

PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO. 09-0102

WHEREAS, pursuant to Section 9.107 of the Charter (the "Charter") of the City and County of San Francisco (the "City"), the Board of Supervisors of the City (the "Board") is authorized to provide for the issuance of revenue bonds following the assent of a majority of the voters upon any proposition for the issuance of such revenue bonds; and

WHEREAS, such revenue bonds shall be issued and sold in accordance with State law or any procedure provided for by ordinance of the City; and

WHEREAS, at a duly called and held election on November 5, 2002, a majority of voters voting on the measure approved Proposition A ("Proposition A of 2002") to authorize the issuance by the Public Utilities Commission of the City (the "Commission") of its revenue bonds in the aggregate principal amount of \$1,628,000,000 for the purpose of providing funds for the financing of the acquisition and construction of various capital projects (the "Improvements") to the water system (the "Water Enterprise") of the City; and

WHEREAS, in 2006, the Commission issued \$507,815,000 of its San Francisco Water Revenue Bonds, 2006 Series A for the purpose of financing the Improvements to the Water Enterprise under Proposition A of 2002; and

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") to authorize the issuance by the Commission, subject to the terms of Proposition E, of its revenue bonds without limitation for the purpose, among other things, of providing funds for the financing of the acquisition and construction of various capital projects (the "Improvements") to the water system (the "Water Enterprise") of the City; and

WHEREAS, pursuant to the Charter of the City, Article V of Chapter 43 of Part I of the San Francisco Administrative Code, enacted by Ordinance No. 203-98, adopted on June 8, 1998 by the Board and signed by the Mayor on June 19, 1998; Resolution No. 03-0048, adopted on March 25, 2003 by the Commission; Resolution No. 300-03 adopted on May 6, 2003 by Board and signed by the Mayor on May 16, 2003 and Proposition A of 2002, the Commission is authorized to issue commercial paper notes in an aggregate principal amount not to exceed \$250,000,000; and

WHEREAS, on October 30, 2008, the Commission was granted approval pursuant to Charter amendments enacted by the voters on November 5, 2002 as Proposition E ("Proposition E") to increase its commercial paper program authorization by an additional \$250,000,000, to bring its program total to \$500,000,000; and

WHEREAS, on October 30, 2008 the Commission reviewed and considered the Final Program Environmental Impact Report (PEIR) prepared for the Water System Improvement Program (WSIP), and certified by the Planning Commission in Planning Commission Motion No. 17734, and adopted the findings required by the California Environmental Quality Act (CEQA) including a statement of overriding considerations and monitoring and reporting program in its Resolution No. 08-0200; and

WHEREAS, the Commission hereby determines that one or more series of tax-exempt or taxable water revenue bonds in an aggregate principal amount of not to exceed \$1,120,185,000 shall be issued pursuant to the authorization granted under Proposition A of 2002, and entitled "San Francisco Water Revenue Bonds, 20__ Series ___" with the exact year of issuance, designation and series to be determined by the General Manager as provided herein (or such other or additional designations as may be appropriate (the "Bonds"), pursuant to one or more Supplemental Indentures (the "Supplemental Indentures") by and between the Commission and U.S. Bank National Association, as trustee (the "Trustee"), which supplement the Amended and Restated Indenture dated as of August 1, 2002, as amended and supplemented (collectively, with the Supplemental Indentures, the "Indenture"), by and between the Trustee and the Commission; and

WHEREAS, the Bonds may be sold either by competitive sale pursuant to an official notice of sale (the "Official Notice of Sale") or by negotiated sale pursuant to one or more bond purchase contracts; and

WHEREAS, the Commission has determined that it is desirable to delegate to the General Manager the authority to determine whether to sell the Bonds by negotiated sale or competitive sale, to accomplish the timely sale of the Bonds and to achieve the lowest possible interest, issuance and other costs to the Commission with respect to the Bonds; and

WHEREAS, the Commission has determined that it is desirable to delegate to the General Manager the authority to negotiate, for and on behalf of the Commission, the sale of the Bonds to one or more purchasers thereof in accordance with the provisions of this resolution, and to authorize the preparation, with the assistance of disclosure counsel, and the distribution by the purchasers of the Bonds of, one or more Preliminary Official Statements and one or more Official Statements (collectively, "Official Statement"); and

WHEREAS, if, pursuant to this resolution, the General Manager determines to sell the Bonds by negotiated sale, the Commission hereby determines to authorize the General Manager to select and appoint underwriters for the Bonds and to further authorize the General Manager, with the consent of the City Attorney, to enter into one or more bond purchase agreements (collectively, "Bond Purchase Agreements"); and

