[Amending Ordinance 112-16---Public Utilities Commission Water Revenue Bond Issuance----Not to Exceed $274,130,430]

Ordinance amending Ordinance No. 112-16 to authorize an increase of the issuance and sale of tax-exempt or taxable Water Revenue Bonds and other forms of indebtedness (as described below) by the San Francisco Public Utilities Commission (Commission) to an aggregate principal amount not to exceed $274,130,430 to finance the costs of various capital water projects benefitting the Water Enterprise, including new funding to finance the cost of the acquisition of the Rollins Road Property (as described below) pursuant to amendments to the Charter of the City and County of San Francisco enacted by the voters on November 5, 2002 as Proposition E; authorizing the issuance of Water Revenue Refunding Bonds; declaring the Official Intent of the Commission to Reimburse Itself with one or more issues of tax-exempt or taxable bonds or other forms of indebtedness; and ratifying previous actions taken in connection therewith.

NOTE: Unchanged Code text and uncodified text are in plain Arial font. Additions to Codes are in single-underline italics Times New Roman font. Deletions to Codes are in strikethrough italics Times New Roman font. Board amendment additions are in double-underlined Arial font. Board amendment deletions are in strikethrough Arial font. Asterisks (* * * *) indicate the omission of unchanged Code subsections or parts of tables.

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

Section 1. Findings. The Board of Supervisors (the “Board”) of the City hereby finds and declares as follows:

A. On November 5, 2002, the voters of the City and County of San Francisco (the “City”) approved Proposition E (“Proposition E”), which among other things, authorized the
San Francisco Public Utilities Commission (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

B. The Commission adopted the Amended and Restated Indenture dated as of January 1, 2002, as further amended and supplemented from time to time (the “Indenture”), between the Commission and U. S. Bank National Association and in connection therewith, has from time to time issued revenue bonds to finance projects benefitting the Water Enterprise; and

C. This Board adopted Ordinance No. 112-16 to authorize the issuance of not to exceed $264,997,468 of the Commission’s Water Revenue Bonds and other forms of indebtedness (including SRF Loans, as defined therein) (the “Prior Ordinance”) to finance the costs of various capital projects benefitting the Water Enterprise (the "Capital Improvement Projects" such projects being more fully described in the Commission Resolution 16-0035, adopted by the Commission on February 9, 2016); and

D. On September 16, 2016, the Commission adopted Resolution No. 16-0197 to authorize the purchase of a one story building and related parking and storage space located at 1657-1663 Rollins Road, Burlingame, California (the “Rollins Road Property”) that has been served as the primary work location for staff from Water Quality Division, the Natural Resources & Land Management Division, and the Water Supply & Treatment Division; and

D. To finance the costs of the purchase of the Rollins Road Property the Board now desires to amend the Prior Ordinance to increase the bonding authorization by $9,132,962 for such purposes; and
E. The Commission has paid, beginning no earlier than 60 days prior to the adoption of this Ordinance and will pay, on and after the date hereof, certain expenditures (the “Expenditures”) in connection with the acquisition, construction and/or equipping of the Capital Improvement Projects (including the Rollins Road Property), and

F. This Board, on behalf of the Commission, adopts this Ordinance as official action of the Commission in order to comply with Treasury Regulation §1.150-2 and any other regulations of the Internal Revenue Service relating to the qualification for reimbursement of Commission expenditures incurred prior to the date of issue of the Water Revenue Bonds, and

Section 2. Authorization to Issue Water Revenue Bonds and other forms of indebtedness. The Board hereby amends Ordinance No. 112-116 to increase the authorization of the issuance and sale of Water Revenue Bonds in one or more series from time to time by the Commission pursuant to Proposition E and in accordance with the Commission Resolution, and the execution and delivery of SRF Loan agreements, in an aggregate principal amount not to exceed $274,130,430 (inclusive of financing costs), at a maximum rate or rates of interest of not to exceed twelve percent (12%) per annum to finance a portion of the costs of the design, acquisition and construction of the Capital Improvement Projects, including but not limited to the Rollins Road Property. All other terms and conditions of the Prior Ordinance are hereby incorporated by reference as if set forth in full herein.

Section 3. Declaration of Official Intent. The Board, on behalf of the Commission, hereby declares the official intent of the Commission to reimburse the Commission with proceeds of the Water Revenue Bonds or other forms of indebtedness (including SRF Loans) for the Expenditures with respect to the Capital Improvement Projects made on and after a date that is no more than 60 days prior to the adoption of this Ordinance. The Commission
reasonably expects on the date hereof that it will reimburse the Expenditures with proceeds of the Water Revenue Bonds or other forms of indebtedness (including SRF Loans). Each said Expenditure was and 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 Water Revenue Bonds or other forms of indebtedness (including SRF Loans), (C) a nonrecurring item that is not customarily payable from current revenues, or (D) a grant to pay a party that is not related to or an agent of the issuer 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. The maximum principal amount of the Water Revenue Bonds or other forms of indebtedness (including SRF Loans) to be issued for the Capital Improvement Projects is $274,130,430 (inclusive of financing costs).

The Commission will make a reimbursement allocation, which is a written allocation by the Issuer that evidences the Commission’s use of proceeds of the Water Revenue Bonds or other forms of indebtedness (including SRF Loans) to reimburse an Expenditure, no later than 18 months after the later of the date on which the Expenditure is paid or the component of the Capital Improvement Projects is placed in service or abandoned, but in no event more than three years after the date on which the Expenditure is paid. The Commission recognizes that exceptions are available for certain “preliminary expenditures,” costs of issuance, certain de minimis amounts, expenditures by “small issuers” (based on the year of issuance and not the year of expenditure) and expenditures for construction projects of at least 5 years.

Section 4. General Authority. The Controller, Treasurer, the City Attorney and other officers of the City 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 issuance, sale and delivery of the Water Revenue Bonds, Refunding Bonds, to obtain bond insurance or other credit enhancements with respect to such obligations, to obtain surety, to obtain title and other insurance with respect to the facilities to be financed, and otherwise to carry out the provisions of this Ordinance. The Commission is hereby directed to provide the final form to the Clerk of the Board of any disclosure document prepared in connection with the execution of any Water Revenue Bonds or Refunding Bonds, and the final executed Installment Sale Agreement or other document reflecting the incurrence of an SRF Loan, within 30 days of the closing of such transactions.

Section 5. Ratification of Prior Actions. All actions authorized and directed by this Ordinance in connection with the issuance of the Water Revenue Bonds or other forms of indebtedness (including SRF Loans), Refunding Bonds, and heretofore taken are hereby ratified, approved and confirmed by this Board.

Section 6. File Documents. All documents referred to as on file with the Clerk of the Board are in File Nos. ____________.

Section 7. Effective Date. Pursuant to Charter Section 8B.124, this Ordinance shall take effect thirty (30) days after its adoption.

APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

By: ________________
Mark D. Blake
Deputy City Attorney

n:\financias2016\1300183\01109132.docx