewal & Replacement Projects	5,800,000	700,000	6,500,000
Water System Improvement Program			
Standalone Large Projects	21,785,651	3,708,813	25,494,464
San Joaquin Region	86,092,412	14,656,468	100,748,880
Sunol Valley Region	190,459,228	32,423,990	222,883,219
Bay Division Region	147,171,996	25,054,724	172,226,720
Peninsula Region	180,112,602	30,662,569	210,775,171
San Francisco Region	23,192,367	3,948,294	27,140,661
System Wide Projects	58,697,431	9,992,716	68,690,147
San Francisco Local Reservoirs	3,674,246	625,508	4,299,753
San Francisco Local Pump Stations and Tanks	25,937,159	4,415,571	30,352,729
San Francisco Local Pipelines and Valves	145,772	24,816	170,588
WSIP Subtotal	\$737,268,863	\$125,513,468	\$862,782,331
Total	\$815,916,463	\$134,083,537	\$950,000,000

As discussed above, the proposed resolution would approve the issuance of \$950,000,000 in Water Revenue Bonds, including (a) \$931,282,331 from the existing \$3,059,648,220 in bond

¹ Mr. Jacobo noted that the financing costs related to the refunding bonds totaling \$4,617,669 include (a) \$200,000 in costs of issuance and (b) \$4,417,669 to fund a debt service reserve funds. Mr. Jacobo further noted that debt service reserve monies are required to be deposited into a reserve account during the term of the bonds, and then are used to pay debt service at the end of the term of the bonds.

² According to Mr. Jacobo, present value savings represents the total savings in current dollars, such that savings in future years are adjusted for inflation.

³ Financing costs totaling \$134,083,537 include (a) \$38,807,625 in debt service reserve funds, which as discussed in Footnote 1 above are available to pay debt service at the end of the term of the bonds, (b) \$84,325,912 in capitalized interest, (c) \$1,450,000 in costs of issuance, and (d) \$9,500,000 in underwriter fees.

authority previously approved by the Board of Supervisors pursuant to Proposition E, and (b) \$18,717,669 in refunding bonds under authority provided by City Charter Section 9.109.

The proposed resolution would also approve various financing documents related to the proposed bond issuance. Attachment I is a memorandum from the PUC which provides additional information pertaining to the proposed bond issuance. Attachment II details the \$737,268,863 in WSIP project costs (excluding financing costs) to be funded by the proposed issuance of \$950,000,000 in Water Revenue Bonds, as shown in Table 2 above.

FISCAL IMPACT

According to Mr. Jacobo, the proposed issuance of \$950,000,000 in Water Revenue Bonds will be sold in two issuances to minimize interest costs⁴, with (a) the first issuance of \$530,000,000 in June of 2010, and (b) a second issuance of \$420,000,000 in July of 2010.

Mr. Jacobo estimates that the bonds will have an interest rate of 4.5 percent and term of 30 years. Total debt service for the \$950,000,000 in Water Revenue Bonds over the 30 years that the bonds would be outstanding is estimated at \$1,892,789,025, including \$950,000,000 of principal and \$942,789,025 of interest, with an average annual debt service of \$63,092,968.

Mr. Jacobo advised that the debt service on all Water Revenue Bonds will be paid by the PUC's customers who are charged for the use of water. Table 3 below shows the impact on average monthly water costs for a single family residence.

Table 3: Impact on Average Monthly Water Costs for a Single Family Residence

Cost Category	Average Monthly Cost for a Single Family Residence			
	FY 10-11	FY 11-12	FY 12-13	FY 13-14
Previously Issued Water Bonds	\$10.62	\$13.79	\$13.29	\$13.37
\$950,000,000 in Requested Water Revenue Bonds (subject of this request)	0.88	2.01	3.12	4.32
Future Authorized Water Bonds	-	1.30	2.46	1.82
Subtotal Debt Service	\$11.50	\$17.10	\$18.87	\$19.51
Other Water Non-Debt Related Costs	20.45	18.80	21.53	23.49
Total	\$31.95	\$35.90	\$40.40	\$43.00

RECOMMENDATION

Approve the proposed resolution.

⁴ According to Mr. Jacobo, using a phased issuance approach, between the time when bonds are issued and the time when the bond proceeds are needed for project expenditure, reduces interest costs by minimizing the time which elapses, during which interest costs are charged to the City.



SAN FRANCISCO PUBLIC UTILITIES COMMISSION

1155 Market St., 11th Floor, San Francisco, CA 94103 • Tel. (415) 554-3155 • Fax (415) 554-3161 • TTY (415) 554.3488



To: Nate Cruz, Budget and Legislative Analyst's Office
San Francisco Board of Supervisors

From: Charles Perl, SFPUC Deputy CFO

Date: May 12, 2010

Re: \$950M Water Revenue Bonds 2010 Series ABCDE - Description of Documents

GAVIN NEWSOM
MAYOR

F.X. CROWLEY
PRESIDENT

FRANCESCA VIETOR
VICE PRESIDENT

ANN MOLLER CAEN
COMMISSIONER

JULIET ELLIS
COMMISSIONER

ANSON B. MORAN
COMMISSIONER

ED HARRINGTON
GENERAL MANAGER

The Board of Supervisors is being asked to approve the form and authorize the execution of documents relating to the San Francisco Public Utilities Water Enterprise 2010 Series ABC and 2010 Series DE revenue bond sales scheduled for June and July 2010. A summary of the documents and their description is listed below:

1. Fifth, Sixth and Seventh 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 Sixth and Seventh Supplemental Indentures set forth the terms of each individual series of bonds, including maturities, interest rates and terms of early redemption.

Key Changes in Supplemental Indentures	
Fifth	<ul style="list-style-type: none"> • Treatment of Subsidy from BABs as Offset to Debt Service vs. Revenue • Timing of Debt Service to 5 Days Prior to Due date vs. Monthly Deposits • Change to Reserve Requirements so BABs Debt Service and Coverage Calculated Net of Subsidy
Sixth	Authorizes Tax Exempt Series A and Tax Exempt Refunding Series C
Seventh	Authorizes Taxable, Direct-Subsidy Series B BABs

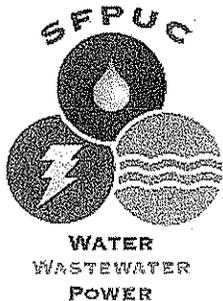
2. Official Statement (Preliminary/Final) – Primary disclosure document for bidders and investors regarding terms of bonds, security, risk factors, financial and operating results and projections and background information. The document is substantially final (except for certain pricing information) and 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 for the benefit of bondholders.
6. Form of Bond Purchase Agreement – Agreement between the underwriter(s) and the SFPUC in the event of a negotiated sale.
7. Form of Custody Agreement – Agreement with Trustee to hold the good faith deposit between bond pricing and closing.
8. Form of Escrow Agreement – Agreement related to advance refunding of bonds whereby the Trustee holds bond proceeds in trust and repays the bonds at the call date.

Please contact me at 415-487-5262 if there are any questions related to these documents.

Attachment II

Lake Merced Water Level Restoration	\$3,470,041
San Francisco Groundwater Supply	1,941,361
San Francisco Westside Recycled Water	7,340,394
Harding Park Recycled Water	7,819,170
San Francisco Eastside Recycled Water	1,214,685
Standalone Large Projects	\$21,785,651
San Joaquin Pipeline System	76,034,597
Tesla Treatment Facility	9,969,257
Lawrence Livermore Water Quality Improvement	88,558
San Joaquin Region	\$86,092,412
Upper Alameda Creek Filter Gallery	1,973,272
Standby Power Facilities - Various Locations	47,591
New Irvington Tunnel	79,310,241
Alameda Siphon #4	16,040,205
Calaveras Dam Replacement	36,312,181
San Antonio Backup Pipeline	1,367,280
SVWTP Expansion & Treated Water Reservoir	49,175,710
San Antonio Pump Station Upgrade	6,232,749
Sunol Valley Region	\$190,459,228
Seismic Upgrade of BDPL Nos. 3 & 4	3,064,866
SCADA System - Phase II	2,791,547
System Security Upgrades	3,540,726
BDPL Reliability Upgrade - Tunnel	51,541,699
BDPL Reliability Upgrade - Pipeline	77,024,787
BDPL Reliability Upgrade - Relocation of BDPL Nos. 1 & 2	73,151
BDPL Nos. 3 & 4 Crossovers	9,135,221
Bay Division Region	\$147,171,996
Lower Crystal Springs Dam Improvements	15,166,429
New Crystal Springs Bypass Tunnel	15,693,937
Pulgas Balancing - Structural Rehabilitation and Roof Replacement	11,136,640
Pulgas Balancing - Modifications of the Existing Dechlorination Facility	2,828,564
HTWTP Short-Term Improvements - Coagulation & Flocculation/ Remaining Filters	14,550
HTWTP Long-Term Improvements	46,539,313
Peninsula Pipelines Seismic Upgrade	1,036,693
Crystal Springs/San Andreas Transmission Upgrade	57,332,819
Crystal Springs Pipeline No. 2 Replacement	11,941,825
San Andreas Pipeline No. 3 Installation	10,814,357
Baden and San Pedro Valve Lots Improvements	7,607,476
Peninsula Region	\$180,112,602
Regional Groundwater Storage and Recovery	4,521,057
University Mound Reservoir - North Basin	18,671,310
San Francisco Region	\$23,192,367
Program Management Project	11,858,767
Habitat Reserve Program	41,382,821
Watershed Environmental Improvement Program	5,455,844
System Wide Projects	\$58,697,431
Hunters Point Reservoir Rehab & Seismic Upgrade	1,941,790
Sutro Reservoir Rehab & Seismic Upgrade	1,732,455
San Francisco Local Reservoirs	\$3,674,246
Lake Merced Pump Station Essential Upgrades	17,920,081
Forest Hill Pump Station Upgrades	2,073,475
Alemany Pump Station Upgrades (McLaren Park)	25,956
Mount Davidson Pump Station Upgrades	55,279
Mount Davidson Tank Seismic Upgrade	25,570
La Grande Pump Station Upgrades	3,890,826
Vista Francisco Pump Station Upgrades	1,945,972
San Francisco Local Pump Stations	\$25,937,159
North University Mound System Upgrade	123,469
Noe Valley Transmission Main, Phase 2	21,756
East / West Transmission Main	547
San Francisco Local Pipeline/Valves	\$145,772
Total WSIP Spending	\$737,268,863



SAN FRANCISCO PUBLIC UTILITIES COMMISSION

1155 Market St., 11th Floor, San Francisco, CA 94103 • Tel. (415) 554-3155 • Fax (415) 554-3161 • TTY (415) 554.3488



TO: Angela Calvillo, Clerk of the Board of Supervisors

FROM: Nathan Purkiss, 554-3404

DATE: 5/4/10

SUBJECT: Resolution to Authorize the issuance of up to \$950 million in SFPUC Water Enterprise Revenue Bonds, Series 2010 A-E, to finance a portion of the Water System Improvement Program and the Advanced Metering Infrastructure.