WHEREAS, if, pursuant to this resolution, the General Manager determines to sell the Bonds by competitive sale, the Commission desires to receive, by competitive sale, bids to purchase the Bonds and, for such purpose, hereby determines to authorize the preparation, with the assistance of disclosure counsel, and the distribution by the financial advisors to the Commission (the "Financial Advisors") of (i) one or more Official Statements and (ii) one or more Official Notices of Sale and to authorize the preparation by Co-Bond Counsel and the publication of one or more notices of intention to sell (the "Notice of Intention to Sell"); and

WHEREAS, the Commission also desires to authorize the General Manager to issue bonds pursuant to the Indenture (the "Refunding Bonds") to refund previously issued San Francisco Water Revenue Bonds if and to the extent such refunding meets the requirements of Section 9.109 of the Charter and Article VIII of Chapter 43 of the Administrative Code; and

WHEREAS, the Commission expects to pay and incur certain expenditures in connection with the Improvements to be financed from the proceeds of the Bonds or other bonds of the Commission prior to the issuance and sale of the Bonds or such other bonds, and the Commission intends to reimburse itself and to pay third parties for such prior expenditures from the proceeds of the Bonds or such other bonds; and

WHEREAS, Section 1.150-2 of the Treasury Regulations promulgated under the Internal Revenue Code of 1986 (the "Treasury Regulations") requires the Commission to declare its reasonable official intent to reimburse prior expenditures with the proceeds of a subsequent borrowing; and

WHEREAS, the Treasury Regulations require that any reimbursement allocation of proceeds of the Bonds or such other bonds be made with respect to expenditures incurred prior to the issuance of the Bonds or such other bonds 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 project is placed in service or abandoned, but in no event later than three (3) years after the expenditure is paid; and

WHEREAS, as an exception to the general requirement under the Charter that the issuance of revenue bonds be approved by voters of the City, the Charter amendments enacted by the voters under Proposition E, the Commission is authorized, subject to the referendum process and certain additional conditions, to issue revenue bonds, notes and other forms of indebtedness when authorized by ordinance approved by a two-thirds vote of the Board, for the purpose of reconstructing, replacing, expanding, preparing or improving water facilities or clean water facilities or combinations of water and clean water facilities under the jurisdiction of the Commission; and

WHEREAS, the Board has previously approved appropriations in the aggregate amount of \$2,949,924,182 for Improvements to be financed pursuant to the authorizations granted under Proposition A of 2002 and Proposition E (the "Water Improvement Projects"); and

WHEREAS, the Commission intends to request the Board to authorize an ordinance approving the issuance of revenue bonds for the Water Improvement Projects; and

WHEREAS, subject to the approval of the Board, all acts, conditions and things required by the Charter and the Constitution and laws of the State of California and the Indenture to exist, to have happened and to have been performed precedent to and in connection with the consummation of the financing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law and, subject to such approval, the Commission is duly authorized and empowered, pursuant to each and every requirement of law, to authorize such financing and issue the Bonds and to authorize the execution and delivery of one or more Supplemental Indentures, Preliminary and Final Official Statements, Official Notices of Sale,

Continuing Disclosure Certificates, Bond Purchase Agreements and related documents for the purposes, in the manner and upon the terms provided; now, therefore, be it

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

Section 1. Authorization of the Bonds. The issuance and sale of the Bonds in an aggregate principal amount not to exceed \$1,120,185,000, is hereby authorized and approved by the Commission, subject to approval by the Board of Supervisors, provided that at no time shall the amount of Bonds issued pursuant to this authorization, when added to the principal amount of the commercial paper issued pursuant to Proposition A of 2002 and outstanding, exceed \$1,120,185,000. The Bonds shall be issued for the purpose of providing funds for the financing of the acquisition and construction of the Improvements, refunding the Commission's commercial paper notes issued to fund a portion of the Improvements, making a deposit to the funds established under the Supplemental Indentures to fund an additional portion of the Improvements, making deposits to the capitalized interest accounts established under the Supplemental Indentures to pay interest on the Bonds as determined by the General Manager, funding the reserve accounts established under the Supplemental Indentures and paying costs of issuance of the Bonds. The Bonds shall be issued in accordance with this resolution, the Indenture and the Charter. The General Manager is hereby authorized and directed to determine whether to sell the Bonds via one or more competitive or negotiated sales, as he deems appropriate and in the best financial interest of the Commission; the aggregate principal amount of Bonds to be issued (subject to the maximum amount authorized herein) and to provide for the sale of the Bonds (with the designation and series to be determined by the General Manager), subject to the limitations set forth herein. The form of the Bonds, in substantially the form presented to this Commission, as set forth in an exhibit to the Supplemental Indentures, is hereby approved. The President or General Manager of the Commission is hereby authorized and directed to approve and to execute the Bonds by manual or facsimile signature; and the Secretary of the Commission is hereby authorized and directed to attest, by manual or facsimile signature and to cause the seal of the Commission to be reproduced or impressed on the Bonds with such changes, additions, amendments or modifications therein which they may deem necessary or desirable and as the City Attorney may require or approve, the approval of such additions or changes to be conclusively evidenced by the execution and delivery of the Bonds, subject to the limitations set forth in Section 2 hereof. The Bonds are to be water revenue bonds, payable exclusively from the revenue of the Water Enterprise of the Commission. The Bonds are not secured by the taxing power of the City.

