File No. 120527

Committee Item No. 6
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget and Finance Sub-Committee **Date** June 6, 2012

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Completed by: Victor Young **Date** June 1, 2012
Completed by: Victor Young **Date** _____

An asterisked item represents the cover sheet to a document that exceeds 25 pages.
The complete document can be found in the file.

[Appropriating $40,410,000 of Earthquake Safety and Emergency Response General Obligation Bonds to the Public Utilities Commission in FY2011-2012]

Ordinance appropriating $40,410,000 of the 2012A Series Earthquake Safety and Emergency Response General Obligation Bond Proceeds to the Public Utilities Commission in FY2011-2012 for necessary repairs and seismic improvements in order to better prepare San Francisco for a major earthquake or natural disaster and placing these funds on Controller's Reserve pending the sale of the bonds.

Note: Additions are *single-underline italics Times New Roman*; deletions are ~~*strikethrough italics Times New Roman*~~. Board amendment additions are double underlined. Board amendment deletions are ~~strikethrough normal~~.

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

Section 1. The sources of funding outlined below are herein appropriated to reflect the funding available in Fiscal Year 2011-2012.

SOURCES Appropriation

Fund	Index/Project Code	Subobject	Description	Amount
TBD	TBD	80111	General Obligation Bond Proceeds	$40,410,000
Total SOURCES Appropriation				**$40,410,000**

Section 2. The uses of funding outlined below are herein appropriated in FY 2011-

2012 in Subobject 06700 (Buildings, Structures, and Improvement Project-Budget), Subobject 07311 (Cost of Bond Issuance, Underwriter's Discount, and Reserve Pending Bond Sales), Subobject 081C4 (City Services Auditor Internal Audits for the General Obligation Bond Oversight Committee and the Controller's Audit Fund), and reflect the projected uses of funding for the necessary repairs and seismic improvements that are needed in order to better prepare San Francisco for a major earthquake or natural disaster.

USES Appropriation

Fund	Index Code/ Project Code	Subobject	Description	Amount
TBD	TBD	06700 Buildings, Structures, and Improvement Project-Budget	Earthquake Safety and Emergency Response Repairs and Improvements	$ 38,000,000
TBD	TBD	07311 Bond Issuance Cost	Cost of Issuance	$ 81,877
TBD	TBD	07311 Bond Issuance Cost	Underwriter's Discount	$ 288,638
TBD	TBD	07311 Bond Issuance Cost	Reserve Pending Bond Sales	$1,925,000

Fund	Index Code/ Project Code	Subobject	Description	Amount
TBD	TBD	081C4 - Controller Internal Audits	City Services Auditor 0.1% allocation for the General Obligation Bond Oversight Committee Audits	$38,485
TBD	TBD	081C4 - Controller Internal Audits	City Services Auditor 0.2% allocation for the Controller's Audit Fund	$76,000
Total USES Appropriation				**$ 40,410,000**

Section 3. The uses of funding outlined above for $40,410,000 are herein placed on Controller's Reserve pending sale of the General Obligation Bonds.

Section 4. The Controller is authorized to record transfers between funds and adjust the accounting treatment of sources and uses appropriated in this ordinance as necessary to conform with Generally Accepted Accounting Principles.

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

By: _____
Deputy City Attorney

FUNDS AVAILABLE
Ben Rosenfield, Controller

By: _____
Date: May 15, 2012

Items 5 and 6 Files 12-0533 &12-0527	Departments: Public Utilities Commission (PUC) Controller's Office of Public Finance

EXECUTIVE SUMMARY

Legislative Objectives

- File 12-0533: Resolution authorizing and directing the sale of up to $40,410,000 of Earthquake Safety and Emergency Response General Obligation Bonds.
- File 12-0527: Ordinance appropriating up to $40,410,000 of 2012 Earthquake Safety and Emergency Response Bond proceeds, including (a) $38,000,000 to PUC for planning, design and construction for the Auxiliary Water Supply System (AWSS), (b) $485,000 for oversight, accountability and bond issuance costs, (d) $1,925,000 Reserve to allow for fluctuations in market conditions, and (e) placing the entire $40,410,000 on Controller's Reserve pending the sale of the bonds.