GAVIN NEWSOM
MAYOR

F.X. CROWLEY
PRESIDENT

FRANCESCA VIETOR
VICE PRESIDENT

ANN MOLLER CAEN
COMMISSIONER

JULIET ELLIS
COMMISSIONER

ANSON B. MORAN
COMMISSIONER

ED HARRINGTON
GENERAL MANAGER

Please find the original and 4 copies of the resolution and motion attached to this cover memorandum, along with supporting materials regarding the resolution, including:

1. BOS Authorizing Resolution
2. Approved SFPUC Authorizing Resolution
3. Form of Preliminary Official Statement
4. Form of Fifth, Sixth, Seventh Supplemental Indentures
5. Form of Official Notice of Sale
6. Form of Notice of Intention to Sell
7. Form of Bond Purchase Agreement
8. Form of Custody Agreement
9. Form of Escrow Agreement

The Mayor requests that this item be heard May 20, 2010.

The attached resolution authorizes the issuance of up to \$950 million in SFPUC Water Enterprise Revenue Bonds, Series 2010 A-E, to finance a portion of the Water System Improvement Program (WSIP) and the Advanced Metering Infrastructure (AMI) project.

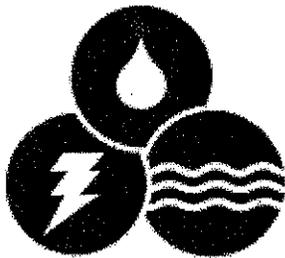
Departmental representative to receive a copy of the adopted resolution:

Name: Nathan Purkiss

Phone: 554-3404

Interoffice Mail Address: 1155 Market Street, 11th Floor

SFPUC



Water Revenue
Bonds
2010 Series A/B/C
And
D/E

1. BOS Authorizing Resolution
2. SFPUC Authorizing Resolution
3. Preliminary Official Statement
4. Fifth, Sixth, Seventh
Supplemental Indentures
5. Official Notice of Sale
6. Notice of Intention to Sell
7. Bond Purchase Agreement
8. Custody Agreement
9. Escrow Agreement

* To view full document
Request file # 100534

§ _____
PUBLIC UTILITIES COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO WATER REVENUE BONDS
2010 SERIES ABC

§ _____
2010 SUB-SERIES A

§ _____
2010 REFUNDING
SUB-SERIES B

§ _____
2010 SUB-SERIES C
(FEDERALLY TAXABLE --
BUILD AMERICA BONDS --
DIRECT PAYMENT)

BOND PURCHASE CONTRACT

_____, 2010

Public Utilities Commission of the
City and County of San Francisco
1155 Market Street, 5th Floor
San Francisco, CA 94103

Ladies and Gentlemen:

_____ (the "Representative"), as representative of itself, _____ and _____ (collectively, the "Underwriters"), offers to enter into this bond purchase contract (this "Purchase Contract") with the Public Utilities Commission of the City and County of San Francisco (the "Commission"), which will be binding upon the Commission and the Underwriters upon acceptance hereof by the Commission. This offer is made subject to the acceptance by the Commission by the execution of this Purchase Contract and its delivery to the Representative on or before 11:59 p.m., California time, on the date hereof and, if not so accepted, will be subject to withdrawal by the Representative upon written notice delivered to the Commission at any time prior to the acceptance of this Purchase Contract by the Commission. If the Representative withdraws this offer, or the Underwriters' obligation to purchase the Bonds (as hereinafter defined) is otherwise terminated pursuant to Section 8(d) hereof, then and in such case, the City shall be without any further obligation to the Underwriters, including the payment of any costs set forth under Section 10(a) hereof, and the City shall be free to sell the Bonds to any other party.

Capitalized terms not otherwise defined herein shall have the meanings set forth in the Amended and Restated Indenture, dated as of August 1, 2002 (the "*Master Indenture*"), between the Commission and U.S. Bank National Association, as trustee (the "*Trustee*"), as amended and supplemented, including as amended and supplemented pursuant to a Fifth Supplemental Indenture, dated as of _____ 1, 2010 (the "*Fifth Supplemental Indenture*"), between the Commission and the Trustee, a Sixth Supplemental Indenture, dated as of _____ 1, 2010 (the "*Sixth Supplemental Indenture*"), between the Commission and the Trustee, and a Seventh Supplemental Indenture, dated as of _____ 1, 2010 (the "*Seventh Supplemental Indenture*"), between the Commission and the Trustee (the Master Indenture, as amended and supplemented being herein referred to as the "*Indenture*").

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations set forth herein, the Underwriters jointly and severally agree to purchase from the Commission, and the Commission hereby agrees to sell and deliver to the Underwriters, all (but not less than all) of the \$_____ aggregate principal amount of Public Utilities Commission of the City and County of San Francisco San Francisco Water Revenue Bonds, 2010 Series ABC (the "Bonds"), consisting of \$_____ aggregate principal amount of Bonds designated "2010 Sub-Series A" (the "*2010A Bonds*"), \$_____ aggregate principal amount of Bonds designated "2010 Refunding Sub-Series B" (the "*2010B Bonds*"), and \$_____ aggregate principal amount of Bonds designated "2010 Sub-Series C" (the "*2010C Bonds*").

The purchase price for the Bonds shall be \$_____ (comprised of the principal amount of the Bonds, [plus/less a net original issue premium/discount on the Bonds of \$_____,] less an Underwriters' discount in the amount of \$_____).

The Bonds shall be dated their date of delivery and shall have the maturities and bear interest at the rates per annum and have the yields all as set forth on Schedule I attached hereto. The Bonds shall be substantially in the form described in, and shall be issued and secured under and pursuant to, the Indenture. The Bonds shall mature and shall be as otherwise described in the Official Statement.

The Commission will deliver the Continuing Disclosure Certificate substantially in the form set forth in the Preliminary Official Statement (the "*Continuing Disclosure Certificate*") on the Closing Date (as defined herein). The form of the Continuing Disclosure Certificate will also be set forth in the Official Statement.

Section 2. Authorization for the Bonds; Purpose of Issue. Under Section 8B.124 and Section 9.109 of the Charter (the "*City Charter*") of the City and County of San Francisco (the "*City*"), Ordinance No. 189-09 adopted by the Board of Supervisors of the City (the "*Board*") by at least a two-thirds vote on August 4, 2009 and signed by Mayor Gavin Newsom on _____, 2009 (the "*WSIP Ordinance*"), Ordinance No. _____-10 adopted by the Board by at least a two-thirds vote on _____, 2010 and signed by Mayor Gavin Newsom on _____, 2010 (the "*Non-WSIP Ordinance*"), Resolution No. _____, adopted by the Commission on _____, 2010 (the "*Commission Resolution*"), and Resolution No. _____-10 adopted by the Board on _____, 2010 and signed by Mayor Gavin Newsom on _____, 2010 (the "*Board Resolution*" and together with the Commission Resolution, the "*Resolutions*"), the Commission

has the authority to issue water revenue bonds, including notes, commercial paper or other forms of indebtedness, for the purpose of reconstructing, replacing, expanding, repairing or improving water facilities under the jurisdiction of the Commission.

The Bonds are being issued (i) to finance the reconstruction, replacement, expansion, repair or improvement water facilities under the jurisdiction of the Commission, (ii) to refund certain water revenue bonds outstanding under the Indenture, (iii) to make a deposit into the 2010 Series ABC Reserve Account within the Bond Reserve Fund in the amount of the Required Reserve, and (iv) to pay certain costs of issuance of the Bonds.

In furtherance of the aforesaid refunding of water revenue bonds, the Commission and the Trustee, as escrow agent, will enter into an Escrow Agreement, dated as of _____ 1, 2010 (the "Escrow Agreement").

Section 3. Public Offering. It shall be a condition to the obligations of the Underwriters to purchase, accept delivery of and pay for the Bonds that the entire principal amount of the Bonds be sold and delivered by the Commission to the Underwriters. Subsequent to the initial public offering, the public offering prices of the Bonds may change as determined by the Underwriters as deemed necessary in connection with the marketing of the Bonds.

Section 4. Delivery of Official Statement. Prior to the date hereof, the Commission has provided to the Underwriters for review a form of preliminary official statement relating to the Bonds dated ____, 2010 (including the cover page and appendices thereto, the "*Preliminary Official Statement*"), which as of its date, a representative of the Commission on behalf of the Commission deemed final for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("*Rule 15c2-12*"), except for certain information permitted to be omitted therefrom by Rule 15c2-12. By its acceptance of this offer, the Commission hereby ratifies the use and distribution by the Underwriters of the Preliminary Official Statement and the Commission has authorized the delivery of a final official statement relating to the Bonds dated the date hereof (the "*Official Statement*") which will consist of the Preliminary Official Statement and all information previously permitted to have been omitted by Rule 15c2-12.

The Commission hereby acknowledges that the Preliminary Official Statement has been made available to investors on the Internet at _____. The Commission hereby agrees to deliver or cause to be delivered to the Underwriters within seven Business Days of the date hereof and at least in sufficient time to accompany any orders or confirmations that request payment from any customers, not more than 250 copies of the final official statement (including all information permitted to be omitted by Rule 15c2-12 and any amendments or supplements to such official statement as have been approved by the Commission and the Representative) (the "*Official Statement*") to enable the Underwriters to comply with the rules of the Securities and Exchange Commission (the "*SEC*") and the Municipal Securities Rulemaking Board (the "*MSRB*"). The Commission hereby approves of the use and distribution by the Underwriter of the Official Statement in connection with the offer and sale of the Bonds. At the time of or prior to the Closing Date (as hereinafter defined), the Representative shall file a copy of the Official Statement with the MSRB or its designee (including the MSRB's Electronic Municipal Market

Access (“EMMA”) system) or with any other repository approved from time to time by the SEC (either in addition to or in lieu of the filings referred to above).

Section 5. The Closing. At 8:00 a.m., California time, on ___, 2010, or at such other time or on such other date as the Commission and the Representative may agree (the “Closing Date”), the Commission shall deliver, or cause to be delivered to the Representative through the F.A.S.T. delivery system of The Depository Trust Company (“DTC”), the Bonds in book-entry form, duly executed and authenticated. Concurrently with the delivery of the Bonds to the Representative, the Commission will deliver the documents hereinafter mentioned at the offices of Sidley Austin LLP, Co-Bond Counsel, in San Francisco, California, or another place to be mutually agreed upon by the Commission and the Representative. The Underwriters shall accept such delivery and pay the purchase price for the Bonds set forth in Section 1 in immediately available funds to the order of the Trustee. This payment for and delivery of the Bonds, together with the delivery of the aforementioned documents, is herein called the “Closing.” The Commission with the assistance of the Representative shall cause CUSIP identification numbers to be printed on the Bonds; *provided* that neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriters to accept the Bonds. The Underwriters represent that the CUSIP numbers set forth on Schedule I hereof are the correct CUSIP numbers for the Bonds. The Bonds shall be made available to the Trustee at least two (2) business days prior to the Closing.

