

1 [Authorization for the Public Utilities Commission to issue Commercial Paper Notes
2 (Wastewater Series) in an aggregate principal amount not exceeding \$150,000,000]

3 **Ordinance approving the issuance by the Public Utilities Commission of its Commercial**
4 **Paper Notes (Wastewater Series) in an aggregate principal amount not exceeding**
5 **\$150,000,000 pursuant to Article VIIIB of the City Charter and Article V of Chapter 43 of**
6 **Part I of the San Francisco Administrative Code, as amended, for the purpose of**
7 **reconstructing and improving certain capital improvements related to the Wastewater**
8 **Enterprise; approving the form and authorizing the execution of a credit facility, an**
9 **issuing and paying agent agreement, one or more dealer agreements, an offering**
10 **memorandum and other documents relating to such notes; approving the maximum**
11 **interest rate on such notes; and related matters.**

12
13 Be it ordained by the People of the City and County of San Francisco:

14 Section 1. Findings. The Board of Supervisors of the City and County of San
15 Francisco hereby finds, determines, and declares as follows:

16 A. At a duly called and held election on November 5, 2002, a majority of voters
17 voting on the measure approved Proposition E ("Proposition E") which added Article VIIIB to
18 the City Charter. Among other things, Article VIIIB provided a new procedure for Public
19 Utilities Commission (the "Commission") to issue revenue bonds, including notes, commercial
20 paper and other forms of indebtedness, under certain conditions and when authorized by a
21 two-thirds vote of the Board of Supervisors of the City (the "Board"), for the purposes of
22 reconstructing, replacing, expanding, repairing or improving water facilities or clean water
23 facilities or combinations thereof under the jurisdiction of the Commission.

24 B. The Commission is currently engaged in the development of a sewer system
25 master plan (the "Master Plan") for its Wastewater Enterprise, formerly known as its Clean

1 Water Enterprise (the "Enterprise"). When completed, the Master Plan is expected include a
2 program of capital improvements, repairs and replacements to the sanitary waste and storm
3 water systems which are anticipated to be required over the following 30 years, along with an
4 estimate of the funds and an identification of the funding sources needed to complete such
5 program. The Master Plan development process is expected to be completed in 2008, with
6 financing and construction to commence thereafter.

7 C. The Commission has identified a program of capital improvements to address
8 flooding, odor and other operational issues within the Enterprise that it finds advisable to
9 pursue during the development of the Master Plan. These projects are known as the "Five-
10 Year CIP." The Commission is now seeking to issue commercial paper in an amount not to
11 exceed \$150,000,000 to finance the Five-Year CIP.

12 D. The Commission is authorized to issue short term indebtedness pursuant to the
13 procedures set forth in Article V of Chapter 43 of Part I of the San Francisco Administrative
14 Code enacted by Ordinance No. 203-98, adopted by the Board on June 8, 1998 and signed
15 by the Mayor of the City on June 19, 1998 (the "Original Procedural Ordinance"). In
16 connection with this Ordinance the Board is considering an ordinance amending the Original
17 Procedural Ordinance to reflect the passage of Proposition E (as so amended, the
18 "Procedural Ordinance"). The Procedural Ordinance, with the short title "Public Utilities
19 Commission Short Term Indebtedness," is on file with the Clerk of the Board in File No. .
20 The Board's adoption of the Procedural Ordinance is a condition to the effectiveness of this
21 Ordinance.

22 E. Under the Procedural Ordinance, the Commission may issue or incur
23 commercial paper or other short-term indebtedness authorized in accordance with Article
24 VIIIB of the Charter.

1 F. Section 8B.124 of the Charter allows for the issuance of commercial paper or
2 other forms of indebtedness by ordinance approved by two-thirds of the Board, subject to the
3 following conditions:

4 i. Certification by an independent engineer retained by the Public Utilities
5 Commission that:

6 (a) the projects to be financed by such debt, including the prioritization,
7 cost estimates and scheduling, meet utility standards; and

8 (b) that estimated net revenue after payment of operating and
9 maintenance expenses will be sufficient to meet debt service coverage and other indenture or
10 resolution requirements, including debt service on the debt to be issued, and estimated repair
11 and replacement costs.