Key Points

- On June 8, 2010, San Francisco voters approved Proposition B, authorizing the issuance of $412,300,000 of Earthquake Safety and Emergency Response (ESER) General Obligation Bonds to finance the construction, acquisition, improvement, and retrofitting of 19 Fire Stations, a new Public Safety Building, repair, replacement and expansion of the City's Auxiliary Water Supply System (AWSS), and other firefighting infrastructure and facilities related to earthquake safety.
- To date, (a) $79,520,000 has been issued and appropriated from the first ESER General Obligation Bond sale, and (b) $183,330,000 has been issued and appropriated from the second ESER General Obligation Bond sale, for a total of $262,850,000. Of the total $262,850,000 issued and appropriated to date, a total of $8,396,928 has been appropriated for the City's Auxiliary Water Supply System (AWSS) project.

Fiscal Impacts

- Excluding bond issuance and related costs, the total budget for the AWSS project is $102,400,000. To date, $8,396,928 of project costs have been appropriated. As of May 25, 2012, the PUC expended and/or encumbered $3,795,155, or 45.2 percent of the funds appropriated. Based on PUC's projections, $8,152,743 will be expended and/or encumbered by August 31, 2012.
- The proposed resolution authorizing the sale of up to $40,410,000 in ESER General Obligation Bonds will have a projected annual interest rate of 6.0 percent over approximately 20 years, with estimated total debt service payments of $66,769,252, including $28,284,252 in interest and $38,485,000 in principal, with estimated average annual debt service payments of $3,338,463. Debt service would be paid from increased Property Taxes, such that an owner of a single family residence with an assessed value of $500,000 would pay average annual additional Property Taxes to the City of approximately $10.37 per year.
- The City's Charter imposes a three percent limit on the amount of General Obligation Bonds that can be outstanding at any given time, relative to the total net assessed value of property in the City. As of May 1, 2012, there was $1,654,741,441 of General Obligation Bonds outstanding, or approximately 1.04% of the $158,649,887,998 total net assessed value of property in the City. If the proposed amount of $38,485,000 of ESER General Obligation Bonds are issued, the outstanding General Obligation Bonds would total $1,693,226,441, or approximately 1.07% of the total net assessed value of property.

Recommendation

- Approve the proposed resolution (File 12-0533) and the proposed ordinance (File 12-0527), subject to approval by the City's Capital Planning Committee.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

Section 9.105 of the City's Charter provides that the Board of Supervisors is authorized to approve the issuance and sale of General Obligation bonds in accordance with State law or local procedures adopted by ordinance. Section 9.105 of the City's Charter also provides that (a) amendments to the appropriation ordinance, as finally adopted, are to be adopted in the same manner as other ordinances[1] and (b) no amendment to the appropriation ordinance may be adopted unless the Controller certifies the availability of funds.

Background

On June 8, 2010, the voters of San Francisco approved Proposition B, which authorized the issuance of $412,300,000 of Earthquake Safety and Emergency Response (ESER) General Obligation Bonds. The ESER General Obligation Bonds will finance the construction, acquisition, improvement, and retrofitting of 19 Fire Stations, a new Public Safety Building, repair, replacement and expansion of the City's Auxiliary Water Supply System (AWSS)[2] and other firefighting infrastructure and facilities related to earthquake safety. As shown in Table 1 below, the total ESER Bond Program Budget is $412,300,000.

Table 1: Earthquake Safety and Emergency Response General Obligation Bond Budget

Description	Total Budget
Neighborhood Fire Stations[3]	$64,000,000
Public Safety Building	239,000,000
Department of Public Works (DPW) Subtotal	$303,000,000
Auxiliary Water Supply System (AWSS)	$34,400,000
Firefighting Cisterns	36,000,000
Firefighting Pipes and Tunnels	32,000,000
Public Utilities Commission (PUC) Subtotal	102,400,000
Oversight and Cost of Bond Issuance	6,900,000
Total ESER Budget	$412,300,000

Source: San Francisco Department of Public Works

The 19 Fire Stations and the new Public Safety Building projects totaling $303,300,000 will be managed by the Department of Public Works (DPW). The City's AWSS, firefighting cisterns[4], and firefighting, pipes and tunnels totaling $102,400,000 will be managed by the Public Utilities Commission (PUC). In addition, as shown in Table 1 above, an estimated $6,900,000 is budgeted to provide bond oversight, including 0.1% allocation for the Citizens' General

[1] In accordance with Section 2.105 of the San Francisco Charter, the approval of an ordinance requires two readings at separate Board of Supervisors meetings, held at least five days apart.

[2] The AWSS is a stand-alone high-pressure firefighting water system for suppressing fires following an earthquake or from multiple-alarm fires.