Section 6. Representations, Warranties and Covenants of the Commission. The Commission represents, warrants and covenants to Underwriter as follows:

(a) *Due Organization, Existence and Authority.* The Commission is a duly constituted public commission of the City and County of San Francisco duly organized and validly existing pursuant to its Charter and the Constitution and laws of the State, with full authority to: (i) adopt the Commission Resolution; (ii) execute and deliver the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, the Continuing Disclosure Certificate, the Escrow Agreement and this Purchase Contract; (iii) approve the Official Statement and authorize its distribution by the Underwriter; (iv) sell and deliver the Bonds to the Underwriter as provided herein and (v) carry out and consummate the other transactions contemplated by such documents.

(b) *Accuracy and Completeness of the Official Statement.* The information with respect to the Commission, its activities and the Enterprise as described in the Official Statement is, and at all times subsequent to the date of the Official Statement up to and including the date of the Closing will be, true and correct in all material respects, contains and will contain no misstatement of any material fact and did not and will not omit any statement and information that is necessary to make the statements and information with respect to the Commission contained therein, in the light of the circumstances under which such statements were made, not misleading in any material respect, excluding in each case any information contained in the Official Statement relating to DTC and the book-entry only system and the information under the caption “UNDERWRITING.”

(c) *Official Statement.* If, at any time prior to the date twenty-five (25) days following the later of (a) the Closing or (b) the date the Underwriter no longer retains, directly or as member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public (the later of (a) or (b) being the "End of the Underwriting Period"), an event occurs or facts or conditions become known of which the Commission has knowledge, which in the reasonable opinion of Co-Bond Counsel or the General Counsel to the Commission or the City Attorney might or would cause the information in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Commission will notify the Representative, and, if in the reasonable opinion of the Representative and the Commission such event, fact or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the Commission will amend or supplement the Official Statement in a form and in a manner reasonably approved by the Representative and the Commission, provided all expenses incurred in connection with preparing an amendment or supplement to the Official Statement will be paid by the Commission. As used herein and for the purposes of the foregoing, the term "End of the Underwriting Period" for the Bonds shall refer to the Closing, unless the Commission shall have been notified in writing to the contrary by the Representative on or prior to the Closing. For the purposes of this subsection, the Commission will furnish such information as the Underwriters may from time to time reasonably request in writing prior to the End of the Underwriting Period.

(d) *No Breach or Default.* As of the time of acceptance hereof and as of the Closing Date and except as otherwise disclosed in the Official Statement, neither the execution nor the delivery by the Commission of the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, the Continuing Disclosure Certificate, the Escrow Agreement or this Purchase Contract, the adoption of the Commission Resolution, or the compliance by the Commission with such documents or authorizations, or the consummation of the transactions contemplated by such documents or by the Indenture or the Official Statement: (i) conflicts with or constitutes a material breach of or default under any applicable law or administrative regulation of the State or the United States, or any other statute or administrative rule or regulation, judgment, decree, order, license, permit, agreement or instrument to which the Commission is subject which breach, default or conflict would have a material adverse effect on the ability of the Commission to repay the Bonds or have a material adverse effect on the ability of the Commission to perform its obligations under the Indenture, the Continuing Disclosure Certificate, the Escrow Agreement or this Purchase Contract.

(e) *No Other Bond Issues or Debt.* Between the time of acceptance hereof and the Closing Date, the Commission will not, without the prior notice to the Representative, issue any bonds or securities or incur any other indebtedness secured by the Revenues.

(f) *No Litigation.* The Commission shall certify that, as of the date hereof and as of the Closing Date, and except as disclosed in the Official Statement, there is no

action, suit, proceedings, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the best knowledge of the Commission, threatened against the Commission affecting the existence of the Commission or the titles of its officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture or any action of the Commission contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Commission with respect to the Bonds or any action of the Commission contemplated by any of said documents, nor to the knowledge of the members of the Commission, as evidenced by the representative of the Commission signing this Agreement, is there any basis therefor. The Commission shall further certify that, as of the date hereof and as of the Closing Date, and except as disclosed in the Official Statement, there is no action, suit, proceedings, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the best knowledge of the Commission, threatened against the Commission in which a final adverse decision would materially and adversely affect the operations of the Enterprise or the consummation of the transactions contemplated by this Purchase Contract; or contesting in any way the completeness, accuracy or fairness of the Official Statement.

(g) *Further Cooperation; Blue Sky.* The Commission will furnish such information, execute such instruments and take such other action in cooperation with the Underwriters as the Underwriters may reasonably request in order to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may designate; *provided, however,* that the Commission will not be required to execute a special or general consent to service of process or qualify as a foreign corporation in connection with any such qualification in any jurisdiction.

Section 7. Representations, Covenants and Agreements of the Underwriters. The Underwriters represent, covenant and agree with the Commission that:

(a) The Underwriters have been duly authorized to enter into this Purchase Contract, and have duly authorized the Representative to act on behalf of the Underwriters with respect to this Purchase Contract.

(b) The Underwriters shall comply with the San Francisco Business Tax Ordinance and shall, if not otherwise exempt from such ordinance, provide to the Commission a Business Tax Registration Certificate on or prior to the date hereof.

(c) The Underwriters shall comply with Chapter 12B of the San Francisco Administrative Code, entitled "Nondiscrimination in Contracts," which is incorporated herein by this reference.

Section 8. Closing Conditions. The Underwriters have entered into this Purchase Contract in reliance upon the representations, warranties and covenants herein and the performance by the Commission of its obligations hereunder, both as of the date hereof and as of the Closing Date. The obligations of the Underwriters under this Purchase Contract are and shall be subject to the following conditions:

(a) *Bring-Down Representation.* The representations and warranties of the Commission contained herein shall be true, accurate and correct in all material respects at the date hereof and on the Closing Date, as if made on the Closing Date.

(b) *Executed Documents and Performance Thereunder.* At the time of the Closing (i) the Indenture, this Purchase Contract, the Escrow Agreement and the Official Statement shall be in full force and effect, and shall not have been amended, modified or supplemented except with the consent of the Representative (which consent will not be unreasonably withheld); and (ii) the Commission shall perform or have performed all of its obligations required under or specified in this Purchase Contract, the Official Statement, the Escrow Agreement and the Indenture to be performed prior to the Closing.

(c) *No Default.* At the time of the Closing, no default shall have occurred or be existing under the Indenture or this Purchase Contract.

(d) *Termination Events.* The Representative may terminate this Purchase Contract by notification in writing to the Commission, but only after consultation with the Commission in the manner set forth in the paragraphs immediately below, if, at any time on or prior to the Closing, any of the following occurs and, as a result of the occurrence of such an event, the marketability of the Bonds or the market price thereof, in the reasonable opinion of the Representative after consultation with the Commission, would be materially adversely affected, *provided, however,* that, in the event the Commission and the Representative disagree as to the effect of the occurrence of such event on the ability of the Underwriters to market the Bonds, this Purchase Contract may only be terminated by the Representative after the Representative and the Commission shall have negotiated in good faith to determine an alternate time, place and manner which would permit the Underwriters to successfully market the Bonds:

(i) any event shall occur which makes untrue any statement or results in an omission to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading and the Commission fails to amend or supplement the Official Statement pursuant to Section 6(c) hereof; or

(ii) an amendment to the Constitution of the United States or the Constitution of the State or legislation in or by the Congress of the United States or the legislature of the State, or the amendment of legislation pending as of the date of this Purchase Contract in the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has

been referred for consideration, or any decision of any federal or State court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or State authority or the occurrence of any other comparable legislative or regulatory event affecting the federal or State tax status of the interest on the Bonds or bonds or obligations of the general character of the Bonds; or

(iii) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State, or a decision by any court of competent jurisdiction within the State shall be rendered which, in the reasonable opinion of the Representative and upon consultation with the Commission, materially adversely affects the market price of the Bonds; or

(iv) a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, or that the Indenture need be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(v) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, to the effect that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or that the Indenture is not exempt from qualification under the Trust Indenture Act of 1939, as amended and as then in effect; or

(vi) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in the United States in securities generally by any governmental authority or by any national securities exchange; or

(vii) a general banking moratorium shall have been declared by federal, State or State of New York authorities; or

(viii) the ratings on the Bonds shall have been downgraded or withdrawn subsequent to the date of this Purchase Contract by two of the three rating agencies rating the Bonds; or

(ix) a decision by a federal or State court or legislative action which causes, or in the reasonable opinion of the Representative and the Commission,

would cause a material reduction in the Net Revenues which would materially adversely affect the Commission's ability to repay the Bonds; or

(x) there shall be (a) any change in or addition to applicable federal or state law, whether statutory or as interpreted by the courts or by federal or state agencies, including any changes in or new rules, regulations or other pronouncements or interpretations by federal or state agencies, (b) any legislation enacted by the Congress of the United States or recommended for passage by the President of the United States (if such enacted, introduced or recommended legislation has a proposed effective date which is on or before the Closing Date), (c) any law, rule or regulation proposed or enacted by any governmental body, department or agency (if such proposed or enacted law, rule or regulation has a proposed effective date which is on or before the Closing Date) or (d) any judgment, ruling or order issued by any court or administrative body, which in any such case would, prohibit (or have the retroactive effect of prohibiting, if enacted, adopted, passed or finalized) the Underwriters from underwriting the Bonds as provided herein or selling the Bonds to the public.

The termination of this Purchase Contract pursuant to this Section 8(d) by the Representative with respect to the Bonds shall not prohibit the Commission from selling such Bonds to any other underwriter.

(e) *Closing Documents.* At or prior to the Closing, the Representative shall receive with respect to the Bonds (unless the context otherwise indicates) the following documents, in each case satisfactory in form and substance to the Representative:

(1) *Approving Authorizations.* Certified copies of the Resolutions and the Ordinances.

(2) *Bond Documents.* Executed originals of the Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, the Continuing Disclosure Certificate, the Escrow Agreement and this Purchase Contract.

(3) *Final Opinion.* An approving opinion or opinions of Co-Bond Counsel, dated the Closing Date, and substantially in the form attached to the Official Statement, and a letter of such counsel addressed to the Representative to the effect that such opinion may be relied upon by the Representative to the same extent as if it had been addressed to them.

(4) *Supplemental Opinion.* A supplemental opinion or opinions of Co-Bond Counsel addressed to the Commission and the Representative, dated the Closing Date, to the following effect:

(i) The statements contained in the Official Statement under the captions "TERMS OF THE BONDS," "SECURITY AND SOURCES OF

PAYMENT FOR THE BONDS," "TAX MATTERS," Appendix B—"SUMMARY OF THE LEGAL DOCUMENTS," and Appendix E—"PROPOSED FORM OF LEGAL OPINION OF CO-BOND COUNSEL," insofar as such statements purport to summarize certain provisions of the Bonds, the Indenture, and the opinion of Co-Bond Counsel with respect to the exclusion from gross income of interest on the 2010A Bonds and the 2010B Bonds for federal income tax purposes are accurate in all material respects.

(ii) The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended.