Section 2. Form of Supplemental Indenture. The proposed form of Supplemental Indenture between the Commission and the Trustee, submitted to this Commission, and the terms and conditions thereof, is hereby approved. The President or General Manager of the Commission or their designees and the Secretary of the Commission are authorized and directed to execute and deliver said form of Supplemental Indenture with such additions thereto or changes therein which they may deem necessary or desirable and as the City Attorney may require or approve, the approval of such additions or changes to be conclusively evidenced by the execution and delivery of the Supplemental Indentures. The Secretary of the Commission is hereby directed to file a copy of said form of Supplemental Indentures with the minutes of this meeting. The exact name of the Bonds, principal amount, date, maturity date or dates (with a final maturity date of not more than 35 years from the date of issuance), maximum interest rate or rates (not to exceed twelve percent (12%) per annum), series designation, interest payment dates, forms, registration privileges, place or places

of payment, terms of redemption (optional redemption for each series of the Bonds shall be as provided in the Supplemental Indentures); insurance provisions and other terms of the Bonds shall be (subject to the foregoing limitations) as provided in the Indenture.

Section 3. Disposition of Revenues; Rate Covenant. Section 5.01(b) of the Indenture which sets forth the disposition of Revenues (as defined in the Indenture) applicable to the Commission's Water Enterprise Bonds is hereby confirmed by the Commission and the Commission further confirms, pledges and covenants with the holders of the Bonds that the Revenues shall be appropriated and expended in the order of priority set forth in Section 5.01(b) of the Indenture. This Commission also declares that the Commission will comply with all of the terms, provisions and covenants contained in the Indenture, including the covenants to establish, fix, prescribe and collect rates, fees and charges sufficient to enable the Commission to comply with the terms, conditions and covenants of the Indenture.

Section 4. Preliminary Official Statement and Official Statement. The Preliminary Official Statement relating to the Bonds, submitted to this Commission, is hereby approved, and the General Manager or the General Manager's designee is hereby authorized and directed to certify, for and on behalf of the Commission, that the Preliminary Official Statement, with such changes, additions and supplements as they may deem necessary or appropriate, is deemed final as of its date, within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (except for the omission of certain final pricing, rating and related information as permitted by said rule), and the Preliminary Official Statement, together with the Official Notice of Sale (as applicable) is hereby authorized to be used in connection with marketing of the Bonds. After the sale of the Bonds, the General Manager is hereby authorized and directed, for and on behalf of the Commission, to execute the Official Statement in substantially the form of the Preliminary Official Statement, subject to such additions thereto and changes therein, and any amendments or supplements thereto which are deemed necessary by the General Manager, in consultation with the City Attorney.

Section 5. Official Notice of Sale and Notice of Intention to Sell. In the event the General Manager determines to sell a series of the Bonds by competitive sale: (i) the proposed form of Official Notice of Sale inviting bids for the Bonds, submitted to this Commission is hereby approved, with such additions, changes and corrections thereto as the General Manager shall require or approve; (ii) sealed proposals shall be received on such date or dates as shall be selected by the General Manager for the purpose of the sale of the Bonds, the interest rate or rates of which will be designated in the bid, in accordance with the terms and conditions of the Official Notice of Sale; (iii) the General Manager is hereby authorized to award the Bonds to the highest responsible bidder, so long as such bid shall provide an interest rate to the Commission of not to exceed twelve percent (12%) per annum, and the price to be paid to the Commission for such series of Bonds shall not be less than the par value thereof, less a total discount of not to exceed five percent (5%); (iv) if such true interest cost and price are acceptable to the General Manager and satisfy the foregoing criteria, the General Manager is hereby authorized and directed to accept, on behalf of the Commission, the best responsive bid for such series of Bonds; (v) the Financial Advisors are hereby authorized and directed to cause to be distributed to prospective bidders for such series of Bonds copies of the Official Notice of Sale, subject to such corrections, revisions or additions as may be acceptable to the General Manager, including determination of the principal amount of the Bonds to be sold at such time; (vi) the Secretary of the Commission is directed to file a copy of said form of Official Notice of Sale with the minutes