[3] Renovations are planned for Fire Stations # 2, 5, 6, 13, 15, 17, 18, 22, 28, 31, 38, 40, 41, 42, 36, 43, 44, Fire Boat Headquarters #35 at the Port, and the Equipment Logistics Center #45.

[4] The PUC maintains 188 underground cisterns throughout the City, which store water available for fire fighting to supplement the domestic water supply and the AWSS.

Obligation Bond Oversight Committee and 0.2% for the City Services Auditor and to fund the various costs to issue the General Obligation bonds.

On November 2, 2010, the Board of Supervisors approved (a) a resolution (File 10-1255; Resolution 516-10) authorizing the issuance of up to $412,300,000 ESER General Obligation Bonds. The Board of Supervisors authorized the issuance and appropriation of (a) up to $85,000,000 for the first series of these ESER bonds on November 2, 2010 (Resolution 515-10), and (b) up to $192,000,000 for the second series of these ESER bonds on January 24, 2012 (Resolution 17-12). As shown in Table 2 below, a total of $79,520,000 was issued and appropriated from the first ESER General Obligation Bond sale and a total of $183,330,000 was issued and appropriated from the second ESER General Obligation Bond sale for a total of $262,850,000 to date.

Table 2: Earthquake Safety and Emergency Response General Obligation Bond Authorization, Issuances to Date, and Remaining Balance

Component	Budget	First	Second	Total	Future
Public Safety Building	239,000,000	66,596,285	160,620,973	227,217,258	11,782,743
Neighborhood Fire Stations	64,000,000	3,627,397	21,073,913	24,701,310	39,298,690
Auxiliary Water Supply System	102,400,000	8,396,928	0	8,396,928	**94,003,072**
Subtotal	**405,400,000**	**78,620,610**	**181,694,886**	**260,315,496**	**145,084,504**
Controller's Audit Fund (two tenths of 1%)	810,800	157,241	363,390	520,631	290,169
General Obligation Bond Oversight Committee (one tenth of 1%)	405,400	79,520	183,330	262,850	142,550
Cost of Issuance (Estimated)	5,683,800	662,629	1,088,394	1,751,023	3,932,777
Subtotal	**6,900,000**	**899,390**	**1,635,114**	**2,534,504**	**4,365,496**
Total ESER1	**412,300,000**	**79,520,000**	**183,330,000**	**262,850,000**	**149,450,001**

As shown in Table 2 above, of the total $262,850,000 issued and appropriated to date, a total of $8,396,928 has been appropriated for the Auxiliary Water Supply System (AWSS) project. The AWSS project is an overall repair, improvement, seismic upgrade and expansion of the City's firefighting water system that includes the overall physical plant, reservoirs, tanks, pipelines, tunnels and cisterns. The major AWSS facilities include: the Twin Peaks Reservoir, Ashbury Heights Tank, Jones Street Tank, Pumping Stations #1 and #2, and 188 existing reinforced-concrete or brick cisterns located throughout the City.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution (File 12-0533) would authorize the sale of up to $40,410,000 of ESER General Obligation (GO) Bonds for the AWSS project and related costs, which would be the third in the series of the total $412,300,000 Earthquake Safety and Emergency Response funds approved by the voters on June 8, 2010 under Proposition B. The proposed resolution:

- Authorizes the Director of Public Finance to determine the sale date, interest rates, principal amount of the bonds, maturity and redemption dates, with the provision that interest rates cannot exceed 12 percent and the maturity date cannot extend beyond June 15, 2040;
- Provides for the execution, authentication and registration of the Earthquake Safety and Emergency Response Bonds, Series 2012E;
- Sets the terms for transferring, redeeming and defeasance of the bonds;

- Requires special Series 2012E Bond subaccounts for payment of principal and interest and for acquisition, renovation, and construction of bond-funded projects;
- Approves the appointment of the Depository Trust Company as the securities depository, and authorizes the Treasurer to appoint fiscal and other agents;
- Approves the (a) Official Notice of Sale, which announces the date, time and terms of the competitive bond sale; and the (b) Notice of Intention to Sell the Bonds;
- Approves the Official Statement, describing the sources and uses of funds, security for the Bonds, risk factors, and tax and other legal matters, among other information; and authorizes the Controller or Director of Public Finance to revise the Official Statement to conform to the City's Comprehensive Annual Fiscal Report (CAFR);
- Restricts use of the bond proceeds to the public purpose for which the bonds were intended and allows for reimbursement of prior expenditures incurred on the AWSS project;
- Approves the Continuing Disclosure Certificate, which provides certain financial information and operating data relating to the City;
- Subjects the Series 2012E Bonds to the accountability requirements of the Administrative Code and the reporting requirements of the Citizens' General Obligation Bond Oversight Committee; and
- Approves and incorporates prior California Environmental Quality Act (CEQA), City Administrative Code and Planning Code findings and determinations, as previously adopted by the Board of Supervisors on February 9, 2010.