(iii) This Purchase Contract, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, the Escrow Agreement and the Continuing Disclosure Certificate have each been duly authorized, executed and delivered by the Commission and constitute the valid, legal and binding agreements of the Commission, each enforceable in accordance with its respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other similar laws affecting enforcement of creditors' rights, by the application of equitable principles if equitable remedies are sought and limitations on the enforcement of legal remedies against public agencies in the State.

(5) *Disclosure Counsel Opinion As to Official Statement.* An opinion of Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the Commission, addressed to the Commission, dated the Closing Date, in form and substance satisfactory to the Commission.

(6) *Certificate of the Commission.* A certificate of the Commission dated the Closing Date, signed on behalf of the Commission by an authorized officer of the Commission, to the effect that:

(i) The representations and warranties of the Commission contained herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date.

(ii) No event affecting the Commission has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(7) *Certificate of the Trustee.* A certificate of the Trustee, dated the Closing Date, to the effect that:

(i) The Trustee is a national banking association organized and existing under the laws of the United States of America and has full power and is qualified to accept and comply with the terms of the Indenture and to perform its obligations thereunder.

(ii) The Trustee has accepted the duties and obligations imposed on it by the Indenture.

(iii) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the consummation by the Trustee of the transactions contemplated by the Indenture to be undertaken by the Trustee.

(iv) Compliance with the terms of the Indenture will not conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution or any other agreement or instrument to which the Trustee is a party or by which it is bound, or, to the best knowledge of the Trustee, after reasonable investigation, any law, rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties (except that no representation, warranty or agreement is made by the Trustee with respect to any federal or state securities or Blue Sky laws or regulations).

(v) To the knowledge of the Trustee after due inquiry, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or governmental agency, public board or body served on or threatened against or affecting the existence of the Trustee, or in any way contesting or affecting the validity or enforceability of the Indenture or the Bonds, or contesting the powers of the Trustee or its authority to enter into and perform its obligations under the Indenture or the Bonds, wherein an unfavorable decision, ruling or finding would adversely affect the validity of the Bonds or the Indenture.

(8) *Trustee's Counsel Opinion.* An opinion of counsel to the Trustee addressed to the Commission and the Underwriter, dated the Closing Date, to the effect that:

(i) The Trustee is a national banking association with trust powers, duly organized and validly existing and in good standing under the laws of the United States of America, having the legal authority to exercise trust powers in the State.

(ii) The Trustee has full legal power and adequate corporate authority to accept the duties and obligations imposed on it by the

Indenture and to authenticate the Bonds and the full legal power and authority to own its properties and to carry on its business.

(iii) The Bonds have been duly authenticated by the Trustee.

(iv) No consent, approval, authorization or order of any court, regulatory authority or governmental body is required for the valid authorization, execution and delivery of the Indenture and the authentication of the Bonds or the consummation by the Trustee of the transactions contemplated in the Indenture except such as have been obtained and except such as may be required under the state securities or Blue Sky laws in connection with the purchase and distribution of the Bonds by the Underwriter.

(v) The acceptance of its duties under the Indenture and the authentication of the Bonds by the Trustee and performance by the Trustee of its obligations thereunder will not conflict with or result in a breach of any of the terms, conditions or provisions of its Articles of Association or Bylaws or any other agreement or instrument to which the Trustee is a party or by which it is bound or any other existing law, regulation, court order or consent decree to which the Trustee is subject or constitute a default thereunder.

(vi) There is no action, suit, proceeding inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the Trustee affecting the existence of the Trustee or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the authentication of the Bonds by the Trustee, or contesting the powers of the Trustee or its authority to perform its obligations under the Indenture or the Bonds.

(9) *Tax Certificate.* A Tax Certificate of the Commission, dated the Closing Date, in form satisfactory to Co-Bond Counsel.

(10) *California Debt and Investment Advisory Commission Filings.* Copies of the Report of Proposed Debt Issuance and Report of Final Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 53583 of the Government Code and Section 8855(g) of the Government Code.

(11) *Continuing Disclosure Certificate.* An executed copy of the Continuing Disclosure Certificate in substantially the form attached to the Official Statement as Appendix C.

(12) *Rating Letters for the Bonds.* Rating Letters of Moody's Investors Service, Inc. ("Moody's") Standard & Poor's Credit Ratings Services, a division

of The McGraw-Hill Companies, Inc. ("S&P"), and FitchRatings ("Fitch"), evidencing that such rating agencies have assigned their municipal bond ratings of "____," "____" and "____," respectively.

(13) *Additional Documents.* Such additional certificates, instruments and other documents as the Representative may reasonably deem necessary to evidence the truth and accuracy as of the time of the Closing of the representations of the Commission and the due performance or satisfaction by the Commission at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Commission.

If the Commission shall be unable to satisfy the conditions contained in this Purchase Contract, or if the obligations of the Underwriters shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and the Underwriters and the Commission shall not be under further obligation hereunder, except as further set forth in Section 10 hereof.

Section 9. Good Faith Deposit. To secure the Commission from any loss resulting from the failure of the Underwriters to accept delivery of and pay the purchase price for the Bonds pursuant to the terms of this Purchase Contract, the Underwriters agrees to deliver to the Commission, concurrently with the execution and delivery of this Purchase Contract, either an official bank check (which may be deposited by the Commission upon receipt) or a federal funds wire transfer in the amount of \$_____ (representing ___ percent (___%)) of the principal amount of the Bonds) (the "Good Faith Deposit"). At the Closing, the Good Faith Deposit will be applied towards and deducted from the aggregate net purchase price for the Bonds as provided in Section 1 of this Purchase Contract. If the Underwriters fail to pay the purchase price in full upon tender of the Bonds (other than for a reason permitted under Section 8 hereof), the Commission may retain such Good Faith Deposit as and for liquidated damages for such failure by the Underwriters. In such circumstance, the Underwriters will have no right to recover the Good Faith Deposit or to any allowance or credit therefor. Retaining the Good Faith Deposit shall constitute the Commission's sole and exclusive remedy and full liquidated damages for the Underwriters' failure (other than for a reason expressly set forth herein) to purchase and accept delivery of the Bonds pursuant to the terms of this Purchase Contract and the Underwriters shall be released and discharged from any and all claims for damages by the Commission against the Underwriters related to such failure and any other defaults by Underwriter hereunder. The Underwriters and the Commission hereby acknowledge and agree that the amount fixed pursuant to this Section for liquidated damages does not constitute a penalty and is a reasonable estimate of the damages that the Commission would sustain in the event of the Underwriters' failure to purchase and to accept delivery of the Bonds on the Closing Date pursuant to the terms of this Purchase Contract. The amount is agreed upon and fixed as liquidated damages because of the difficulty of ascertaining as of the date hereof the actual amount of damages that would be sustained in such event. If the Commission fails to deliver the Bonds on the Closing Date pursuant to this Purchase Contract, or if the conditions to the obligations of the Underwriters to purchase, accept delivery of and pay for the Bonds as set forth in this Purchase Contract shall not be satisfied (unless waived in writing by the Representative pursuant to this Purchase Contract), or if this Purchase Contract is terminated for a reason set forth in Section 8 hereof, the

Commission shall promptly return the Good Faith Deposit to the Underwriters. Upon such return of the Good Faith Deposit to the Underwriters, this Purchase Contract shall terminate, and neither party shall have any further obligations hereunder.

Section 10. Expenses.

(a) *Commission.* The Commission shall pay or cause to be paid (but solely from the proceeds of the Bonds and not otherwise) the expenses incident to the performance of the obligations of the Commission hereunder, including but not limited to: (1) the cost of printing of the Preliminary Official Statement and the final Official Statement in reasonable quantities and all other documents prepared in connection with the transactions contemplated hereby; (2) the fees and disbursements of the Trustee and counsel to the Trustee in connection with the issuance of the Bonds; (3) the fees and disbursements of Co-Bond Counsel and of Montague DeRose and Associates, LLC and Kitahata & Company, as Co-Financial Advisors to the Commission, and any other experts or consultants retained by the Commission in connection with the transactions contemplated hereby; and (4) the costs related to obtaining ratings.

(b) *Underwriter.* The Underwriters shall pay: (1) the cost of preparation and printing of Blue Sky and Legal Investment Memoranda, if any, to be used by it; (2) all advertising expenses in connection with the public offering of the Bonds; (3) California Debt and Investment Advisory Commission fees; and (4) all other expenses incurred by the Underwriters in connection with its public offering and distribution of the Bonds, including, without limitation, any experts or other consultants hired or retained by the Underwriters, including Underwriters' counsel, the fees and charges of the CUSIP Bureau, the MSRB, the California Debt and Investment Advisory Commission, the Securities Industry and Financial Markets Association and the California Public Securities Association.

Section 11. City Contracting Requirements. The Underwriters hereby represent to the Commission that it has reviewed and will comply with the following City contracting requirements:

(a) *Conflict of Interest.* Through its execution of this Purchase Contract, Underwriters acknowledge that they are familiar with the provision of Section 15.103 of the City's Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 87100 et seq. and Section 1090 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts which constitute a violation of said provisions and agrees that it will immediately notify the City if it becomes aware of any such fact during the term of this Purchase Contract.

(b) *Proprietary or Confidential Information of City.* The Underwriters understand and agree that, in the performance of the work or services under this Purchase Contract or in contemplation thereof, the Underwriters may have access to private or confidential information which may be owned or controlled by City and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to City. The Underwriters agree that all information disclosed by City to the Underwriters shall be held in confidence and used only in performance of the Purchase Contract. The Underwriters

shall exercise the same standard of care to protect such information as a reasonably prudent Underwriter would use to protect its own proprietary data.

(c) *Ownership of Results.* Any interest of the Underwriters or their Subcontractors, in drawings, plans, specifications, blueprints, studies, reports, memoranda, computation sheets, computer files and media or other documents prepared by the Underwriters or their Subcontractors in connection with services to be performed under this Purchase Contract, shall become the property of and will be transmitted to City. However, the Underwriters may retain and use copies for reference and as documentation of its experience and capabilities.

(d) *Works for Hire.* If, in connection with services performed under this Purchase Contract, the Underwriters or their Subcontractors create artwork, copy, posters, billboards, photographs, videotapes, audiotapes, systems designs, software, reports, diagrams, surveys, blueprints, source codes or any other original works of authorship, such works of authorship shall be works for hire as defined under Title 17 of the United States Code, and all copyrights in such works are the property of the City. If it is ever determined that any works created by the Underwriters or the Subcontractors under this Purchase Contract are not works for hire under U.S. law, the Underwriters hereby assign all copyrights to such works to the City, and agrees to provide any material and execute any documents necessary to effectuate such assignment. With the approval of the City, the Underwriters may retain and use copies of such works for reference and as documentation of its experience and capabilities.

(e) *Audit and Inspection of Records.* The Underwriters agree to maintain and make available to the City, during regular business hours, accurate books and accounting records relating to its work under this Purchase Contract. The Underwriters will permit City to audit, examine and make excerpts and transcripts from such books and records, and to make audits of all invoices, materials, payrolls, records or personnel and other data related to all other matters covered by this Purchase Contract, whether funded in whole or in part under this Purchase Contract. The Underwriters shall maintain such data and records in an accessible location and condition for a period of not less than five years after final payment under this Purchase Contract or until after final audit has been resolved, whichever is later. The State of California or any federal agency having an interest in the subject matter of this Purchase Contract shall have the same rights conferred upon City by this Section.

