

PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO. 15-0069

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

WHEREAS, On February 11, 2014, the Commission adopted Resolution No. 14-0032, to approve the FY 2014-15 and FY 2015-16 Capital Improvement Program Budget for the Wastewater Enterprise, and, with further action from the Board, authorize the issuance of revenue bonds for included capital projects; and

WHEREAS, On June 24, 2014, the Board adopted Ordinance No. 107-14 (the "Original Ordinance"), as signed by the Mayor on July 2, 2014, to among other matters authorize the issuance of up to \$819,035,941 of Wastewater Revenue Bonds to finance projects benefitting the Wastewater Enterprise; and

WHEREAS, Section 8B.124 of the Charter allows for the issuance of revenue bonds or other forms of indebtedness by ordinance approved by two-thirds of the Board, subject to the provision of certain certifications of an independent engineer retained by the Commission and certain certifications by the San Francisco Planning Department, which certifications shall make the findings and determinations set forth in Section 8B.124, and

WHEREAS, The Commission has determined to seek Board of Supervisors approval of an amendment of the Original Ordinance to authorize, in addition to the Wastewater Revenue Bonds, the execution and delivery of one or more State of California Water Resources Control Board Installment Sales Agreements in connection with State Revolving Loans, in either case, in an aggregate principal amount not to exceed \$819,035,941 (the "State Loans" or alternatively referred to as the "Obligations" below) to finance the costs of all or a portion of certain capital projects described therein benefitting the Wastewater Enterprise (the "Capital Projects"), and costs of issuance and other incidental costs related thereto; 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, subject to Board of Supervisors' authorization, has further determined to finance the costs of the Improvements through the execution and delivery of the State Loans. The State Loans shall be payable from a pledge of Net Revenues of the Wastewater Enterprise on a parity with the outstanding Bonds of the Wastewater Enterprise, as such terms are defined in that certain Indenture dated as of January 1, 2003, as amended and supplemented (the "Indenture"), between the Commission and U. S. Bank National Association. The Commission now desires to authorize the execution and delivery from time to time of Installment Sales Agreements related to State Loans by the Commission pursuant to said Section 8B.124; subject to Board of Supervisors authorization as required by Section 8B.124 of the Charter, prior to the execution and delivery of any Installment Sales Contract related to any State Loans authorized hereby (as further described below), and

WHEREAS, This action would not fall within the definition of a "project" under California Environmental Quality Act (CEQA) Guidelines Section 15378(b)(4) which includes the creation of government funding mechanisms or other government fiscal activities which do not include commitment to any specific project. Prior to award of loans by the State Water Resources Control Board under the Clean Water State Revolving Fund Program, individual projects will be required to demonstrate compliance with CEQA, and compliance with applicable federal regulations and the National Environmental Policy Act (NEPA), where applicable; and

WHEREAS, The Commission has submitted to the Board concurrently herewith an ordinance approving the Capital Improvement Program related supplemental appropriations totaling \$819,035,941 for fiscal years ending 2015 and 2016, such amount being inclusive of the Installment Sales Agreements related to State Loans; and

WHEREAS, The State Water Board may fund the Capital Projects with bonds or other indebtedness the interest upon which is excluded from gross income for federal income tax purposes (the "Obligations" or alternatively referred to herein as the State Loans) in an amount not to exceed \$819,035,941; and

WHEREAS, The Commission has determined that the moneys advanced and to be advanced to pay certain expenditures ("Expenditures") of the Capital Projects are or will be available only for a temporary period and it is necessary to reimburse all such expenditures made no earlier than 60 days prior to the date hereof with respect to the Project from proceeds of the Obligations; and

WHEREAS, Section 1.150-2 of the Treasury Regulations requires the Commission to declare its reasonable official intent to reimburse prior expenditures for the Capital Projects with proceeds of the Bonds; now, therefore, be it resolved as follows:

Section 1. Authorization to Enter Installment Sales Contracts. The Commission hereby authorizes the General Manager to enter into Installment Sales Agreements with the State Water Resources Control Board pursuant to Section 8B. 124 of the Charter to finance a portion of the design, acquisition and construction of the Capital Projects (including the costs of issuance for such obligations) and other incidental costs relating thereto; and the Commission hereby authorizes the General Manager (or designee) to execute and deliver such Installment Sales Agreements for State Loans from time to time by the Commission pursuant to Section 8B. 124 of the Charter in an aggregate principal amount not to exceed \$819,035,941 (inclusive of financing costs), at a maximum rate or rates of interest of not to exceed twelve percent (12%) per annum and for a term not to exceed thirty (30) years from the date of the execution of any Installment Sales Contract, or such later date as provided in such contract; provided however the General Manager (or his designee) shall present the terms of any Installment Sales Contract to this Commission for its approval prior to execution and delivery. The General Manager (or his designee) is hereby authorized to determine the timing, amount and manner of each Installment Sales Contract executed pursuant to and subject to this authorization; provided however, the Commission's authorization to enter into any Installment Sales Agreements is subject to the Commission having obtained supplemental budgetary authority to cover such contracts. The State Loans shall be payable from a pledge of the Net Revenues of the Wastewater Enterprise on a parity with the outstanding Bonds of the Wastewater Enterprise, as such terms are defined in that certain Indenture dated as of January 1, 2003, as amended and supplemented (the "Indenture"), between the Commission and U. S. Bank National Association.

Section 2. The Commission adopts this Resolution for purposes of establishing compliance with the requirements of Section 1.150-2 of the Treasury Regulations.

Section 3. The Commission hereby declares its official intent, pursuant to Section 1.150-2 of the Treasury Regulations, to use proceeds of the Obligations to reimburse the Expenditures incurred in connection with the Capital Projects.

Section 4. The Commission reasonably expects the maximum principal amount of the Obligations expected to be issued for the Capital Projects is \$819,035, 941.

Section 5. This Resolution is being adopted no later than 60 days after the date Commission will expend moneys for the construction of a portion of the Capital Projects cost expected to be reimbursed with Capital Project Funds. Each Expenditure will be either (a) of a type properly chargeable to a capital account under general federal income tax principles (determined in each case as of the date of the Expenditure), (b) a cost of issuance with respect to the Obligations, (c) a nonrecurring item that is not customarily payable from current revenues, or (d) a grant to a party that is not related to or an agent of the Commission so long as such grant does not impose any obligation or condition (directly or indirectly) to repay any amount to or for the benefit of the Commission.

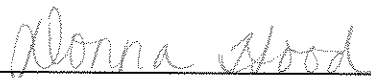
Section 6. General Authority. The General Manger, the Deputy General Manager and Chief Operating Officer and the Assistant General Manager Wastewater Enterprise and Chief Financial Officer and other officers of the Commission and their duly authorized deputies and agents are hereby authorized and directed, jointly and severally, to take such actions and to execute and deliver such certificates, agreements, requests or other documents, as they may deem necessary or desirable to facilitate the execution and delivery of any Installment Sales Agreements in connection with State Loans, to obtain title and other insurance with respect to the facilities to be financed, and otherwise to carry out the provisions of this Resolution.

Section 7. Request of Amendment to Original Ordinance; Submittal to Board for Approval. The General Manager, for, in the name of and on behalf of the Commission, is hereby authorized and directed to cause a supplemental ordinance to be submitted to the Board of Supervisors to add to the Original Ordinance authorization to provide for the execution and delivery of Installment Sales Contracts in connection with State Loans, as may be required by the Charter.

Section 8. Ratification. That all actions authorized and directed by this Resolution and heretofore taken are hereby ratified, approved and confirmed by this Commission.

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 of March 10, 2015.



Donna Hood
Secretary of the Public Utilities Commission of the
City and County of San Francisco