

PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO.: 17-0086

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 ("Article V"), 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, as amended by Ordinance No. 270-06, adopted on October 24, 2006 by the Board and signed by the Mayor on October 31, 2006, 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 has previously authorized pursuant to Resolution No. 06-0164, approved by the Commission on September 26, 2006, and the Board has previously approved pursuant to Ordinance No. 266-06, adopted by the Board on October 24, 2006, and signed by the Mayor on October 31, 2006, the establishment of a commercial paper program for the Wastewater Enterprise (the "Wastewater CP Program") and the issuance of up to \$150 million in aggregate principal amount of commercial paper notes outstanding at any one time; and

WHEREAS, The Commission has authorized pursuant to Resolution No. 11-0197, approved by the Commission on December 13, 2011, and the Board has approved pursuant to Ordinance No. 91-12, adopted by the Board on May 1, 2012, and signed by the Mayor on May 14, 2012, an ordinance to authorize, an increase in the Wastewater CP Program from an aggregate principal amount not to exceed \$150 million of commercial paper notes outstanding at

any one time to an aggregate principal amount not to exceed \$300 million of commercial paper notes outstanding at any one time; and

WHEREAS, The Commission has authorized pursuant to Resolution No. 14-0139, approved by the Commission on August 26, 2014, and the Board has approved pursuant to Resolution No. 378-14, adopted by the Board on September 30, 2014, and signed by the Mayor on October 9, 2014, a resolution to authorize, an increase in the Wastewater CP Program from an aggregate principal amount not to exceed \$300 million of commercial paper notes outstanding at any one time to an aggregate principal amount not to exceed \$500 million of commercial paper notes outstanding at any one time; and

WHEREAS, The Board has previously approved pursuant to Ordinance No. 111-16, adopted by the Board on June 14, 2016, and signed by the Mayor on June 24, 2016 (together with Ordinance No. 266-06 and Ordinance No. 91-12, the "Ordinances"), the issuance of up to \$1,112,601,280 (inclusive of finance costs) in aggregate principal amount of Wastewater Revenue Bonds and other forms of indebtedness of the Commission; and

WHEREAS, The Commission has determined that it is desirable to provide \$250,000,000 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 \$750,000,000 from \$500,000,000 of commercial paper notes, exclusive of interest reserve, if applicable (the "CP Notes") or bank notes (the "Bank Notes"), contingent upon a resolution proposed for consideration and approval by the Board (the "Anticipated Resolution"); and

WHEREAS, Pursuant to Article V and Ordinance No. 266-06 the Commission is authorized to negotiate and execute credit or liquidity facilities to support the CP Notes and any additional agreements related thereto; and

WHEREAS, The Commission issued a request for bids from qualified banks to provide for one or more letters of credit or revolving lines of credit to secure the payment of the CP Notes; and

WHEREAS, After an evaluation of the responses to such request for bids, the Commission staff determined that the following were most advantageous to the Commission: (i) a letter of credit supporting the principal amount of \$100 million of the CP Notes (the "Sumitomo Letter of Credit"), offered by Sumitomo Mitsui Banking Corporation, acting through its New York Branch ("Sumitomo"), and (ii) a letter of credit supporting the principal amount of \$150 million of the CP Notes (the "Bank of America Letter of Credit" and together with the Sumitomo Letter of Credit, the "Letters of Credit"), offered by Bank of America, N.A. ("Bank of America" and together with Sumitomo, the "Banks"); and

WHEREAS, Each proposed form of the Reimbursement Agreement, which includes the form of the Sumitomo Letter of Credit and the Bank of America Letter of Credit, as applicable, as an appendix thereto, and its related Fee Agreement (each, a "Reimbursement Agreement" and "Fee Agreement", respectively) to be entered into by the Commission and the Bank have been

presented to the Commission and filed with the Secretary, and the Commission finds it in its best interest to enter into such agreements; and

WHEREAS, In order to accommodate the use of the Letters of Credit, the Commission finds it appropriate and in its best interest to execute a new issuing and paying agent agreement in connection with each Letter of Credit (each a "Paying Agent Agreement"), each with U.S. Bank National Association, as issuing and paying agent (the "Paying Agent") for the CP Notes; and

WHEREAS The forms of the proposed Paying Agent Agreements have also been submitted to the Commission and filed with the Secretary; and

WHEREAS, Pursuant to Resolutions No. 06-0164, No. 11-0197, No. 14-0139 and No. 17-0027 and the Ordinances, and contingent upon adoption by the Board of the Anticipated Resolution, the Commission is authorized to take any and all necessary action in connection with the issuance of the CP Notes and the expansion of the Wastewater CP Program, including, the execution of one or more commercial paper dealer agreements entered into in connection with the sale and issuance of the CP Notes; and

WHEREAS, The Commission finds it necessary to execute one or more commercial paper dealer agreements for the CP Notes and to deliver an offering memorandum in connection with the sale and issuance of the CP Notes; and

WHEREAS, The proposed form of dealer agreement (the "Dealer Agreement") has been presented to the Commission and filed with the Secretary, and the Commission finds it in its best interest to enter into such agreement with one or more qualified commercial paper dealers; and

WHEREAS, The proposed form of offering memorandum (the "Offering Memorandum") has been presented to the Commission and filed with the Secretary; and,

