File No. 120526

Committee Item No. 4
Board Item No. 16

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

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

Board of Supervisors Meeting **Date** 6/12/12

Cmte	Board	
☐	☐	Motion
☐	☐	Resolution
☒	☒	Ordinance
☐	☐	Legislative Digest
☐	☐	Budget and Legislative Analyst Report
☐	☐	Legislative Analyst Report
☐	☐	Youth Commission Report
☐	☐	Introduction Form (for hearings)
☐	☐	Department/Agency Cover Letter and/or Report
☐	☐	MOU
☐	☐	Grant Information Form
☐	☐	Grant Budget
☐	☐	Subcontract Budget
☐	☐	Contract/Agreement
☐	☐	Form 126 – Ethics Commission
☐	☐	Award Letter
☐	☐	Application
☐	☐	Public Correspondence

OTHER **(Use back side if additional space is needed)**

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☐	☐	
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Completed by: Victor Young **Date** June 1, 2012
Completed by: Victor Young **Date** 6-7-12

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

[Appropriating $265,185,000 of General Obligation Bonds for the San Francisco General Hospital and Trauma Center for the Department of Public Health for FY2011-2012]

Ordinance appropriating $265,185,000 of General Obligation Bond Proceeds approved by voters under Proposition A in the November 2008 election authorizing the fourth issuance of general obligation bonds for the building or rebuilding and earthquake safety improvement of the San Francisco General Hospital and Trauma Center in the Department of Public Health for FY2011-2012.

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 for Fiscal Year 2013-2012.

SOURCES Appropriation

Fund	Index Code/ Project Code	Subobject	Description	Amount
TBD	TBD	80111	General Obligation Bond Proceeds	$ 265,185,000
Total SOURCES Appropriation				**$ 265,185,000**

Section 2. The uses of funding outlined below are herein appropriated in the

Subobject 6700 (Buildings, Structures, and Improvement Project-Budget), Subobject 07311 (Cost of Bond Issuance, Bond Account for Debt Service, and Underwriter's Discount, Subobject 081C4 (City Services Auditor Internal Audits for the General Obligation Bond Oversight Committee and the Controller's Audit Fund), and reflects the projected uses of funding to support the building or rebuilding and earthquake safety improvement of the San Francisco General Hospital and Trauma Center for the Department of Public Health for Fiscal Year 2011-2012.

USES Appropriation

Fund	Index Code / Project Code	Subobject	Description	Amount
TBD	TBD	06700 Buildings, Structures, and Improvement Project-Budget	San Francisco General Hospital and Trauma Center Building, Rebuilding & Earthquake Safety Improvements	$249,384,679
TBD	TBD	07311 Bond Issuance Cost	Reserve Pending Bond Sales	$ 12,630,000
TBD	TBD	07311 Bond Issuance Cost	Cost of Issuance & and Bond Account for Debt Service	$ 524,834

Fund	Index Code / Project Code	Subobject	Description	Amount
TBD	TBD	07311 Bond Issuance Cost	Underwriter's Discount	$ 1,894,163
TBD	TBD	081C4-Controller Internal Audits	City Services Auditor 0.1% allocation for the General Obligation Bond Overisght Committee audits	$ 252,555
TBD	TBD	081C4-Controller Internal Audits	City Services Auditor 0.2% allocation Controller's Audit Fund	$ 498,769
Total USES Appropriation				**$ 265,185,000**

Section 3. The uses of funding outlined above for $265,185,000 are herein placed on Controller's Reserve pending sale of the General Obligation Bonds.

Section 4. The Controller is authorized to apply funds appropriated by this ordinance to abate advanced expenditures incurred by the General Fund for projects supported by General Obligation Funds that are eligible to be reimbursed by bond proceeds.

Section 5. 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 3 and 4 Files 12-0532 and 12-0526	Department: Department of Public Health and Department of Public Works

EXECUTIVE SUMMARY

Legislative Objectives

- File 12-0532: Resolution authorizing and directing the third sale of up to $265,185,000 in San Francisco General Hospital Improvement General Obligation Bonds.
- File 12-0526: Ordinance appropriating up to $265,185,000 of 2012 Series D San Francisco General Hospital Improvement General Obligation Bond proceeds, including (a) $249,384,679 to DPH for the reconstruction, expansion, and seismic strengthening of San Francisco General Hospital, (b) $2,418,997 bond issuance costs, (c) $751,324 for oversight and accountability costs, (d) $12,630,000 Reserve to allow for fluctuations in market conditions, and (e) placing the entire $265,185,000 on Controller's Reserve pending the sale of the bonds.

Key Points

- In November, 2008, the San Francisco voters previously approved the sale of up to $887,400,000 in General Obligation Bonds to fund the reconstruction, expansion, and seismic strengthening of San Francisco General Hospital. The City previously sold $131,650,000 in such bonds in 2009 and $294,695,000 in such bonds in 2010, totaling $426,345,000. Therefore, of the $887,400,000 in General Obligation Bonds, $461,055,000 of such bonds have not yet been sold.
- File 12-0532 would approve the third sale of General Obligation Bonds up to $265,185,000 to fund the reconstruction, expansion, and seismic strengthening of San Francisco General Hospital. File 12-0526 would appropriate the proceeds of such a bond sale. The remaining $195,870,000 ($461,055,000 less $265,185,000) of San Francisco General Hospital (SFGH) Improvement General Obligation Bonds are anticipated to be sold in mid to late 2013.