(f) *Subcontracting.* The Underwriters are prohibited from subcontracting this Purchase Contract or any part of it unless such subcontracting is first approved by City in writing. Neither party shall, on the basis of this Purchase Contract, contract on behalf of or in the name of the other party. An agreement made in violation of this provision shall confer no rights on any party and shall be null and void.

(g) *Assignment.* The services to be performed by the Underwriters are personal in character and neither this Purchase Contract nor any duties or obligations hereunder may be assigned or delegated by the Underwriters unless first approved by City by written instrument executed and approved in the same manner as this Purchase Contract.

(h) *Non-Waiver of Rights.* The omission by either party at any time to enforce any default or right reserved to it, or to require performance of any of the terms, covenants, or provisions hereof by the other party at the time designated, shall not be a waiver of any such default or right to which the party is entitled, nor shall it in any way affect the right of the party to enforce such provisions thereafter.

(i) *Earned Income Credit (EIC) Forms.* Administrative Code section 12O requires that employers provide their employees with IRS Form W-5 (The Earned Income Credit Advance Payment Certificate) and the IRS EIC Schedule, as set forth below. Employers can locate these forms at the IRS Office, on the Internet, or anywhere that Federal Tax Forms can be found. Each Underwriter shall provide EIC Forms to each Eligible Employee at each of the following times: (i) within thirty days following the date on which this Purchase Contract becomes effective (unless such Underwriter has already provided such EIC Forms at least once during the calendar year in which such effective date falls); (ii) promptly after any Eligible Employee is hired by such Underwriter; and (iii) annually between January 1 and January 31 of each calendar year during the term of this Purchase Contract. Failure to comply with any requirement contained in subparagraph (a) of this Section shall constitute a material breach by the Underwriters of the terms of this Purchase Contract. If, within thirty days after an Underwriter receive written notice of such a breach, such Underwriter fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty days, such Underwriter fails to commence efforts to cure within such period or thereafter fails to diligently pursue such cure to completion, the City may pursue any rights or remedies available under this Purchase Contract or under applicable law. Any Subcontract entered into by an Underwriter shall require the Subcontractor to comply, as to the Subcontractor's Eligible Employees, with each of the terms of this section. Capitalized terms used in this Section and not defined in this Purchase Contract shall have the meanings assigned to such terms in Section 12O of the San Francisco Administrative Code.

(j) *Local Business Enterprise Utilization; Liquidated Damages*

i. **The LBE Ordinance.** Each Underwriter shall comply with all the requirements of the Local Business Enterprise and Non-Discrimination in Contracting Ordinance set forth in Chapter 14B of the San Francisco Administrative Code as it now exists or as it may be amended in the future (collectively the "LBE Ordinance"), provided such amendments do not materially increase such Underwriter's obligations or liabilities, or materially diminish such Underwriter's rights, under this Purchase Contract. Such provisions of the LBE Ordinance are incorporated by reference and made a part of this Purchase Contract as though fully set forth in this section. An Underwriter's willful failure to comply with any applicable provisions of the LBE Ordinance is a material breach of the Underwriters' obligations under this Purchase Contract and shall entitle City, subject to any applicable notice and cure provisions set forth in this Purchase Contract, to exercise any of the remedies provided for under this Purchase Contract, under the LBE Ordinance or otherwise available at law or in equity, which remedies shall be cumulative unless this Purchase Contract expressly provides that any remedy is exclusive. In addition, Underwriter shall comply fully with all other applicable local, state and federal laws prohibiting discrimination and requiring equal opportunity in contracting, including subcontracting.

ii. **Compliance and Enforcement.** If an Underwriter willfully fails to comply with any of the provisions of the LBE Ordinance, the rules and regulations implementing the LBE Ordinance, or the provisions of this Purchase Contract pertaining to LBE participation, Underwriter shall be liable for liquidated damages in an amount equal to Underwriter's net profit on this Purchase Contract, or 10% of the total amount of this Purchase Contract, or \$1,000, whichever is greatest. The Director of the City's Human Rights Commission or any other public official authorized to enforce the LBE Ordinance (separately and collectively, the "Director of HRC") may also impose other sanctions against such Underwriter authorized in the LBE Ordinance, including declaring the Underwriter to be irresponsible and ineligible to contract with the City for a period of up to five years or revocation of the Underwriter's LBE certification. The Director of HRC will determine the sanctions to be imposed, including the amount of liquidated damages, after investigation pursuant to Administrative Code §14B.17. By entering into this Purchase Contract, each Underwriter acknowledges and agrees that any liquidated damages assessed by the Director of the HRC shall be payable to City upon demand. Each Underwriter further acknowledges and agrees that any liquidated damages assessed may be withheld from any monies due to such Underwriter on any contract with City. Each Underwriter agrees to maintain records necessary for monitoring its compliance with the LBE Ordinance for a period of three years following termination or expiration of this Purchase Contract, and shall make such records available for audit and inspection by the Director of HRC or the Controller upon request.

(k) *Nondiscrimination; Penalties*

i. **Underwriter Shall Not Discriminate.** In the performance of this Purchase Contract, each Underwriter agrees not to discriminate against any employee, City and County employee working with such Underwriter or Subcontractor, applicant for employment with such Underwriter or Subcontractor, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

ii. **Subcontracts.** Each Underwriter shall incorporate by reference in all subcontracts the provisions of §§12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code (copies of which are available from Purchasing) and shall require all Subcontractors to comply with such provisions. An Underwriter's failure to comply with the obligations in this subsection shall constitute a material breach of this Purchase Contract.

iii. **Nondiscrimination in Benefits.** Each Underwriter does not as of the date of this Purchase Contract and will not during the term of this Purchase Contract, in any of its operations in San Francisco, on real property owned by San Francisco, or where work is being performed for the City elsewhere in the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other

than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in §12B.2(b) of the San Francisco Administrative Code.

iv. **Condition to Contract.** As a condition to this Purchase Contract, each Underwriter shall execute the “Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits” form (form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

v. **Incorporation of Administrative Code Provisions by Reference.** The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated in this Section by reference and made a part of this Purchase Contract as though fully set forth herein. Each Underwriter shall comply fully with and be bound by all of the provisions that apply to this Purchase Contract under such Chapters, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, each Underwriter understands that pursuant to §§12B.2(h) and 12C.3(g) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Purchase Contract may be assessed against such Underwriter and/or deducted from any payments due such Underwriter.

(l) *MacBride Principles—Northern Ireland.* Pursuant to San Francisco Administrative Code §12F.5, the City and County of San Francisco urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles. The City and County of San Francisco urges San Francisco companies to do business with corporations that abide by the MacBride Principles. By signing below, the person executing this agreement on behalf of Underwriter acknowledges and agrees that he or she has read and understood this section.

(m) *Tropical Hardwood and Virgin Redwood Ban.* Pursuant to §804(b) of the San Francisco Environment Code, the City and County of San Francisco urges the Underwriters not to import, purchase, obtain, or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product.

(n) *Drug-Free Workplace Policy.* Each Underwriter acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on City premises. Each Underwriter agrees that any violation of this prohibition by such Underwriter, its employees, agents or assigns will be deemed a material breach of this Purchase Contract.

(o) *Resource Conservation.* Chapter 5 of the San Francisco Environment Code (“Resource Conservation”) is incorporated herein by reference. Failure by an Underwriter to comply with any of the applicable requirements of Chapter 5 will be deemed a material breach of contract.

(p) *Compliance with Americans with Disabilities Act.* Each Underwriter acknowledges that, pursuant to the Americans with Disabilities Act (ADA), programs, services and other activities provided by a public entity to the public, whether directly or through a Underwriter, must be accessible to the disabled public. Each Underwriter shall provide the services specified in this Purchase Contract in a manner that complies with the ADA and any and all other applicable federal, state and local disability rights legislation. Each Underwriter agrees not to discriminate against disabled persons in the provision of services, benefits or activities provided under this Purchase Contract and further agrees that any violation of this prohibition on the part of such Underwriter, its employees, agents or assigns will constitute a material breach of this Purchase Contract.

(q) *Sunshine Ordinance.* In accordance with San Francisco Administrative Code §67.24(e), contracts, Underwriters' bids, responses to solicitations and all other records of communications between City and persons or firms seeking contracts, shall be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person or organization's net worth or other proprietary financial data submitted for qualification for a contract or other benefit until and unless that person or organization is awarded the contract or benefit. Information provided which is covered by this paragraph will be made available to the public upon request.

(r) *Public Access to Meetings and Records.* If an Underwriter receives a cumulative total per year of at least \$250,000 in City funds or City-administered funds and is a non-profit organization as defined in Chapter 12L of the San Francisco Administrative Code, such Underwriter shall comply with and be bound by all the applicable provisions of that Chapter. By executing this Purchase Contract, each Underwriter agrees to open its meetings and records to the public in the manner set forth in §§12L.4 and 12L.5 of the Administrative Code. Each Underwriter further agrees to make-good faith efforts to promote community membership on its Board of Directors in the manner set forth in §12L.6 of the Administrative Code. Each Underwriter acknowledges that its material failure to comply with any of the provisions of this paragraph shall constitute a material breach of this Purchase Contract. Each Underwriter further acknowledges that such material breach of the Purchase Contract shall be grounds for the City to terminate and/or not renew the Purchase Contract, partially or in its entirety.

(s) *Limitations on Contributions.* Through execution of this Purchase Contract, each Underwriter acknowledges that it is familiar with section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, or for a grant, loan or loan guarantee, from making any campaign contribution to (1) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or the board of a state agency on which an appointee of that individual serves, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. Each Underwriter acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have

a total anticipated or actual value of \$50,000 or more. Each Underwriter further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of such Underwriter's board of directors; such Underwriter's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20 percent in such Underwriter; any Subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by such Underwriter. Additionally, each Underwriter acknowledges that such Underwriter must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. Each Underwriter further agrees to provide to City the names of each person, entity or committee described above.