12 ii. Certification by the San Francisco Planning Department that facilities
13 under the jurisdiction of the Commission funded with such debt will comply with applicable
14 requirements of the California Environmental Quality Act.

15 G. Certificates meeting the requirements set forth in Section 1.F. above (the
16 "Certificates") are on file with the Clerk of the Board in File No. , which is hereby declared
17 to be a part of this Ordinance as if set forth fully herein.

18 H. At its meeting on September 26, 2006, the Commission adopted a resolution
19 approving the forms of documents relating to the establishment of a commercial paper
20 program and urging the Board to authorize the issuance of such indebtedness on the terms
21 set forth herein. Such resolution is on file with the Clerk of the Board in File No. , which is
22 hereby declared to be a part of this Ordinance as if set forth fully herein.

23 Section 2. Approval of the Issuance of Commercial Paper. This Board hereby
24 declares that the Certificates satisfy the conditions of Section 8B.124 of the Charter, and
25 therefore in accordance with the Charter and the Procedural Ordinance, the Public Utilities

Commission is hereby authorized to issue Commercial Paper Notes (Wastewater Series) (the "Commercial Paper Notes") for the purposes of reconstructing, replacing, expanding, repairing or improving facilities of the Enterprise, as well as paying costs of issuance and other incidental costs; provided however, that (i) the maximum principal amount of Commercial Paper Notes at any one time outstanding, when combined with the total principal amount of outstanding and unpaid obligations issued to the provider of any credit or liquidity facility executed in connection with such Commercial Paper Notes, shall not exceed \$150,000,000, and (ii) the principal amount of Commercial Paper Notes outstanding at any one time shall not exceed the principal component available to be drawn under any credit facilities or liquidity facilities executed in connection therewith.

Section 3. Approval of Credit or Liquidity Facility and Authorization of Bank Notes.

The form of the Letter of Credit and Reimbursement Agreement (the "Credit Facility"), between the Commission and BNP Paribas acting through its San Francisco Branch (the "Credit Provider"), in substantially the form presented to the Board, a copy of which is on file with the Clerk of the Board, is hereby approved. The General Manager of the Commission (the "General Manager") is hereby authorized to execute the Credit Facility, in substantially said form, with such additions thereto and changes therein as the City Attorney and Co-Bond Counsel may approve or recommend in accordance with Section 10 hereof. The Commission is authorized to negotiate and execute an extension to the Credit Facility or another credit or liquidity facility to support the Commercial Paper Notes authorized to be issued hereunder, on such terms and conditions as the General Manager, in consultation with the City Attorney, shall determine; provided that any obligations issued to the credit or liquidity provider, including the Credit Provider (the "Bank Notes"), (i) shall be repaid over a period not exceeding ten (10) years, or such other repayment period as the Commission and this Board shall approve, (ii) bear interest at a rate or rates that does not cause the aggregate average

1 interest cost to exceed 12% per annum, and (iii) any outstanding and unpaid principal
2 obligation under any such Bank Notes shall not, when combined with the total principal
3 amount of outstanding Commercial Paper Notes, exceed \$150,000,000 in aggregate principal
4 amount.

5 Section 4. Issuing and Paying Agent Agreement. The form of the Issuing and Paying
6 Agent Agreement (the "Issuing and Paying Agent Agreement"), between the City and U.S.
7 Bank, National Association, in substantially the form presented to the Board, a copy of which
8 is on file with the Clerk of the Board, is hereby approved. The General Manager is hereby
9 authorized to execute the Issuing and Paying Agent Agreement in substantially said form, with
10 such additions thereto and changes therein as the City Attorney and Co-Bond Counsel may
11 approve or recommend in accordance with Section 10 hereof.

