

1 [Public Utilities Commission - Issuance Water Revenue Bonds - Not to Exceed \$264,997,468]  
2 **Ordinance authorizing the issuance and sale of tax-exempt or taxable Water Revenue**  
3 **Bonds and other forms of indebtedness by the San Francisco Public Utilities**  
4 **Commission (Commission) in an aggregate principal amount not to exceed**  
5 **\$264,997,468 to finance the costs of various capital water projects benefitting the Water**  
6 **Enterprise pursuant to amendments to the Charter of the City and County of San**  
7 **Francisco enacted by the voters on November 5, 2002, as Proposition E; authorizing**  
8 **the issuance of Water Revenue Refunding Bonds; declaring the Official Intent of the**  
9 **Commission to Reimburse Itself with one or more issues of tax-exempt or taxable**  
10 **bonds or other forms of indebtedness; and ratifying previous actions taken in**  
11 **connection therewith, as defined herein.**

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13 NOTE: Additions are *single-underline italics Times New Roman*;  
14 deletions are ~~*strike-through italics Times New Roman*~~.  
15 Board amendment additions are double-underlined;  
16 Board amendment deletions are ~~strikethrough normal~~.

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

18 Section 1. Findings. The Board of Supervisors (the "Board") of the City hereby finds  
19 and declares as follows:

20 A. On November 5, 2002, the voters of the City and County of San Francisco (the  
21 "City") approved Proposition E ("Proposition E"), which among other things, authorized the  
22 San Francisco Public Utilities Commission (the "Commission") to issue revenue bonds,  
23 including notes, commercial paper or other forms of indebtedness, when authorized by  
24 ordinance approved by a two-thirds vote of the Board of Supervisors, for the purpose of  
25 reconstructing, replacing, expanding, repairing or improving water facilities or clean water

1 facilities or combinations of water and clean water facilities under the jurisdiction of the  
2 Commission; and

3 B. The Commission adopted the Amended and Restated Indenture dated as of  
4 January 1, 2002, as further amended and supplemented from time to time (the "Indenture"),  
5 between the Commission and U. S. Bank National Association and in connection therewith,  
6 has from time to time issued revenue bonds to finance projects benefitting the Water  
7 Enterprise; and

8 C. By Resolution 16-0035 adopted by the Commission on February 9, 2016 (the  
9 "Commission Resolution") the Commission has determined to issue Water Revenue Bonds  
10 (the "Water Revenue Bonds") and other forms of indebtedness (including SRF Loans as  
11 described below) to finance the costs of various capital projects benefitting the Water  
12 Enterprise (the "Capital Improvement Projects" such projects being more fully described in the  
13 Commission Resolution), pursuant to Proposition E, and has formally requested this Board to  
14 authorize the issuance and sale of Water Revenue Bonds for such purposes, such  
15 Commission Resolution being on file with the Clerk of the Board of Supervisors in File No.  
16 160472, which is hereby declared to be a part of this Ordinance as if set forth fully herein; and

17 D. In order to finance the costs of the Capital Improvement Projects, the Board now  
18 desires to authorize the issuance and sale of Water Revenue Bonds and other forms of  
19 indebtedness, including obtaining State Revolving Fund Loans and/or grants from the State  
20 Water Resources Control Board (collectively "SRF Loans") for such purposes; and

21 E. The Commission has paid, beginning no earlier than 60 days prior to the  
22 adoption of this Ordinance and will pay, on and after the date hereof, certain expenditures (the  
23 "Expenditures") in connection with the acquisition, construction and/or equipping of the Capital  
24 Improvement Projects, and

1 F. This Board is concurrently considering with this Ordinance a Capital  
2 Improvement Program related supplemental appropriations Ordinance totaling \$316,468,468  
3 for fiscal years ending 2017 and 2018, such amount being inclusive of the Water Revenue  
4 Bonds and other forms of indebtedness (including SRF Loans).

5 G. This Board, on behalf of the Commission, adopts this Ordinance as official  
6 action of the Commission in order to comply with Treasury Regulation §1.150-2 and any other  
7 regulations of the Internal Revenue Service relating to the qualification for reimbursement of  
8 Commission expenditures incurred prior to the date of issue of the Water Revenue Bonds,  
9 and

10 Section 2. Authorization to Issue Water Revenue Bonds and other forms of  
11 indebtedness. The Board hereby authorizes the issuance and sale of Water Revenue Bonds  
12 in one or more series from time to time by the Commission pursuant to Proposition E and in  
13 accordance with the Commission Resolution, and the execution and delivery of SRF Loan  
14 agreements, in an aggregate principal amount not to exceed \$264,997,468 (inclusive of  
15 financing costs), at a maximum rate or rates of interest of not to exceed twelve percent (12%)  
16 per annum to finance a portion of the costs of the design, acquisition and construction of the  
17 Capital Improvement Projects. Without limiting the foregoing, the Commission shall also be  
18 authorized to enter into agreements to obtain State Revolving Fund Loans and/or grants  
19 (collectively "SRF Loans") from the State Water Resources Control Board on such terms as  
20 the Commission may deem advantageous. The Commission is hereby authorized to  
21 determine the timing, amount and manner of sale (i.e., competitive or negotiated) of each  
22 series of Water Revenue Bonds or the delivery of other forms of indebtedness (including SRF  
23 Loans) pursuant to this authorization; provided however, the Commission's authorization to  
24 issue Water Revenue Bonds or incur other forms of indebtedness (including SRF Loans) is  
25 subject to approval by the Commission of the form of substantially final offering document

1 related to such bonds (if any) and the approval of any related agreements, financing  
2 documents and the filing with its Board and the Clerk of the Board any certifications required  
3 by Proposition E prior to the issuance of any bonds herein authorized.