The proposed ordinance (File 12-0527) would appropriate the entire $40,410,000 under this third ESER General Obligation Bond sale, including (a) $38,000,000 to the PUC for planning, design, construction administration and construction of the AWSS, (b) $81,877 for bond issuance costs, (c) $288,638 for underwriters discount, (d) $76,000 for the 0.2 percent for the Controller's City Services Auditor allocation, (e) $38,485 for the 0.1 percent General Obligation Bond Oversight Committee allocation, (f) , $1,925,000 reserve to allow for fluctuations in market conditions and the actual underwriters discount or premium charged to the City based on bids received the day of the bond sale, and (g) placing the entire $40,410,000 on Controller's Reserve pending the sale of the bonds.

According to Mr. David Myerson, PUC Project Manager for AWSS, the AWSS is currently in the planning and design phases. Mr. Myerson advises that, in response to a Request for Proposal (RFP) issued in May 2011, the PUC received three proposals to provide planning and alternatives analysis support services for the AWSS project from (1) Water Resources Engineering, (2) RMC, and (3) AECOM/AGS Joint Venture. Mr. Myerson advises that based on the PUC's evaluation, AECOM/AGS received 88 points out of a total of 100, the highest ranked proposal. On September 13, 2011, the PUC awarded the AWSS planning and alternatives analysis support services agreement to AECOM/AGS for the two-year period from October 1, 2011 through September 30, 2013 for a not-to-exceed $2,000,000. In addition, Mr. Myerson advises that PUC staff are currently working on planning and design of various AWSS facilities.

Mr. Myerson advises that the requested $38,000,000 for planning, design, construction administration and construction of the AWSS would be expended as shown in Table 3 below:

Table 3: Project Expenditures

Project	Pre-Construction	Construction	Total
Jones Street Tank	$637,648	$2,279,000	**$2,916,648**
Ashbury Heights Tank	960,553	2,832,000	**3,792,553**
Twin Peaks Reservoir	711,752	2,314,000	**3,025,752**
Pumping Station 1	660,611	3,337,000	**3,997,611**
Pumping Station 2	1,488,041	0	**1,488,041**
Planning Study	415,967	0	**415,967**
Pipes/tunnels #1	432,160	0	**432,160**
Pipes/tunnels #2	175,000	0	**175,000**
Pipes/tunnels #3	0	0	**0**
Cisterns #1	872,800	2,010,983	**2,883,783**
Cisterns #2	2,274,875	6,932,015	**9,206,890**
Cisterns #3	1,990,420	6,000,000	**7,990,420**
Cisterns #4	1,675,175	0	**1,675,175**
Total	**$12,295,002**	**$25,704,998**	**$38,000,000**

Table 4 below provides a breakdown of the $485,000 for the cost of bond oversight and issuance of the proposed not-to-exceed $40,140,000 ESER General Obligation Bond sale and appropriation.

Table 4: Proposed Cost of Issuance and Bond Oversight

Description	Amount
Cost of Issuance[5]	$81,877
Underwriter's Discount[6]	288,638
City Auditor 0.1% allocation for the General Obligation Bond Oversight Committee Audits	38,485
City Services Auditor 0.2% allocation for the Controller's Audit Fund	76,000
Total	**$485,000**

[5] Cost of Issuance includes payments for bond, disclosure and tax counsel fees; financial advisory fees; rating agency fees; printing costs; and City costs for the Office of Public Finance, Treasurer, Controller, and City Attorney's Office.

[6] The Underwriters Discount refers to the fact that the original purchaser of the bonds that submitted the most competitive bid for the bonds includes a compensation component for underwriting the bonds and associated risks. This compensation component is included in the bid price submitted for the bonds. Thus, the award of the bonds based on the most competitive bid takes into consideration the amount of Underwriter's Discount.