12 Section 5. Dealer Agreements. The form of the Dealer Agreement (the "Dealer
13 Agreement"), between the City and the securities dealers listed therein, in substantially the
14 form presented to the Board, a copy of which is on file with the Clerk of the Board, is hereby
15 approved. The General Manager is hereby authorized to execute one or more Dealer
16 Agreements in substantially said form, with such additions thereto and changes therein as the
17 City Attorney and Co-Bond Counsel may approve or recommend in accordance with Section
18 10 hereof.

19 Section 6. Offering Memorandum. The Offering Memorandum relating to the
20 Commercial Paper Notes (the "Offering Memorandum"), in substantially the form presented to
21 the Board, a copy of which is on file with the Clerk of the Board, is hereby approved. The
22 General Manager is hereby authorized to cause the distribution of the Offering Memorandum
23 in connection with the offering of the Commercial Paper Notes, in substantially said form, with
24 such additions thereto and changes therein as the City Attorney and Co-Bond Counsel may
25 approve or recommend in accordance with Section 10 hereof.

1 Section 7. No Conflict. The Commercial Paper Notes and Bank Notes, if any,
2 approved by this Ordinance shall be issued pursuant to the terms of the Issuing and Paying
3 Agent Agreement, the Credit Facility and any other agreement or agreements relating to the
4 liquidity or credit facility supporting the Commercial Paper Notes and such agreements and
5 documents as the Commission shall deem necessary or desirable for the purpose of
6 implementing the issuance, sale and delivery of such Commercial Paper Notes or Bank
7 Notes, if any, and as shall be approved by the City Attorney, which approval shall be
8 conclusively evidenced by the signature of the City Attorney on each such additional
9 agreement; provided, that the terms of the Issuing and Paying Agent Agreement, the Credit
10 Facility or any other agreement or agreements relating to the liquidity or credit facility
11 supporting the Commercial Paper Notes and any such additional agreements and documents
12 shall not conflict with the requirements of the Charter, the Procedural Ordinance or this
13 Ordinance.

14 Section 8. Maximum Interest Rate. Pursuant to Section 43.5.2 of the Procedural
15 Ordinance, the maximum interest rate for any Commercial Paper Notes or Bank Notes shall
16 not exceed 12% per annum.

17 Section 9. Additional Agreements. The approvals contained herein shall extend to any
18 agreements relating to the liquidity or credit facility supporting the Commercial Paper Notes
19 and any and all agreements of the Commission supplemental and/or incidental thereto, as
20 well as to such additional agreements as the Commission may adopt for the purpose of
21 implementing the issuance, sale and delivery of the Commercial Paper Notes or Bank Notes,
22 if any. The approvals contained herein shall continue to apply to the Commercial Paper Notes
23 or the Bank Notes, if any, in the event such Commercial Paper Notes or Bank Notes, if any,
24 are renamed, renumbered or reissued by the Commission pursuant to the Issuing and Paying
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1 Agent Agreement and/or agreements relating to any liquidity or credit facility supporting the
2 Commercial Paper Notes.

3 Section 10. Modifications, Changes, Additions. The General Manager, in consultation
4 with the City Attorney and Co-Bond Counsel, is hereby authorized to approve and make such
5 modifications, changes or additions to the Credit Facility, the Issuing and Paying Agent
6 Agreement, the Dealer Agreement and the Offering Memorandum as may be necessary or
7 advisable, subject to the provisions of Section 2 hereof. The approval of any modification,
8 addition or change to any of the aforementioned documents shall be evidenced conclusively
9 by the execution and delivery of the document in question.

10 Section 11. General Authority. The Director of the Office of Public Finance or her
11 designee, the City Attorney, the General Manager and all other appropriate officers,
12 employees, representatives and agents of the Commission are hereby authorized and
13 directed to do everything necessary or desirable to provide for the issuance of the
14 Commercial Paper Notes or Bank Notes, if any.

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16 APPROVED AS TO FORM:

17 DENNIS J. HERRERA
18 City Attorney

19 By: _____
20 MICHAEL J. MARTIN
21 Deputy City Attorney
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