WHEREAS, on May 17, 2016, the Environmental Review Officer issued a Certificate of the City and County of San Francisco Planning Department (pursuant to Section 8B.124(b) of the Charter of the City) (the "Planning Department Certificate") and under Proposition E, granting authority for the issuance of debt to the Board of Supervisors. By this certification the ERO concluded that the projects to be funded through the sale of Wastewater Revenue Bonds and/or Other Forms of Indebtedness, including Commercial Paper, either comply with the requirements of the California Environmental Quality Act (CEQA) or will undergo CEQA review when they are defined; and

WHEREAS, The Proposition E Certificates meeting the Proposition E requirements are, or will be, on file with the Clerk of the Board in accordance with Proposition E prior to the issuance of any CP Notes; now, therefore, be it

RESOLVED by the Public Utilities Commission of the City and County of San Francisco, as follows:

Section 1. Increase of Authorized Amount of CP Notes. The Commission hereby approves the \$250 million increase in the Wastewater CP Program to a not to exceed amount of \$750 million from \$500 million, contingent upon adoption by the Board of the Anticipated

Resolution. The General Manager of the Commission (the "General Manager") or his or her designee is authorized to issue up to \$750 million of CP Notes in accordance with the terms hereof.

Section 2. Approval of Reimbursement Agreements, Letters of Credit and Fee Agreements. The Reimbursement Agreements, Letters of Credit, and Fee Agreements, in substantially the forms submitted to this Commission, are hereby approved and recommended to the Director of the City's Office of Public Finance (the "Director") for approval pursuant to Article V of the City's Administrative Code. The General Manager of the Commission (the "General Manager") or his or her designee is authorized and directed to execute and deliver the Reimbursement Agreements and Fee Agreements, subject to such additions thereto or changes therein which the General Manager, upon consultation with the City Attorney and Director, shall approve, such approval to be conclusively evidenced by the execution and delivery of each such Reimbursement Agreement and Fee Agreement.

Section 3. Approval of Paying Agent Agreements. The proposed forms of the Paying Agent Agreements between the Commission and the Paying Agent, submitted to this Commission, is hereby approved and recommended to the Director for approval pursuant to Article V of the City's Administrative Code. The General Manager or his or her designee is authorized and directed to execute and deliver to Paying Agent Agreements, subject to such additions thereto or changes therein which the General Manager, upon consultation with the City Attorney and Director, shall approve, such approval to be conclusively evidenced by the execution and delivery of each such Paying Agent Agreement.

Section 4. Limitations. This Resolution shall be ineffective unless and until the Anticipated Resolution is adopted by the Board, and approved by the Mayor. Consistent with Ordinance No. 266-06, in no event shall the CP Notes exceed \$750,000,000 in aggregate principal amount and in no event shall the interest rate or interest rates cause the aggregate average interest cost to exceed 12% per annum, and in no event shall the term of any bank reimbursement obligation exceed 10 years.

Section 5. Offering Memorandum. Consistent with Ordinance No. 266-06, the General Manager or his or her designee, in consultation with the City Attorney and the Director, is hereby authorized and directed to prepare and cause the distribution of an Offering Memorandum relating to the Wastewater CP Program, in substantially the form on file with the Commission, subject to such additions thereto and changes therein, and any amendments or supplements thereto from time to time which the General Manager, in consultation with the City Attorney and the Director, shall approve.

Section 6. Approval of Dealer Agreements. The Dealer Agreement, in substantially the form submitted to this Commission, is hereby approved and recommended to the Director for approval pursuant to Article V of the City's Administrative Code. The General Manager or his or her designee is authorized and directed to execute and deliver one or more of Dealer Agreements in substantially said form, subject to such additions thereto or changes therein which the General Manager, upon consultation with the City Attorney and Director, shall approve, such approval to be conclusively evidenced by the execution and delivery of such Dealer Agreements.

Section 7. Further Actions. The General Manager or his or her designee, and in consultation with the City Attorney and the Director, is hereby authorized and directed to execute such other agreements, certifications or documents and to take any and all necessary action in furtherance of the issuance of the Letters of Credit and the marketing and sale of the CP Notes.

Section 8. Extensions of Term of Letters of Credit. The General Manager is further authorized, in consultation with the City Attorney and the Director, to execute one or more amendments to extend the initial three or five-year term, as applicable, of each Letter of Credit authorized hereunder for an aggregate period not to exceed seven years from the commencement date of the initial term, provided further that the annual facility fee payable to Bank of America shall not exceed \$1 million per year and the annual facility fee payable to Sumitomo shall not exceed \$1 million, and the amendments shall otherwise comply with Section 3 hereof.

Section 9. Extensions of Term of Dealer Agreement. The General Manager is further authorized, in consultation with the City Attorney and the Director, to execute one or more amendments to extend the term of any Dealer Agreement authorized hereunder for a period not to exceed five years, with optional annual extensions not to exceed seven years from the commencement date of the initial term, so long as the total compensation to the commercial paper dealer(s) shall not exceed an aggregate of \$250,000 per year.

Section 10. Delegation. The General Manager is authorized to delegate any of the responsibilities or duties set forth in this resolution to the Assistant General Manager, Business Services and Chief Financial Officer of the Commission.

Section 11. Ratification. All actions heretofore taken by the officials, employees and agents of the Commission with respect to the issuance of the Letters of Credit for the Wastewater CP Program, are hereby approved, confirmed and ratified.

Section 12. Effective Date. This resolution shall take effect from and after its adoption.

I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting on April 25, 2017.



Secretary, Public Utilities Commission