of this meeting; (vii) the General Manager or his designee is hereby authorized and directed to publish a Notice of Intention to Sell each such series of Bonds and (viii) the General Manager is hereby authorized and directed to cause said Notice of Intention to Sell, to be published once at least five days before the date of sale of the respective series of Bonds in a financial newspaper of general circulation in the City and in a financial publication generally circulated throughout the state or reasonably expected to be disseminated among prospective bidders for the Bonds.

Section 6. Negotiated Sale and Bond Purchase Agreements. In the event that the General Manager determines to sell a series of the Bonds by negotiated sale, (i) the General Manager is hereby authorized to select and appoint one or more investment banking firms to act as underwriters (the "Underwriters") for the Bonds in accordance with City policies and procedures, including but not limited to the City's policy to provide locally disadvantaged business enterprises an equal opportunity to participate in the performance of all City contracts; (ii) the General Manager is hereby authorized and directed, for and on behalf of and in the name of the Commission, to sell at one or more negotiated sales in such aggregate principal amount as the General Manager may determine; (iii) the Bonds may be issued in one or more issues and/or subseries, as the General Manager deems appropriate in consultation with the Underwriters, Financial Advisors and Co-Bond Counsel, and shall be sold to the Underwriters pursuant to one or more Bond Purchase Agreements; (iii) the General Manager or his designee is hereby authorized to enter into one or more Bond Purchase Agreements with the Underwriters, individually or collectively as the General Manager deems appropriate, in such form or forms as the General Manager may approve, in consultation with the City Attorney, such approval to be evidenced conclusively by the delivery to the Underwriters of each such Bond Purchase Agreement; provided, however, that the total compensation to the Underwriters shall not exceed 0.9% of the par value of the Bonds; (iv) the Bonds shall be delivered to the Underwriters upon payment of the purchase price, namely, said par value thereof, plus the premium or less the discount set forth in the Bond Purchase Agreement, together with accrued interest, if any, at the initial rates set forth in said Bond Purchase Agreement; and (v) the Bonds shall bear interest at said rates, payable on the dates determined as provided in the Supplemental Indenture and shall be distinguished by such alpha-numeric or other designations as the General Manager may determine consistent with the Supplemental Indenture.

Section 7. Continuing Disclosure Certificate. The proposed form of Continuing Disclosure Certificate for the Bonds, submitted to this Commission, is hereby approved. The General Manager or the General Manager's designee is hereby authorized and directed to execute said Continuing Disclosure Certificate, substantially in the form submitted to this Commission, with such additions, changes and corrections thereto as the General Manager shall approve, in consultation with the City Attorney. The Secretary of the Commission is directed to file a copy of said form of Continuing Disclosure Certificate with the minutes of this meeting.

Section 8. Refunding Bonds. The issuance and sale of Refunding Bonds is hereby authorized and approved by the Commission, subject to the Board approving the issuance of such Refunding Bonds and the requirement that the Refunding Bonds meet the debt service saving tests set forth in Section 9.109 of the Charter and Article VIII of Chapter 43 of the Administrative Code. The Refunding Bonds shall be issued from time to time pursuant to one or more Indentures, and the General Manager is hereby authorized and directed to determine, from time to time, the aggregate principal amount of Refunding Bonds to be issued (subject to the maximum amount authorized herein) and to provide for the sale of the Refunding Bonds (with

the exact name, year of issuance, designation and series of such Refunding Bonds to be determined by the General Manager) in such manner as the General Manager shall determine. The issuance and sale of the Refunding Bonds shall comply with the provisions of this resolution.

Section 9. Reimbursement. The Commission hereby declares its official intent to reimburse expenditures of the Commission relating to the Improvements to be financed from the proceeds of the Bonds or other bonds of the Commission that are incurred or paid prior to the issuance and sale of the Bonds or such other bonds from the proceeds of the Bonds or such other bonds.

Section 10. Adoption of CEQA Findings. The Commission hereby adopts the CEQA Findings, including the Statement of Overriding Considerations, all as set forth in Resolution 08-0200, adopted by the Commission on October 30, 2008, and hereby finds and determines that Improvements to be financed with proceeds of the Bonds are within the scope of the WSIP and activities evaluated in the Final PEIR.

