

PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO. 11-0197

WHEREAS, On November 5, 2002, the voters of the City and County of San Francisco (the "City") approved Proposition E, which among other things, authorized the San Francisco Public Utilities Commission (the "Commission") to issue indebtedness, including revenue bonds, notes, commercial paper or other forms of indebtedness, when authorized by ordinance approved by a two-thirds vote of the Board of Supervisors of the City (the "Board"), for the purpose of reconstructing, replacing, expanding, repairing or improving wastewater facilities under the jurisdiction of the Commission (the "Wastewater Enterprise"); and

WHEREAS, Pursuant to Section 43.5 of the San Francisco Administrative Code, enacted by Ordinance No 203-98 adopted by the Board on June 8, 1998, and signed by the Mayor of the City on June 19, 1998, the Board established a procedure pursuant to which the Commission may issue short-term indebtedness, including the issuance of commercial paper in anticipation of the issuance of its revenue bonds; and

WHEREAS, Under Section 8B.124 of the Charter of the City (the "Charter"), the Board's authority to authorize an issuance of debt under Proposition E is subject to its receipt of a certification from an independent engineer that (i) the projects to be financed by such debt meet utility standards and (ii) estimated net revenue will be sufficient to meet operating, maintenance, debt service coverage and other indenture or resolution requirements (the "Engineer Certification"); and

WHEREAS, The Board's authority to authorize an issuance of debt under Proposition E is also subject to its receipt of a certification from the San Francisco Planning Department that facilities financed with such debt will comply with applicable requirements of the California Environmental Quality Act (together with the Engineer Certification, the "Proposition E Certificates"); and

WHEREAS, The Commission (Resolution No. 06-0164) and the Board (Ordinance No. 266-06) have previously authorized the issuance of commercial paper notes for the Wastewater Enterprise in an aggregate principal amount not to exceed \$150,000,000 against Proposition E authorization; and

WHEREAS, on July 27, 2010, Commission Resolution 10-0114 established Levels of Service Goals for the proposed Sewer System Improvement Program Goals, which anticipates the issuance of more than \$4 billion dollars of revenue bonds over the upcoming decade if projects within the SSIP are approved and implemented; and

WHEREAS, the Commission has determined that it is desirable to provide \$150,000,000 additional short-term financing of capital improvements, capitalized interest and related costs for improvements, betterments and additions to the Wastewater Enterprise of the City through the increase in the amount which may be outstanding at any one time, increasing authorization to \$300 million from \$150,000,000 of commercial paper notes, exclusive of interest reserve, if applicable (the "Notes") or bank notes (the "Bank Notes"); and

WHEREAS, Certificates meeting the Proposition E requirements are on file with the Clerk of the Board in File No. 061298 and as part of Ordinance No. 266-06, and revised Proposition E Certificates describing additional proposed improvements to the facilities of the Wastewater Enterprise are needed; and

WHEREAS, The Commission has determined that it is necessary and desirable to make certain additional improvements to the facilities of the Wastewater Enterprise (the "Improvements"), and has further determined to finance the Improvements through the issuance of wastewater revenue bonds, and in anticipation of the issuance of such wastewater revenue bonds, through the expansion of the use of the Commission's commercial paper program and the issuance and reissuance of its commercial paper notes from time to time; and

WHEREAS, On April 27, 2010, the Board adopted Ordinance No. 95-10 appropriating \$348,064,054 for the Wastewater Enterprise's Capital Improvement Program and Sewer System Improvement Program for Fiscal Years 2010-2011 and 2011-2012, of which \$297,756,241 is to be funded by revenue bond proceeds or other forms of indebtedness, and placing \$329,962,235 on Controller's reserve pending the issuance of such revenue bonds or other forms of indebtedness and/or the receipt of other fees and revenues; and

WHEREAS, On July 26, 2011, the Board adopted Ordinance No. 147-11, the Annual Appropriation Ordinance, increasing the amount of the \$348,064,054 appropriation to be funded by revenue bond proceeds or other forms of indebtedness from \$297,756,241 to \$327,756,241; and

WHEREAS, The Commission reasonably expects to reimburse certain capital expenditures incurred prior to the execution and delivery of the commercial paper with proceeds derived from the financing and hereby declares its official intent to reimburse certain expenditures for capital equipment from future financing proceeds for purposes of complying with certain provisions of the Internal Revenue Code of 1986, as amended; and,