4 Section 3. Authorization to Issue Water Revenue Refunding Bonds. The Board further  
5 authorizes and approves the issuance by the Commission of Water Revenue Refunding  
6 Bonds and other forms of indebtedness (including SRF Loans) (the "Refunding Bonds"),  
7 without limitation as to principal amount, in one or more series on one or more dates, at a  
8 maximum interest rate or rates of interest not to exceed twelve percent (12%) per annum,  
9 provided that each such Refunding Bond issue or obligation is permitted under the applicable  
10 policies and procedures of the City and authorized by either Section 9.109 of the Charter or  
11 Proposition E of 2002 (including related ordinances and resolutions of the Board). The  
12 Refunding Bonds may be issued as tax-exempt or taxable bonds, or any combination thereof.  
13 Refunding Water Revenue Bonds authorized hereunder shall be subject to the further  
14 following conditions, that: (i) three percent (3%) net present value debt service savings or  
15 greater is achieved to ensure ratepayer savings; (ii) this authorization is subject to a 2-year  
16 term through June 30, 2018, at which time this Board may consider an extension; principal  
17 payments and term may be adjusted, where permitted under federal and state tax law, only if  
18 and when the underlying capital asset funded through said refunded bonds has a useful life  
19 not in excess of any limit permitted under federal and state tax law than the refunded term;  
20 and (iii) the Commission shall within 30 days of any executed refunding transaction provide a  
21 savings report prepared by its financial advisors (that reflects at least a three percent (3%) net  
22 present value debt service savings) to the Board, together with a copy of the final Official  
23 Statement with respect to such series of Refunding Bonds.

1           Section 4. Declaration of Official Intent. The Board, on behalf of the Commission ,  
2 hereby declares the official intent of the Commission to reimburse the Commission with  
3 proceeds of the Water Revenue Bonds or other forms of indebtedness (including SRF Loans)  
4 for the Expenditures with respect to the Capital Improvement Projects made on and after a  
5 date that is no more than 60 days prior to the adoption of this Ordinance. The Commission  
6 reasonably expects on the date hereof that it will reimburse the Expenditures with proceeds of  
7 the Water Revenue Bonds or other forms of indebtedness (including SRF Loans). Each said  
8 Expenditure was and will be either (A) of a type properly chargeable to a capital account  
9 under general federal income tax principles (determined in each case as of the date of the  
10 Expenditure), (B) a cost of issuance with respect to the Water Revenue Bonds or other forms  
11 of indebtedness (including SRF Loans), (C) a nonrecurring item that is not customarily  
12 payable from current revenues, or (D) a grant to pay a party that is not related to or an agent  
13 of the issuer so long as such grant does not impose any obligation or condition (directly or  
14 indirectly) to repay any amount to or for the benefit of the Commission. The maximum  
15 principal amount of the Water Revenue Bonds or other forms of indebtedness (including SRF  
16 Loans) to be issued for the Capital Improvement Projects is \$264,997,468 (inclusive of  
17 financing costs).

18           The Commission will make a reimbursement allocation, which is a written allocation by  
19 the Issuer that evidences the Commission's use of proceeds of the Water Revenue Bonds or  
20 other forms of indebtedness (including SRF Loans) to reimburse an Expenditure, no later than  
21 18 months after the later of the date on which the Expenditure is paid or the component of the  
22 Capital Improvement Projects is placed in service or abandoned, but in no event more than  
23 three years after the date on which the Expenditure is paid. The Commission recognizes that  
24 exceptions are available for certain "preliminary expenditures," costs of issuance, certain *de*  
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1 *minimis* amounts, expenditures by “small issuers” (based on the year of issuance and not the  
2 year of expenditure) and expenditures for construction projects of at least 5 years.

3 Section 5. General Authority. The Controller, Treasurer, the City Attorney and other  
4 officers of the City and their duly authorized deputies and agents are hereby authorized and  
5 directed, jointly and severally, to take such actions and to execute and deliver such  
6 certificates, agreements, requests or other documents, as they may deem necessary or  
7 desirable to facilitate the issuance, sale and delivery of the Water Revenue Bonds, Refunding  
8 Bonds, to obtain bond insurance or other credit enhancements with respect to such  
9 obligations, to obtain surety, to obtain title and other insurance with respect to the facilities to  
10 be financed, and otherwise to carry out the provisions of this Ordinance. The Commission is  
11 hereby directed to provide the final form to the Clerk of the Board of any disclosure document  
12 prepared in connection with the execution of any Water Revenue Bonds or Refunding Bonds,  
13 and the final executed Installment Sale Agreement or other document reflecting the  
14 incurrence of an SRF Loan, within 30 days of the closing of such transactions.

15 Section 6. Ratification of Prior Actions. All actions authorized and directed by this  
16 Ordinance in connection with the issuance of the Water Revenue Bonds or other forms of  
17 indebtedness (including SRF Loans), Refunding Bonds, and heretofore taken are hereby  
18 ratified, approved and confirmed by this Board.

19 Section 7. File Documents. All documents referred to as on file with the Clerk of the  
20 Board are in File No. 160472.

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

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4           APPROVED AS TO FORM:  
5           DENNIS J. HERRERA, City Attorney

6           By: \_\_\_\_\_  
7                 MARK D. BLAKE  
8                 Deputy City Attorney

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