(t) *Requiring Minimum Compensation for Covered Employees*

i. Each Underwriter agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance (MCO), as set forth in San Francisco Administrative Code Chapter 12P (Chapter 12P), including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 12P are incorporated herein by reference and made a part of this Purchase Contract as though fully set forth. The text of the MCO is available on the web at www.sfgov.org/olse/mco. A partial listing of some of each Underwriter's obligations under the MCO is set forth in this Section. Each Underwriter is required to comply with all the provisions of the MCO, irrespective of the listing of obligations in this Section.

ii. The MCO requires each Underwriter to pay such Underwriter's employees a minimum hourly gross compensation wage rate and to provide minimum compensated and uncompensated time off. The minimum wage rate may change from year to year and each Underwriter is obligated to keep informed of the then-current requirements. Any subcontract entered into by an Underwriter shall require the Subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Section. It is each Underwriter's obligation to ensure that any Subcontractors of any tier under this Purchase Contract comply with the requirements of the MCO. If any Subcontractor under this Purchase Contract fails to comply, City may pursue any of the remedies set forth in this Section against such Underwriter.

iii. Each Underwriter shall not take adverse action or otherwise discriminate against an employee or other person for the exercise or attempted exercise of rights under the MCO. Such actions, if taken within 90 days of the exercise or attempted exercise of such rights, will be rebuttably presumed to be retaliation prohibited by the MCO.

iv. Each Underwriter shall maintain employee and payroll records as required by the MCO. If an Underwriter fails to do so, it shall be presumed that the Underwriter paid no more than the minimum wage required under State law.

v. The City is authorized to inspect each Underwriter's job sites and conduct interviews with employees and conduct audits of the Underwriter.

vi. Each Underwriter's commitment to provide the Minimum Compensation is a material element of the City's consideration for this Purchase Contract. The City in its sole discretion shall determine whether such a breach has occurred. The City and the public will suffer actual damage that will be impractical or extremely difficult to determine if the Underwriter fails to comply with these requirements. Such Underwriter agrees that the sums set forth in Section 12P.6.1 of the MCO as liquidated damages are not a penalty, but are reasonable estimates of the loss that the City and the public will incur for such Underwriter's noncompliance. The procedures governing the assessment of liquidated damages shall be those set forth in Section 12P.6.2 of Chapter 12P.

vii. Each Underwriter understands and agrees that if it fails to comply with the requirements of the MCO, the City shall have the right to pursue any rights or remedies available under Chapter 12P (including liquidated damages), under the terms of the contract, and under applicable law. If, within 30 days after receiving written notice of a breach of this Purchase Contract for violating the MCO, each Underwriter fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, such Underwriter fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue any rights or remedies available under applicable law, including those set forth in Section 12P.6(c) of Chapter 12P. Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

viii. Each Underwriter represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the MCO.

ix. If an Underwriter is exempt from the MCO when this Purchase Contract is executed because the cumulative amount of agreements with this department for the fiscal year is less than \$25,000, but such Underwriter later enters into an agreement or agreements that cause such Underwriter to exceed that amount in a fiscal year, such Underwriter shall thereafter be required to comply with the MCO under this Purchase Contract. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Underwriter and this department to exceed \$25,000 in the fiscal year.

(u) *Requiring Health Benefits for Covered Employees*

Each Underwriter agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Chapter 12Q are incorporated by reference and made a part of this Purchase Contract as though fully set forth herein. The text of the HCAO is available on the web at www.sfgov.org/olse. Capitalized terms used in this Section and not defined in this Purchase Contract shall have the meanings assigned to such terms in Chapter 12Q.

i. For each Covered Employee, each Underwriter shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If an Underwriter chooses to offer the

health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.

ii. Notwithstanding the above, if an Underwriter is a small business as defined in Section 12Q.3(e) of the HCAO, it shall have no obligation to comply with part (a) above.

iii. An Underwriter's failure to comply with the HCAO shall constitute a material breach of this agreement. City shall notify the Underwriter if such a breach has occurred. If, within 30 days after receiving City's written notice of a breach of this Purchase Contract for violating the HCAO, such Underwriter fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, such Underwriter fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, City shall have the right to pursue the remedies set forth in 12Q.5.1 and 12Q.5(f)(1-6). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to City.

iv. Any Subcontract entered into by an Underwriter shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. Each Underwriter shall notify City's Office of Contract Administration when it enters into such a Subcontract and shall certify to the Office of Contract Administration that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. Each Underwriter shall be responsible for its Subcontractors' compliance with this Chapter. If a Subcontractor fails to comply, the City may pursue the remedies set forth in this Section against the Underwriter based on the Subcontractor's failure to comply, provided that City has first provided the Underwriter with notice and an opportunity to obtain a cure of the violation.

v. An Underwriter shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying City with regard to such Underwriter's noncompliance or anticipated noncompliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

vi. Each Underwriter represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

vii. Each Underwriter shall maintain employee and payroll records in compliance with the California Labor Code and Industrial Welfare Commission orders, including the number of hours each employee has worked on the City Contract.

viii. Each Underwriter shall keep itself informed of the current requirements of the HCAO.

ix. Each Underwriter shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subcontractors and Subtenants, as applicable.

x. Each Underwriter shall provide City with access to records pertaining to compliance with HCAO after receiving a written request from City to do so and being provided at least ten business days to respond.

xi. Each Underwriter shall allow City to inspect such Underwriter's job sites and have access to such Underwriter's employees in order to monitor and determine compliance with HCAO.

xii. City may conduct random audits of each Underwriter to ascertain its compliance with HCAO. Each Underwriter agrees to cooperate with City when it conducts such audits.

xiii. If an Underwriter is exempt from the HCAO when this Purchase Contract is executed because its amount is less than \$25,000 (\$50,000 for nonprofits), but such Underwriter later enters into an agreement or agreements that cause such Underwriter's aggregate amount of all agreements with City to reach \$75,000, all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between such Underwriter and the City to be equal to or greater than \$75,000 in the fiscal year.

(v) *Prohibition on Political Activity with City Funds.* In accordance with San Francisco Administrative Code Chapter 12.G, an Underwriter may not participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, "Political Activity") in the performance of the services provided under this Purchase Contract. Each Underwriter agrees to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City's Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. In the event an Underwriter violates the provisions of this section, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Purchase Contract, and (ii) prohibit the Underwriter from bidding on or receiving any new City contract for a period of two (2) years. The Controller will not consider an Underwriter's use of profit as a violation of this section.

(w) *Preservative-treated Wood Containing Arsenic.* An Underwriter may not purchase preservative-treated wood products containing arsenic in the performance of this Purchase Contract unless an exemption from the requirements of Chapter 13 of the San Francisco Environment Code is obtained from the Department of the Environment under Section 1304 of the Code. The term "preservative-treated wood containing arsenic" shall mean wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including, but not limited to, chromated copper arsenate preservative, ammoniacal copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. The Underwriters may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of the Environment. This provision does not preclude an Underwriter from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "saltwater immersion" shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

(x) *Compliance with Laws.* Each Underwriter shall keep itself fully informed of the City's Charter, codes, ordinances and regulations of the City and of all state, and federal laws in any manner affecting the performance of this Purchase Contract, and must at all times comply with such local codes, ordinances, and regulations and all applicable laws as they may be amended from time to time.

(y) *Protection of Private Information.* Each Underwriter has read and agrees to the terms set forth in San Francisco Administrative Code Sections 12M.2, "Nondisclosure of Private Information," and 12M.3, "Enforcement" of Administrative Code Chapter 12M, "Protection of Private Information," which are incorporated herein as if fully set forth. Each Underwriter agrees that any failure of Contactor to comply with the requirements of Section 12M.2 of this Chapter shall be a material breach of the Contract. In such an event, in addition to any other remedies available to it under equity or law, the City may terminate the Contract, bring a false claim action against the Underwriter pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar the Underwriter.

(z) *Graffiti Removal.* Graffiti is detrimental to the health, safety and welfare of the community in that it promotes a perception in the community that the laws protecting public and private property can be disregarded with impunity. This perception fosters a sense of disrespect of the law that results in an increase in crime; degrades the community and leads to urban blight; is detrimental to property values, business opportunities and the enjoyment of life; is inconsistent with the City's property maintenance goals and aesthetic standards; and results in additional graffiti and in other properties becoming the target of graffiti unless it is quickly removed from public and private property. Graffiti results in visual pollution and is a public nuisance. Graffiti must be abated as quickly as possible to avoid detrimental impacts on the City and County and its residents, and to prevent the further spread of graffiti. Each Underwriter shall remove all graffiti from any real property owned or leased by the Underwriter in the City and County of San Francisco within forty eight (48) hours of the earlier of the Underwriter's (a) discovery or notification of the graffiti or (b) receipt of notification of the graffiti from the Department of Public Works. This section is not intended to require an Underwriter to breach any lease or other agreement that it may have concerning its use of the real property. The term "graffiti" means any inscription, word, figure, marking or design that is affixed, marked, etched, scratched, drawn or painted on any building, structure, fixture or other improvement, whether permanent or temporary, including by way of example only and without limitation, signs, banners, billboards and fencing surrounding construction sites, whether public or private, without the consent of the owner of the property or the owner's authorized agent, and which is visible from the public right-of-way. "Graffiti" shall not include: (1) any sign or banner that is authorized by, and in compliance with, the applicable requirements of the San Francisco Public Works Code, the San Francisco Planning Code or the San Francisco Building Code; or (2) any mural or other painting or marking on the property that is protected as a work of fine art under the California Art Preservation Act (California Civil Code Sections 987 et seq.) or as a work of visual art under the Federal Visual Artists Rights Act of 1990 (17 U.S.C. §§ 101 et seq.).

Any failure of an Underwriter to comply with this section of this Purchase Contract shall constitute an Event of Default of this Purchase Contract.

(aa) *Food Service Waste Reduction Requirements.* Each Underwriter agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in San Francisco Environment Code Chapter 16, including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Purchase Contract as though fully set forth. This provision is a material term of this Purchase Contract. By entering into this Purchase Contract, each Underwriter agrees that if it breaches this provision, City will suffer actual damages that will be impractical or extremely difficult to determine; further, each Underwriter agrees that the sum of one hundred dollars (\$100) liquidated damages for the first breach, two hundred dollars (\$200) liquidated damages for the second breach in the same year, and five hundred dollars (\$500) liquidated damages for subsequent breaches in the same year is reasonable estimate of the damage that City will incur based on the violation, established in light of the circumstances existing at the time this Purchase Contract was made. Such amount shall not be considered a penalty, but rather agreed monetary damages sustained by City because of such Underwriter's failure to comply with this provision.

(bb) *Cooperative Drafting.* This Purchase Contract has been drafted through a cooperative effort of both parties, and both parties have had an opportunity to have the Purchase Contract reviewed and revised by legal counsel. No party shall be considered the drafter of this Purchase Contract, and no presumption or rule that an ambiguity shall be construed against the party drafting the clause shall apply to the interpretation or enforcement of this Purchase Contract.

Section 12. Notices. Any notice or other communication to be given under this Purchase Contract to the Commission or the Underwriters may be given by delivering the same in writing at the addresses set forth below:

If to the Commission:

Public Utilities Commission of the
City and County of San Francisco
1155 Market Street, 5th Floor
San Francisco, California 94103
Attention: Deputy CFO
Telephone: (415) 487-5262
Fax: (415) 487-5258

With a copy to:

City and County of San Francisco
Office of Public Finance
City Hall, Room 336
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102
Telephone: (415) 554-5956
Fax: (415) 554-4864

If to the Underwriters:

_____, as Representative

Attention:
Telephone:
Fax:

Section 13. Entire Agreement. This Purchase Contract, when accepted by the Commission, shall constitute the entire agreement between the Commission and the Underwriters and is made solely for the benefit of the Commission and the Underwriters (including the successors or assigns of any Underwriter with the consent of the Commission) and no other person shall acquire or have any right hereunder by virtue hereof. All of the Commission's representations, warranties and agreements in this Purchase Contract shall remain operative and in full force and effect, regardless of (a) any investigation made by or on behalf of the Underwriters, (b) delivery of and payment for the Bonds hereunder, and (c) any termination of this Purchase Contract.