WHEREAS, Section 1.150.2 of the Treasury Regulations requires that the SFPUC declare its reasonable official intent to reimburse prior expenditures with proceeds of the commercial paper; now, therefore, be it

RESOLVED, That the Commission hereby authorizes the issuance and sale of existing commercial paper notes (the Commercial Paper Notes") to temporarily finance a portion of the design, acquisition and construction of the additional Improvements, as well as paying costs of issuance and other incidental costs, provided, however, that (i) the maximum principal amount of Commercial Paper Notes at any one time outstanding, when combined with the total principal amount of outstanding and unpaid obligations issued to the provider(s) of any credit or liquidity facility (the "Liquidity Provider") executed in connection with such Commercial Paper Notes, shall increase to a not to exceed principal amount of \$300,000,000 from a not to exceed principal amount of \$150,000,000, exclusive of interest reserve, if applicable, (ii) the principal amount of Commercial Paper Notes outstanding at any one time shall not exceed the principal component available to be drawn under any credit facilities or liquidity facilities (the "Liquidity Facility") executed in connection therewith (as authorized below); and (iii) the Commercial Paper Notes shall not mature later than five (5) years from their respective date of issuance (provided that obligations issued to the Liquidity Provider may have a longer maturity) and have a maximum rate or rates of interest of not to exceed twelve percent (12%) per annum. The Commercial Paper Notes (and any repayment obligations owing to the Liquidity Provider) may, in the discretion of the General Manager upon recommendation by the Commission, be subordinate to the payment of the Wastewater Revenue Bonds (including any wastewater revenue bonds current outstanding). The authorization of the Commercial Paper Notes pursuant to this Resolution is in

addition to the authorization of any commercial paper notes authorized by Resolution 06-0164 of this Commission or any other prior resolution or ordinance; and be it

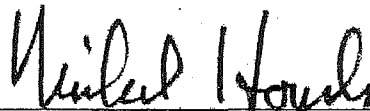
FURTHER RESOLVED, Pursuant to Treasury Regulation Section 1.150-2, the SFPUC hereby declares its intent to reimburse itself, from financing proceeds, for capital expenditures paid within sixty (60) days prior to the effective date of this resolution and other expenditures permitted to be reimbursed pursuant to Treasury Regulation Section 1.150-2. Any reimbursement allocation of financing proceeds to be made with respect to expenditures incurred prior to the execution and delivery of the commercial paper (excluding certain de minimis expenditures and preliminary expenditures in an amount not to exceed twenty percent (20%) of the issue price of the commercial paper) will occur not later than eighteen (18) months after the later of (i) the date on which the expenditure is paid, or (ii) the date on which the facilities are placed in service, but in no event more than three (3) years after the expenditure is paid. Further, any reimbursable cost will be of a type properly chargeable to a capital account under general federal income tax principles; and be it

FURTHER RESOLVED, That revised Proposition E Certificates describing additional improvements to the facilities of the Wastewater Enterprise have been completed and are herein incorporated by reference; and be it

FURTHER RESOLVED, That the Board of Supervisors is hereby urged to authorize by resolution or ordinance, as the case may be, an increase of commercial paper program for the Wastewater Enterprise in an amount up to \$300,000,000 for the purpose of providing low cost and flexible financing for the capital programs of the Wastewater Enterprise; provided that the sole source of repayment of such commercial paper notes or bank notes, as the case may be, shall be from the Wastewater Enterprise revenues; and be it

FURTHER RESOLVED, That, subject to Board of Supervisors approval, the General Manager or his appointed designee is hereby authorized and directed to take any and all necessary action expeditious to the issuance of the Commercial Paper Notes and the expansion of a commercial paper program for the Wastewater Enterprise, including but not limited to, the Commercial Paper Notes, and all prior actions heretofore taken towards that end are hereby ratified, approved and confirmed by this Commission; provided, however, that the General Manager or his appointed designee is hereby authorized and directed to return to this Commission for approval of any bank credit facilities negotiated with any bank in connection with the terms of this Resolution..

I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting of _____ *December 13, 2011*



Secretary, Public Utilities Commission