

LEGISLATIVE DIGEST

[Ordinance to Authorize Increase in Amount of Public Utilities Commission Wastewater Enterprise Commercial Paper Program]

Ordinance authorizing an increase of the Wastewater Enterprise's Commercial Paper program to an amount not to exceed \$300,000,000 to be issued from time to time by the San Francisco Public Utilities Commission ("Commission") to finance various capital projects benefitting the Wastewater Enterprise each pursuant to amendments to the Charter (the "Charter") of the City and County of San Francisco (the "City") enacted by the voters on November 5, 2002 as Proposition E ("Proposition E"); and ratifying previous actions taken in connection therewith.

Existing Law

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 of Supervisors 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.

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").

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.

On December 13, 2011 the Commission approved Resolution 11-0197 to increase the commercial paper authorization to \$300,000,000 from \$150,000,000, to provide additional short-term financing of capital improvements and related costs for improvements, betterments and additions to the Wastewater Enterprise, including such improvements identified in the Commission's July 27, 2010 Resolution 10-0114 which established Levels of Service Goals for the Sewer System Improvement Program Goals and which anticipates the issuance of more than \$4 billion dollars of revenue bonds over the upcoming decade.

The Commission issues commercial paper notes from time to time to provide interim financing for capital improvements for the wastewater enterprise. Commercial paper notes are a low cost form for financing that the Commission has utilized to provide initial funds to finance its capital projects, and lower the overall costs of borrowing.

Background Information

The proposed Ordinance approves an increase of the Commission's Commercial Paper program authorization to \$300,000,000 from \$150,000,000 pursuant to Section 8B. 124 of the Charter and approves the issuance and sale of Commercial Paper in one or more series from time to time by the Commission pursuant to the Charter and in accordance with a resolution of the Commission; provided however that any Commercial Paper issued by the Commission shall not exceed twelve percent (12%) per annum. Commercial paper notes are an interim source of financing pending the issuance of long term revenue bonds. Commercial paper notes provide a low cost means of financing the Commission's capital projects.