FISCAL IMPACTS

Project Expenditures and Encumbrances To Date for the AWSS Project

Excluding bond issuance and related costs, the total budget for the AWSS project is $102,400,000 of PUC project-related costs, as shown in Table 1 above. As shown in Table 5 below, to date, a total of $8,396,928 has been appropriated for the PUC's AWSS project-related costs. If the requested not to exceed $38,000,000 of PUC project-related costs are approved, a total of $46,396,928 would be issued and appropriated for the AWSS project, leaving a remaining balance of $56,003,072 ($102,400,000 total project-related budget less $46,396,928 previously issued and appropriated for the project).

As shown in Table 5 below, of the total $8,396,928 appropriated to date, as of May 25, 2012, the PUC had expended and/or encumbered a total of $3,795,155, or 45.2 percent of the total funds appropriated, leaving an unexpended balance of $4,601,773.

Table 5: Total Appropriations, Expenditures, Encumbrances and Remaining Balance as of May 25, 2012

Project	Total Appropriation	Expenditures to Date	Encumbrances	Unexpended and/or Unencumbered Balance
Auxiliary Water Supply System	$1,316,964	$0	$0	$1,316,964
Jones Street Tank	543,934	368,280	11,922	163,731
Ashbury Heights Tank	316,335	245,323	17,267	53,745
Twin Peaks Reservoir	605,040	290,907	64,430	249,703
Pump Station No. 2	577,142	351,674	62,458	163,030
Pump Station No. 1	492,500	201,474	31,741	259,265
Cisterns Contract No. 1	546,312	322,368	187	223,757
Cisterns Contract No. 2	519,401	8,443	89,800	421,158
Cisterns Contract No. 3	79,000	0	0	79,000
Pipes & Tunnels Modernization Study	2,998,500	976,065	547,407	1,475,024
Pipe/Tunnel #1	401,800	205,405	0	196,395
Total	**$8,396,928**	**$2,969,941***	**$825,214***	**$4,601,773**

*Total Expenditures and Encumbrances are $3,795,155.

Based on projections provided by Mr. Myerson, PUC will expend a total of $8,152,743 by August 31, 2012, assuming payment of $1,316,963 to the Department of Public Works for pre-bond incurred costs, leaving a remaining unexpended and unencumbered balance of $244,186 available from the initial $8,396,929 appropriation. Therefore, as shown in Table 3 above, the PUC is requesting the issuance and appropriation of an additional $38,000,000 of project expenditures.

Requested General Obligation Bond Debt Financing

According to Ms. Nadia Sesay, Director of Public Finance, the proposed not to exceed $40,410,000 ESER General Obligation Bonds are expected to be sold in August, 2012, together with up to $265,185,000 of San Francisco General Hospital General Obligation Bonds (File 12-0532 on the June 6, 2012 calendar for the Budget and Finance Committee), for a total not-to-exceed $305,595,000 General Obligation Bond sale. However, as noted in Attachment I, a memo from Ms. Sesay, the office only intends to issue $38,485,000[7] in Earthquake Safety and Emergency Response General Obligation Bonds and $ 252,555,000[8] of SFGH Improvement General Obligation Bonds for a total of $291,040,000.

Ms. Sesay advised that the not-to-exceed $40,410,000 ESER General Obligation Bonds are projected to have a conservative annual interest rate of 6.0 percent over approximately 20 years, with annual debt service payments extending from 2012 through 2032. Assuming a 20-year term, these bonds will result in estimated total debt service payments of $66,769,252, including $28,284,252 in interest and $38,485,000 in principal, with estimated average annual debt service payments of $3,338,463.

Repayment of such annual debt service will be recovered through increases to the annual Property Tax rate which, according to the Controller's Office, will average $0.0021 per $100 of assessed valuation over the anticipated 20-year term of the Bonds. A single family residence with an assessed value of $500,000, assuming a homeowners exemption of $7,000, would pay average annual additional Property Taxes to the City of approximately $10.37 per year ($500,000-$7,000 / $100 x $0.0021) if the proposed amount of $38,485,000 in General Obligation Bonds are issued and appropriated.

The City's Charter imposes a three percent limit on the amount of General Obligation Bonds that can be outstanding at any given time, relative to the total net assessed value of property in the City. The FY 2011-12 total net assessed value of property in the City is $158,649,887,998. According to Ms. Sesay, as of May 1, 2012, there was $1,654,741,441 of General Obligation Bonds outstanding, or approximately 1.04% of the total net assessed value of property in the City. If the proposed amount of $38,485,000 in General Obligation Bonds are issued, the total outstanding General Obligation Bonds would total $1,693,226,441, or approximately 1.07% of the total net assessed value of property.