Section 11. Conformance with City General Plan. In accordance with the provisions of Proposition A, the Board determined that the bond projects were in conformance with the City's General Plan, and this Commission hereby finds and determines that the Improvements to be financed with proceeds of the Bonds are within the activities evaluated in the General Plan Referral then submitted to the Board.

Section 12. Revenue Bond Oversight Committee. The General Manager is hereby authorized to make the deposit for the benefit of the Revenue Bond Oversight Committee ("RBOC") required by Article 5A.31(d) of the Administrative Code, provided that any amounts so paid from the proceeds of Bonds that have not been spent by RBOC in connection with such Bonds (as contemplated by Article 5A.31(c) of the Administrative Code) within 36 months of the date of issuance of such Bonds shall be returned to the Commission for deposit into the Improvement Fund and expended by the Commission to acquire and construct Improvements.

Section 13. Submittal to Board for Approval. The General Manager is hereby authorized and directed to submit to the Board a resolution to approve the issuance of the Bonds as required by the Charter. The General Manager is hereby further authorized and directed to submit to the Board an Ordinance authorizing the issuance of not to exceed \$1,321,924,182 aggregate principal amount of Water Revenue Bonds under the terms of Proposition E; provided however the issuance of such Water Revenue Bonds shall be subject to the terms of Proposition E (approved by the voters November 2002), and the General Manager shall return to this Commission and the Board for approval of any disclosure and security documents prepared in connection with the issuance of such Bonds to finance Water Improvement Projects.

Section 14. General Authority. The officers of this Commission, the General Manager, the Assistant General Manager, Business Services and Chief Financial Officer of the Commission and the officers of the Commission are hereby authorized and directed, each acting alone, for and in the name and on behalf of this Commission, to execute and deliver any and all documents, certificates and representations, including, but not limited to, signature certificates, no-litigation certificates, tax certificates, letters of representation relating to book-entry registration, and certificates concerning the contents of the Official Statement and the Official

Statement and the Preliminary Official Statement, to contract for municipal bond insurance for all or a portion of the Bonds if determined to be beneficial, to contract for a surety bond for the required reserve for all or a portion of the Bonds, to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate the issuance and sale of the Bonds, the financing of the Improvements and the actions which the Commission has approved in this resolution. 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 15. Ratification. All actions heretofore taken by the officials, employees and agents of the Commission with respect to the sale and issuance of the Bonds are hereby approved, confirmed and ratified.

Section 16. Effective Date. This resolution shall take effect from and after its adoption.

PASSED AND ADOPTED on June 23, 2009, by the following vote:

AYES: 4

NOES: 0

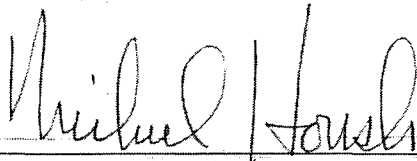
ABSENT: 0



President of the Public Utilities Commission
of the City and County of San Francisco

[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: _____
Deputy City Attorney

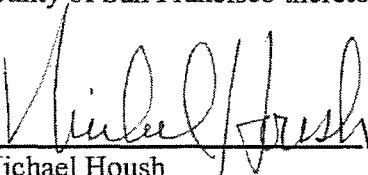
CERTIFICATE OF SECRETARY

I, Michael Housh, Secretary of the Public Utilities Commission of the City and County of San Francisco, hereby certify that the foregoing is a full, true and correct copy of Resolution No. **09-0102** duly adopted at the regular meeting of the Public Utilities Commission, duly and regularly held on June 23, 2009, of which meeting all of the members of said Commission had due notice.

I further certify that at least 72 hours prior to such meeting I caused to be delivered to the Documents Department of the San Francisco Public Library two copies of the agenda for such meeting to be posted immediately upon receipt by such Department at the place designated by the City Librarian for the posting of agenda in the central public library, which place is accessible to the public in accordance with Section 8.16 of the Administrative Code of the City and County of San Francisco, and that a brief description of such resolution appeared as an item on such agenda.

I further certify that I have carefully compared the foregoing copy with the original minutes of said meeting on file and of record in my office; that said copy is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes; and that said resolution has not been amended, modified or rescinded in any manner since the date of its adoption, and the same is now in full force and effect.

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Public Utilities Commission of the City and County of San Francisco thereto this June 23, 2009.


Michael Housh
Secretary of the Public Utilities
Commission of the City and
County of San Francisco

[SEAL]

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