Section 14. Counterparts. This Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. This Purchase Contract may be signed in counterparts, and upon delivery to the other party of such signed Purchase Contract, which delivery may be by facsimile transmission, shall constitute the binding agreement of each party to this Purchase Contract.

Section 15. Mutual Reliance on Representations and Warranties. The Commission hereby acknowledges that the Underwriters, in executing this Purchase Contract and in paying for the Bonds as provided herein, are relying upon the representations and warranties of the Commission set forth herein. The Underwriters hereby acknowledge that the Commission, in executing this Purchase Contract and issuing the Bonds described herein, is relying upon the representations and warranties of the Underwriters set forth herein.

Section 16. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity; illegality or unenforceability shall not affect any other provision hereof, but this Purchase Contract shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 17. State of California Law Governs. The validity, interpretation and performance of this Purchase Contract shall be governed by the laws of the State of California. This Purchase Contract shall be enforceable in the State of California, and any action arising out of this Purchase Contract shall be filed with and maintained in City and County of San Francisco Superior Court, San Francisco, California; provided, that the Commission may waive the requirement of venue.

Section 18. Limited Liability. The obligations and liabilities of the Commission hereunder are limited obligations of the Commission payable solely from Revenues as defined and set forth in the Indenture. None of the Commissioners, the officers or employees of the Commission, or any person executing this Purchase Contract shall be liable personally for the obligations of the Commission hereunder or be subject to any personal liability or accountability by reason of the execution hereof. Neither of the faith and credit nor the taxing power of the State or any political subdivision thereof, including the City, is pledged to the obligations of the Commission hereunder.

Very truly yours,

as Underwriter

By: _____
Authorized Officer

Accepted as of the date first stated above:

PUBLIC UTILITIES COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO

By: _____
General Manager

Approved as to Form:

DENNIS J. HERRERA
City Attorney

By: _____
Mark D. Blake, Deputy City Attorney

SCHEDULE I
TO THE PURCHASE CONTRACT

MATURITY SCHEDULE

\$ _____
2010 Sub-Series A

MATURITY (DECEMBER 1)	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	PRICE	CUSIP (BASE NO. _____)
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\$ _____
2010 Refunding Sub-Series B

MATURITY (DECEMBER 1)	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	PRICE	CUSIP (BASE NO. _____)
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\$ _____
2010 Sub-Series C

MATURITY (DECEMBER 1)	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	PRICE	CUSIP (BASE NO. _____)
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**PUBLIC UTILITIES COMMISSION
OF THE CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO WATER REVENUE BONDS,
2010 SUB-SERIES C BONDS
(FEDERALLY TAXABLE – BUILD AMERICA BONDS – DIRECT PAYMENT)**

CUSTODY AGREEMENT

This Custody Agreement, dated [_____] 2010 (this “Agreement”), is entered into by and between the Public Utilities Commission of the City and County of San Francisco (the “Issuer”) and U.S. Bank National Association (the “Custodian”). The Issuer has appointed the Custodian to act as custodian for monies deposited by the Issuer in connection with the issuance and administration of the Public Utilities Commission of the City and County of San Francisco San Francisco Water Revenue Bonds, 2010 Sub-Series C Bonds (Federally Taxable - Building America Bonds – Direct Payment) (the “Bonds”). This Agreement sets out the terms and conditions of this appointment.

The Issuer and the Custodian agree as follows:

1. On or about [_____] 2010, the Issuer shall deposit with or cause to be delivered to the Custodian the amount of \$[_____] (the “Deposit”), representing a good faith deposit made by the purchaser of the Bonds. The Custodian shall hold the Deposit in a custody account (the “2010 Sub-Series C Custody Account”) to be established by the Custodian. The Deposit shall be delivered to the Custodian by wire transfer as follows:

BANK:	U.S. BANK, N.A.
ABA#:	091000022
FBO:	U.S. BANK National Association
ACCT:	180121167365
REF:	SFPUC Water 2010[C]
ATTN:	Andrew Fung

2. Upon the issuance of the Bonds, the Custodian shall distribute funds in the 2010 Sub-Series C Custody Account to the Issuer, with no further direction from the Issuer, for deposit by the issuer into the 2010 Sub-Series C Project Fund to be established by the Issuer under the Seventh Supplemental Indenture, dated as of May 1, 2010, by and between the Issuer and U.S. Bank National Association, as trustee. If the Bonds are not delivered on or before [_____, 2010], the Custodian shall deliver all funds to the Issuer in accordance with the Issuer’s written instructions.

3. The Custodian shall hold and invest the 2010 Sub-Series C Custody Account in the fund of the Custodian entitled [**“First American Treasury Obligations Class D.”**] The Custodian shall distribute all investment earnings in accordance with the Issuer’s written instructions.

4. This Agreement will terminate upon transfer of all the amounts in the 2010 Sub-Series C Custody Account in accordance with Section 2 hereof.

5. The duties and responsibilities of Custodian shall be limited to those expressly set forth in this Agreement. In no event shall the Custodian be liable for any special, indirect or consequential damages. The Custodian shall not be liable for any action taken or neglected to be taken by it in good faith in any exercise of reasonable care and reasonably believed by it to be within the discretion of power conferred upon it by this Agreement. Issuer agrees to indemnify and hold the Custodian harmless from all loss, cost, damages, expenses, liabilities, judgments and attorneys' fees (including without limitation, allocated costs of in-house counsel) suffered or incurred by Custodian arising out of or in connection with this Agreement, except that this indemnity obligation shall not apply in the event of the negligence or willful misconduct of the Custodian. This indemnity obligation shall survive termination of this Agreement.

Executed as of the date first above written.

PUBLIC UTILITIES COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO,
as Issuer

By: _____
Todd L. Rydstrom,
Assistant General Manager, Business Services
and Chief Financial Officer

U.S. BANK NATIONAL ASSOCIATION,
as Custodian

By: _____
Name: _____
Title: _____

ESCROW AGREEMENT
RELATING TO

\$_[]\$ AGGREGATE PRINCIPAL AMOUNT OF
PUBLIC UTILITIES COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO WATER REVENUE BONDS, 2010 SERIES ABC
REFUNDING SUB-SERIES C

THIS ESCROW AGREEMENT, dated as of June 1, 2010, is by and between 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") and 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 escrow agent (the "Escrow Agent") hereunder in connection with the Refunded Bonds referred to below.

W I T N E S S E T H:

WHEREAS, pursuant to an Amended and Restated Indenture, dated as of August 1, 2002, by and between the Commission and the U.S. Bank National Association, as trustee (the "Trustee"), as amended and supplemented, the Commission previously issued San Francisco Water Revenue Bonds, 1991 Series A (the "1991 Series A Bonds") in the original principal amount of \$70,145,682; San Francisco Water Revenue Bonds, 2001 Series A (the "2001 Series A Bonds") in the original principal amount of \$140,000,000; San Francisco Water Revenue Bonds, 2002 Series A (the "2002 Series A Bonds") in the original principal amount of \$164,000,000; San Francisco Water Revenue Bonds, 2002 Refunding Series B (the "2002 Refunding Series B Bonds") in the original principal amount of \$85,260,000; San Francisco Water Revenue Bonds, 2006 Series A (the "2006 Series A Bonds") in the original principal amount of \$507,815,000; San Francisco Water Revenue Bonds, 2006 Refunding Series B (the "2006 Refunding Series B Bonds") in the original principal amount of \$110,065,000; San Francisco Water Revenue Bonds, 2006 Refunding Series C (the "2006 Refunding Series C Bonds") in the original principal amount of \$48,730,000; San Francisco Water Revenue Bonds, 2009 Series A (the "2009 Series A Bonds") in the original principal amount of \$412,000,000; and San Francisco Water Revenue Bonds, 2009 Series B (the "2009 Series B Bonds") in the original principal amount of \$412,000,000 (collectively, the "Prior Bonds");

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") to authorize the issuance by the Commission of its revenue bonds or other forms of revenue financing, when authorized by ordinance approved by a two-thirds vote of the Board of Supervisors of the City,

for the purpose of reconstructing, replacing, expanding, repairing or improving water facilities or clean water facilities or combinations of water and clean water facilities under the jurisdiction of the Commission;

WHEREAS, on August 4, 2009, the Board of Supervisors of the City passed Ordinance No. 189-09 by a two-thirds vote, approving the issuance of not to exceed \$1,310,307,119 aggregate principal amount of water revenue bonds pursuant to Proposition E;

WHEREAS, on _____, 2010, the Board of Supervisors of the City passed Ordinance No. ____-10 by a two-thirds vote, approving the issuance of not to exceed \$_____ aggregate principal amount of water revenue bonds pursuant to Proposition E;

WHEREAS, the Commission has determined to issue a series of Bonds designated "San Francisco Water Revenue Bonds, 2010 Series ABC" (the "2010 Series ABC Bonds") in the original principal amount of \$[_____] under a Sixth Supplemental Indenture and a Seventh Supplemental Indenture to finance and refinance the reconstruction, replacement, expansion and repair of improvements to the Enterprise pursuant to Proposition E of 2002 and refund a portion of the 2001 Series A Bonds pursuant to either City Charter Section 9.109 or Proposition E of 2002;

WHEREAS, the 2010 Series ABC Bonds will be issued by the Commission in three sub-series designated "San Francisco Water Revenue Bonds, 2010 Sub-Series A" (the "2010 Sub-Series A Bonds") in the original principal amount of \$[_____] , "San Francisco Water Revenue Bonds, 2010 Sub-Series B (Federally Taxable – Build America Bonds – Direct Payment)" (the "2010 Sub-Series B Bonds") in the original principal amount of \$[_____] , and "San Francisco Water Revenue Bonds, 2010 Refunding Sub-Series C" (the "2010 Refunding Sub-Series C Bonds," and together with the 2010 Sub-Series A Bonds and the 2010 Sub-Series B Bonds, the "2010 Series ABC Bonds") in the original principal amount of \$[_____] , and;

WHEREAS, the proceeds of the 2010 Refunding Sub-Series C Bonds will be used to [advance] refund a portion of the 2001 Series A Bonds (described in Exhibit A, the "Refunded Bonds");

WHEREAS, by irrevocably depositing with the Escrow Agent a specified amount of the proceeds from the sale of the 2010 Refunding Sub-Series C Bonds, and directing the Escrow Agent to invest such amounts in Federal Securities (as described in Section 10.01 of the Indenture) or to hold such amounts uninvested, the Escrow Agent will have money sufficient to pay and redeem the Refunded Bonds on _____, 20__;

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the Commission and the Escrow Agent agree as follows:

SECTION 1. Deposit of Moneys. The Commission hereby irrevocably deposits with the Escrow Agent \$ _____, comprised of net proceeds of the sale of the 2010 Refunding Sub-Series C Bonds[, plus a contribution from the Commission in the amount of \$_____]. Such amounts shall be held in irrevocable trust by the Escrow Agent separate and apart from other funds of the Commission and shall be deposited into the 2010 Refunding Sub-Series C Refunding Fund (the "Escrow Fund"). The moneys in the Escrow Fund shall be applied solely

as provided in this Escrow Agreement. The moneys set forth above are at least equal to an amount sufficient to purchase the Federal Securities in accordance with Section 2 hereof and otherwise to defease the Refunded Bonds by paying when due the amounts shown on Schedule I.