As noted above, the Office of Public Finance intends to issue only $38,485,000 of the subject not to exceed $40,410,000 ESER General Obligation Bonds as well as $252,555,000 of a not to exceed amount of $265,185,000 of San Francisco General Hospital General Obligation Bonds (File 12-0532 on the June 6, 2012 calendar for the Budget and Finance Committee) in August 2012, or a total issuance of $291,040,000. If the proposed not to exceed total of $291,040,000 of

[7] The difference between the requested not to exceed $40,410,000 ESER Bonds and the $38,485,000 principal (see details of proposed legislation above) is $1,925,000 for the reserve to allow for fluctuations in the market.

[8] The difference between the proposed $265,185,000 SFGH Improvement Bonds and the $252,555,000 principal is $12,630,000 for the reserve to allow for fluctuations in the market.

General Obligation Bonds are issued, the City's total outstanding General Obligation Bonds would total $1,945,781,441, or approximately 1.23 % of the total net assessed value of property.

POLICY CONSIDERATION

The Budget and Legislative Analyst notes that, as of the writing of this report, the Capital Planning Committee has not yet reviewed and recommended the PUC's proposed issuance and appropriation of $40,410,000 of Earthquake Safety and Emergency Response General Obligation Bonds for the City's Auxiliary Water Supply System. According to Mr. Brian Strong, Director of the City's Capital Planning Program, the City's Capital Planning Committee will be reviewing the PUC's requested issuance and appropriation of the subject $40,410,000 of ESER General Obligation (GO) Bonds for the AWSS project on June 4, 2012, two days before the June 6, 2012 Budget and Finance Committee meeting. Therefore, the Budget and Legislative Analyst recommends approval of the proposed sale and appropriation in this subject resolution and ordinance of the not to exceed $40,410,000 of ESER General Obligation Bonds, subject to approval of the City's Capital Planning Committee.

RECOMMENDATION

Approve the proposed resolution (File 12-0533) and the proposed ordinance (File 12-0527), subject to approval by the City's Capital Planning Committee.

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

Nadia Sesay
Director
Office of Public Finance

REVISED MEMORANDUM

TO: Honorable Members, Board of Supervisors

FROM: Nadia Sesay, Director of Public Finance

SUBJECT: City and County of San Francisco General Obligation Bonds, Series 2012D General Hospital & Trauma Center

City and County of San Francisco General Obligation Bonds, Series 2012E Earthquake Safety and Emergency Response Bonds

DATE: May 30, 2012

I respectfully request that the Board of Supervisors consider for review and recommendation to the Board of Supervisors the issuance of general obligation bonds financing the San Francisco General Hospital & Trauma Center Seismic Retrofit and the Earthquake Safety and Emergency Response program. In connection with this request, legislation approving the sale and issuance of the bonds, supplemental appropriation ordinances to appropriate the bond proceeds, and related supporting documents were introduced at the Board of Supervisors meeting on Tuesday, May 15, 2012.

Background:

San Francisco General Hospital & Trauma Center
A two-thirds majority of voters of the City approved Proposition A in November 2008 ("Proposition A"), which authorized the issuance of not to exceed $887,400,000 in general obligation bonds to build and/or rebuild and improve the earthquake safety of San Francisco General Hospital and Trauma Center (the "General Hospital Project"). The resolution authorizing the sale of City and County of San Francisco general obligation bonds (San Francisco General Hospital and Trauma Center, 2008) authorizes the issuance of not to exceed $265,185,000 of City and County of San Francisco General Obligation Bonds Series 2012D (San Francisco General Hospital Improvement Bonds, 2008) to finance the purchase, construction, mobilization, project control and other program costs of the General Hospital Project.

Of the $887,400,000 authorized to be issued by Proposition A, $131,650,000 was issued in March 2009 and $294,695,000 was issued in March 2010. The Bonds will be the third series of bonds to be issued under Proposition A for the General Hospital Project.

1 DR. CARLTON B. GOODLETT PLACE, ROOM 336 SAN FRANCISCO, CALIFORNIA 94102
(415) 554-5956
RECYCLED PAPER

Earthquake Safety & Emergency Response Bonds

A two-thirds majority of voters of the City approved Proposition B in June 2010 (the "Proposition B"), which authorized the issuance of not to exceed $412,300,000 in general obligation bonds to finance the construction, acquisition, improvement, retrofitting, rehabilitation and completion of earthquake safety and emergency responsiveness facilities and infrastructure (the "Earthquake Safety Projects"). The proposed resolution authorizes the issuance of not to exceed $40,410,000 of City and County of San Francisco General Obligation Bonds, Series 2012E (Earthquake Safety and Emergency Response Bonds, 2010).

Of the $412,300,000 authorized to be issued by the Proposition B, $79,520,000 was issued in December 2010 and $183,330,000 was issued in March 2012. The Series 2012E Bonds will be the third series of bonds to be issued under Proposition B financing the Earthquake Safety Projects. Proceeds from the 2012E Bonds will finance Auxiliary Water System Supply improvements.

The City anticipates issuing the Series 2012D and Series 2012E Bonds in August 2012. Detailed descriptions of the Projects financed with proceeds of the Bonds are included in the Bond Accountability Reports prepared by the respective departments. The remaining authorization under Proposition A and Proposition B will be issued subject to the consideration and adoption by the Board of Supervisors and approval by the Mayor of subsequent authorizing resolutions.

Financing Parameters:

The proposed resolutions authorize the issuance of not to exceed aggregate par amount of $305,595,000. Based on current project cost estimates and schedules, the Office of Public Finance expects to issue $291,040,000 under conservative assumptions of market conditions prevailing at the expected time of sale. The additional authorized amount above the expected issuance amount allows for fluctuations in market conditions from the date of authorization by the Board to the time of the sale of the Bonds. The Bonds are anticipated to contribute approximately $249.38 million to the General Hospital Project and $38.0 million to the Earthquake Safety Projects. Table 1 outlines anticipated sources and uses for the Bonds.

Table 1: Anticipated Sources and Uses for the Bonds.

Estimated Sources	2012D SFGH	2012E ESER	Total
Par Amount	$252,555,000	$ 38,485,000	$291,040,000
Total Estimated Sources	$252,555,000	$ 38,485,000	$291,040,000
Estimated Uses			
Project Fund Deposit	249,384,679	$ 38,000,000	$287,384,679
Controller's Audit Fund	498,769	76,000	574,769
Other Costs of Issuance			
Costs of Issuance	524,835	81,878	606,712
Underwriter's Discount	1,894,163	288,638	2,182,800
CGOBOC	252,555	38,485	291,040
Total Estimated Uses	$252,555,000	$ 38,485,000	$291,040,000

Based upon a conservative estimate of 6.0% interest rate, OPF estimates that average fiscal year debt service on the Bonds is approximately $25.25 million. The anticipated total par value of $291.04 million is estimated to result in approximately $213.92 million in interest payments over the life of the Bonds. The total principal and interest payment over the approximate 20 year life of the Bonds is approximately $504.96 million.

In addition, a portion of the Bonds will pay certain expenses incurred in connection with their issuance and delivery and the periodic oversight and review of the projects by the Citizens' General Obligation Bond Oversight Committee ("CGOBOC").

Financing Timeline:

The Bonds are expected to be issued and delivered in August 2012. Schedule milestones in connection with the financing may be summarized as follows:

Milestone	Date*
Introduction of authorizing resolution to the Board	May 15, 2012
Consideration by the Capital Planning Committee	June 4, 2012
Issuance and delivery of Bonds	August 2012

*Please note that dates are estimated unless otherwise noted.

Debt Limit:

The City Charter imposes a limit on the amount of general obligation bonds the City can have outstanding at any given time. That limit is 3.00% of the assessed value of property in the City. As of May 1, 2012, there were $1.65 billion in general obligation bonds outstanding or approximately 1.04% of the net assessed value of property in the City. If all of the City's authorized and unissued bonds were issued, the total debt burden would be 1.72% of the net assessed value of property in the City. If the Board of Supervisors approves the issuance of the Bonds, the debt ratio would increase by approximately 0.18% to 1.23%— within the 3.00% legal debt limit.

Capital Plan:

The Capital Planning Committee approved a financial constraint regarding the City's planned use of general obligation bonds such that debt service on approved and issued general obligation bonds would not increase property owners' long-term property tax rates above fiscal year 2006 levels. The fiscal year 2006 property tax rate for the general obligation bond fund was $0.1201 per $100 of assessed value.