SECTION 2. Application of Moneys in Escrow Fund. The Escrow Agent acknowledges receipt of the moneys described in Section 1 and agrees to invest immediately \$_____ in the Escrow Fund in the Federal Securities set forth in Exhibit B hereto.

SECTION 3. Investment of Any Remaining Moneys. In the event that the Escrow Agent shall receive any payment of principal or interest from the Federal Securities prior to the date on which such payment is required for the purposes set forth herein, at the written direction of the Commission, the Escrow Agent may reinvest the amount of such payment, or any portion thereof, in noncallable Federal Securities (as defined in the Indenture) maturing not later than the date on which such payment or portion thereof is required for the purposes set forth in Section 5; but only after the Commission has obtained and delivered to the Escrow Agent, except with respect to the reinvestment of moneys in United States Treasury Securities - State and Local Government Series - Demand Deposit Securities (which may be made without satisfaction of the following requirements), (a) an unqualified opinion of nationally recognized bond counsel that such reinvestment will not adversely affect the exclusion from gross income of interest payable with respect to the 2010 Refunding Sub-Series C Bonds for purposes of federal income taxation, and that such reinvestment will not adversely affect the exclusion from gross income of interest payable with respect to the Prior Bonds (including the Refunded Bonds), for purposes of federal income taxation, and (b) a report by a nationally recognized firm of certified public accountants to the effect that such reinvestment will not adversely affect the sufficiency of the amounts of securities, investments and money in the Escrow Fund to pay when due, without any further reinvestment, principal or prepayment price of and interest with respect to the Refunded Bonds on the dates specified in the Indenture and herein. In the absence of such written directions of the Commission, the Escrow Agent shall hold such amounts uninvested, but shall immediately send the notice required by Section 16 of this Escrow Agreement to the Commission. [The Escrow Agent is hereby authorized to deposit uninvested moneys held in the Escrow Fund hereunder, from time to time, in Federal Securities as set forth on Exhibit B hereto.]

SECTION 4. Substitution of Securities. Upon the written request of the Commission, and subject to the conditions and limitations herein set forth and applicable governmental rules and regulations, the Escrow Agent shall sell, redeem or otherwise dispose of the Federal Securities, provided that there are substituted therefor other Federal Securities which satisfy the terms of this Escrow Agreement; but only after the Commission has obtained and delivered to the Escrow Agent, (a) an unqualified opinion of nationally recognized bond counsel that such reinvestment will not adversely affect the exclusion from gross income of interest payable with respect to the Prior Bonds, for purposes of federal income taxation, and that such reinvestment will not adversely affect the exclusion from gross income of interest payable with respect to the 2010 Refunding Sub-Series C Bonds, for purposes of federal income taxation, and (b) a report by a nationally recognized firm of certified public accountants to the effect that such reinvestment will not adversely affect the sufficiency of the amounts of securities, investments and money in the Escrow Fund to pay when due, without any further reinvestment, principal or prepayment price of and interest with respect to the Refunded Bonds payable from the Escrow Fund on the dates specified in the Indenture and herein. The Escrow Agent shall not be liable or responsible

for any loss resulting from any reinvestment or liquidation of reinvestment made pursuant to this Escrow Agreement and in full compliance with the provisions hereof.

SECTION 5. Payment of Refunded Bonds.

(a) Payment or Purchase of Refunded Bonds. From the maturing principal of the Federal Securities and the investment income and other earnings thereon and other moneys on deposit in the Escrow Fund, the Escrow Agent shall apply the amounts on deposit in the Escrow Fund to redeem the Refunded Bonds on _____, 20___. From the moneys on deposit in the Escrow Fund, the Escrow Agent shall pay the interest with respect to the Refunded Bonds as the same becomes due on or prior to _____, 20___. Each redemption shall be at a price set forth in Schedule I, plus accrued interest to the date of redemption or purchase. Any redeemed Refunded Bond shall be cancelled by the Trustee.

(b) Priority of Payments. The Owners of the Refunded Bonds of each Series shall have a lien on, and the Commission hereby irrevocably pledges and grants a security interest in, moneys and securities in the Escrow Fund which are allocable and sufficient to pay the related Refunded Bonds in accordance with this Escrow Agreement, until such moneys and such securities are used and applied as provided in this Escrow Agreement.

(c) Transfer of Excess Funds in Escrow Fund. Any amounts remaining in the Escrow Fund following the redemption of the Refunded Bonds on _____, 20__ that are not required for the payment of any Refunded Bonds, representing the remainder of the contribution made by the Commission described in Section 1 hereof, shall be transferred by the Escrow Agent to or upon the order of the Commission.

SECTION 6. Application of Certain Terms of Indenture. All of the terms of the Indenture relating to the making of payments of principal, interest and purchase price with respect to the applicable Refunded Bonds and relating to the notices of defeasance and prepayment are incorporated in this Escrow Agreement as if set forth in full herein. The procedures set forth in the Indenture relating to the resignation and removal of the Trustee thereunder are also incorporated in this Escrow Agreement as if set forth in full herein and shall be the procedures to be followed with respect to any resignation or removal of the Escrow Agent hereunder.

SECTION 7. Performance of Duties. The Escrow Agent agrees to perform only the duties set forth herein and shall have no responsibility to take any action or omit to take any action not set forth herein.

SECTION 8. Escrow Agent's Authority to Make Investments. Except as provided in Sections 2, 3 and 4 hereof, the Escrow Agent shall have no power or duty to invest any funds held under this Escrow Agreement or to sell, transfer or otherwise dispose of the moneys or Federal Securities held hereunder.

SECTION 9. Indemnity. The Commission hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, agents, officers, directors, employees and servants, from and against any and all

liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Agent at any time (whether or not also indemnified against the same by the Commission or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Escrow Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds and securities deposited therein, the purchase of the Federal Securities, the retention of the Federal Securities or the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Escrow Agreement; provided, however, that the Commission shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or the negligence or willful misconduct of the Escrow Agent's respective agents and employees or the willful breach by the Escrow Agent of the terms of this Escrow Agreement. In no event shall the Commission or the Escrow Agent be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this Section. The indemnities contained in this Section shall survive the termination of this Escrow Agreement.

SECTION 10. Responsibilities of Escrow Agent. The Escrow Agent and its agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Escrow Agreement, the establishment of the Escrow Fund, the acceptance of the moneys or securities deposited therein, the purchase of the Federal Securities, the retention of the Federal Securities or the proceeds thereof, the sufficiency of the Federal Securities to pay the Refunded Bonds or any payment, transfer or other application of moneys or obligations by the Escrow Agent in accordance with the provisions of this Escrow Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Agent made in good faith in the conduct of its duties. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the Commission, and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the Federal Securities to pay the Refunded Bonds or to the validity of this Escrow Agreement as to the Commission and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Escrow Agreement except for its own negligence, willful misconduct or willful breach, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Escrow Agreement. The Escrow Agent shall be under no obligation to inquire into or be in any way responsible for the performance or nonperformance by the Commission of its obligations. The Escrow Agent may consult with counsel, who may or may not be counsel to the Commission, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Escrow Agreement, such matter may be deemed to be conclusively established by a certificate signed by [the General Manager, the Deputy General Manager and Chief Operating Officer and the Assistant General Manager, Business Services, of the Commission] of the Commission.

SECTION 11. Amendments. This Escrow Agreement is made for the benefit of the Commission and the Owners from time to time of the Refunded Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such Owners, the Escrow Agent and the Commission; provided, however, that the Commission and the Escrow Agent may, without the consent of, or notice to, such Owners, amend this Escrow Agreement or enter into such agreements supplemental to this Escrow Agreement as shall not adversely affect the rights of such Owners and as shall not be inconsistent with the terms and provisions of this Escrow Agreement or the Indenture, for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Escrow Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of the Owners of the Refunded Bonds, any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such Owners or the Escrow Agent; and (iii) to include under this Escrow Agreement additional funds, securities or properties. The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of nationally recognized municipal bond attorneys with respect to compliance with this Section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the Owners of the Refunded Bonds or that any instrument executed hereunder complies with the conditions and provisions of this Section.

SECTION 12. Term. This Escrow Agreement shall commence upon its execution and delivery and shall terminate on the date upon which the Refunded Bonds shall have been paid in full in accordance with this Escrow Agreement.

SECTION 13. Compensation. The Escrow Agent shall receive its reasonable fees and expenses as previously agreed to by the Escrow Agent and the Commission; provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien whatsoever on any moneys or obligations in the Escrow Fund for the payment of fees and expenses for services rendered or expenses incurred by the Escrow Agent under this Escrow Agreement.

SECTION 14. Severability. If any one or more of the covenants or agreements provided in this Escrow Agreement on the part of the Commission or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

SECTION 15. Governing Law. THIS ESCROW AGREEMENT SHALL BE CONSTRUED UNDER THE LAWS OF THE STATE OF CALIFORNIA.

SECTION 16. Insufficient Funds. If at any time the moneys and investments in the Escrow Fund, including the anticipated proceeds of and earnings thereon, will not be sufficient to make all payments required by this Escrow Agreement or if the Escrow Agent has failed to receive instructions for the reinvestment of Federal Securities pursuant to Section 3 of this Escrow Agreement, the Escrow Agent shall notify the Commission in writing, immediately upon obtaining actual knowledge of such insufficiency of funds or failure to receive instructions, of the amount thereof and, to the extent known to it, the reason therefor, provided the Escrow Agent shall not be liable for any delay or failure to notify the Commission of such events.

SECTION 17. Notice of Redemption and Defeasance. On the date of execution hereof, the Trustee shall give notice of the redemption and defeasance of the Refunded Bonds in the time, form and manner required by the Indenture.

SECTION 18. Counterparts. This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument.

SECTION 19. Notification to Moody's and S&P. The Commission hereby directs the Trustee to notify Moody's and S&P of any amendment to this Agreement or of any change to the definition of Federal Securities in the Indenture.

IN WITNESS WHEREOF, the parties hereto have caused this Escrow Agreement to be executed by their duly authorized officers as of the date first above written.

U.S. BANK NATIONAL ASSOCIATION,
as escrow agent

By: _____
Vice President

PUBLIC UTILITIES COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO

By: _____
General Manager

(Seal)

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

EXHIBIT A
REFUNDED BONDS

<u>Principal Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>CUSIP</u>
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EXHIBIT B
FEDERAL SECURITIES

2010 Refunding Sub-Series C Refunding Fund

<u>Type</u>	<u>Principal Amount</u>
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REQUIREMENTS OF THE REFUNDED BONDS

<u>Redemption Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Redemption Price</u>
				100%