In fiscal year 2011-12, the property tax rate for the general obligation bond fund is $0.1147 per $100 of assessed value. If the Board of Supervisors approves the issuance of the Bonds, the overall property tax rate would be maintained within the Capital Planning Committee's approved financial constraint.

Additional Information:

The Resolutions were introduced at the Board of Supervisors meeting on Tuesday, May 15, 2012. The related financing documents—including the Notice of Intention to Sell, Official Notice of Sale, Official Statement, Appendix A and Continuing Disclosure Certificate and related documents—will also be submitted.

Official Notice of Sale and Notice of Intention to Sell: The Notice of Intention to Sell provides legal notice to prospective bidders of the City's intention to sell City and County of San Francisco General Obligation Bonds, consisting of (i) General Obligation Bonds, Series 2012D and (ii) General Obligation Bonds, Series 2012E. Such Notice of Intention to Sell will be published once in "The Bond Buyer" or another financial publication generally circulated throughout the State of California.

The Official Notice of Sale for the Bonds announces the date and time of the competitive bond sale, including the terms relating to the Bonds; the terms of sale, form of bids, and delivery of bids; and closing procedures and documents. Pending market conditions, the Bonds may be bid separately by series or bids may be received for all of the Bonds.

Exhibit A to the Official Notice of Sale is the form of the official bid for the purchase of the Bonds. Pursuant to the Resolutions, the Controller is authorized to award the Bonds to the bidder whose bid represents the lowest true interest cost to the City in accordance with the procedures described in the Official Notice of Sale.

Official Statement and Appendix A: The Official Statement provides information for prospective bidders and investors in connection with the public offering by the City of the Bonds. The Official Statement describes the Bonds, including sources and uses of funds; security for the Bonds; risk factors; and tax and other legal matters, among other information. The Official Statement also includes the City's Appendix A, the most recent Comprehensive Annual Financial Report of the City, the City's Investment Policy, and other forms of legal documents for the benefit of investors, holders and owners of the Bonds. A *Preliminary Official Statement* is distributed to prospective bidders prior to the sale of the Bonds and within seven days of the public offering of the Bonds, the *Final Official Statement* (adding certain sale results including the offering prices, interest rates, selling compensation, principal amounts, and aggregate principal amounts) is distributed to the initial purchasers of the Bonds.

The Board of Supervisors and the Mayor, in adopting and approving the Resolution, approve the form of the Official Statement, and authorize the use and distribution of the Official Statement by the co-financial advisors with respect to the Bonds. The Official Statement must include all facts that would be material to an investor in the Bonds. Material information is information that there is a substantial likelihood would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the Bonds. For purposes of the Securities and Exchange Act of 1934, the Controller will certify, on behalf of the City, that the Preliminary and Final Official Statements are final as of their dates.

The City prepares the Appendix A: "City and County of San Francisco—Organization and Finances" (the "Appendix A") for inclusion in the Official Statement. The Appendix A describes the City's government and organization, the budget, property taxation, other City tax revenues and other revenue sources, general fund programs and expenditures, employment costs and post-retirement obligations, investment of City funds, capital financing and bonds, major economic development projects, constitutional and statutory limitations on taxes and expenditures, and litigation and risk management.

The attached Preliminary Official Statement has been reviewed and approved for transmittal to the Board of Supervisors by staff and the financing team. Members of the Board of Supervisors may review the Preliminary Official Statement and/or question staff and members of the financing team to make sure they feel comfortable that it includes all material facts.

Continuing Disclosure Certificate: The City covenants to provide certain financial information and operating data relating to the City (the "Annual Report") not later than 270 days after the end of the fiscal year and to provide notices of the occurrence of certain enumerated events. The Continuing Disclosure Certificate describes the nature of the information to be contained in the Annual Report or the notices of enumerated events. These covenants have been made in order to assist initial purchasers of the Certificates in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5).

Your consideration of this matter is greatly appreciated. Please contact me at 554-5956 if you have any questions. Thank you.

CC:
(via email)

Angela Calvillo, Clerk of the Board of Supervisors
Ed Harrington, General Manager, San Francisco Public Utilities Commission
Charles Higueras, Program Manager, Department of Public Works
Kate Howard, Mayor's Budget Director
Richard Morales, Debt Manager, San Francisco Public Utilities Commission
Dave Myerson, Project Manager, San Francisco Public Utilities Commission
Mohammed Nuru, Director, Department of Public Works
Ben Rosenfield, Controller
Brian Strong, Director, Capital Planning Program
Mark Blake, Deputy City Attorney