Fiscal Impacts

- The proposed sale of up to $265,185,000 in SFGH Improvement GO Bonds will have a projected annual interest rate of 6.0% over approximately 20 years, with estimated total debt service payments of $438,187,555, including $185,632,555 in interest and $252,555,000 in principal, with estimated average annual debt service payments of $21,909,378. 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. 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 $68.03 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 City sells the proposed amount of $252,555,000 of SFGH Improvement General Obligation Bonds, the total outstanding General Obligation Bonds would total $1,907,296,441, or approximately 1.2% of the total net assessed value of property.

Recommendation

- Approve the proposed resolution (File 12-0532) and the proposed ordinance (File 12-0526), subject to approval by the City's Capital Planning Committee.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

Section 9.105 of the City's Charter authorizes the Board of Supervisors 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

In November of 2008, the voters of San Francisco approved Proposition A, which authorized the sale of up to $887,400,000 in General Obligation Bonds to fund the reconstruction, expansion, and seismic strengthening of San Francisco General Hospital. Table 1 below shows the total San Francisco General Hospital (SFGH) Improvement Bond Program budget of $887,400,000.

Table 1: San Francisco General Hospital Improvement General Obligation Bond Budget

Description	Total Budget
Architecture and Engineering	$107,695,000
Environmental Review	19,444,000
Construction	729,911,000
City Costs (Permitting, Project Management, City Attorney)	19,861,000
Subtotal, Project Costs	**876,911,000**
Costs of Issuance	7,847,778
Bond Oversight and Audit Costs	2,641,222
Total SFGH Improvement Budget	$887,400,000
Source: San Francisco Department of Public Health	

In March of 2009, the City sold $131,650,000 in such bonds (File 08-1521), and in March 2010, sold $294,695,000 in such bonds (File 10-0024) for a total of $426,345,000 in such bonds which have been sold. Therefore, of the $887,400,000 in General Obligation Bonds, $461,055,000 have not yet been sold.

The proposed sale of up to $265,185,000 of bonds would be the third sale of San Francisco General Hospital Improvement General Obligation Bonds. According to Mr. Ronald Alameida, San Francisco General Hospital Rebuild Program Manager for the Department of Public Works, the remaining $195,870,000 ($461,055,000 less $265,185,000) of San Francisco General Hospital (SFGH) Improvement General Obligation Bonds are anticipated to be sold in mid to late 2013.

[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.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution (File 12-0532) would authorize the sale of up to $265,185,000 of SFGH Improvement General Obligation (GO) Bonds, which would be the third in the series of the total $887,400,000 San Francisco General Hospital Improvement funds approved by the voters on November, 2008 under Proposition A. 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 2012 San Francisco General Hospital Improvement, Series 2012D Bonds;
- Sets the terms for transferring or redeeming the bonds;
- Provides for defeasance of the bonds;
- Requires a special Series 2012D Bond subaccount for payment of principal and interest; and a special Series 2012D project subaccount 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;
- Approves the Continuing Disclosure Certificate, which provides 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, if material;
- Authorizes City officials who have responsibility for executing documents related to the Series 2012D Bonds, including the Controller, Director of Public Finance, and Treasurer, to modify the documents as necessary, except that the Series 2012D Bond amount cannot exceed $265,185,000; and
- Subjects the Series 2012D Bonds to the reporting requirements of the Citizens' General Obligation Bond Oversight Committee.

The proposed ordinance (File 12-0526) would appropriate the entire $265,185,000 under this third SFGH Improvement General Obligation Bond sale, including (a) $249,384,679 to DPH for the reconstruction, expansion, and seismic strengthening of San Francisco General Hospital (b)

$2,418,997 bond issuance costs, (c) $751,324 for oversight and audit costs, (d) $12,630,000 Reserve to allow for fluctuations in market conditions, and (e) placing the entire $265,185,000 on Controller's Reserve pending the sale of the bonds.

FISCAL IMPACTS

Project Appropriations and Expenditures To Date for the SFGH Improvement Project

Table 2 below shows (a) the SFGH Improvement Bond project budget totaling $887,400,000, (b) the initial $131,650,000 and second $294,695,000 of SFGH Improvement General Obligation Bonds previously sold and appropriated, totaling $426,345,000, (c) the proposed $265,185,000 to be sold and appropriated, (d) the total of $678,900,000 for the first two and proposed third bond sales and appropriations, and (e) the remaining amount of $195,870,000 for future bond sales and appropriations.

Table 2: San Francisco General Hospital Improvement General Obligation Bond Authorization, Issuances to Date, and Remaining Balance

Description	Total Budget	First Sale	Second Sale	Proposed Sale	Total Bond Sale	Future Bond Sale
Architecture and Engineering	107,695,000	58,970,118	52,010,731	24,427,177	135,408,026	-
Environmental Review	19,444,000	4,519,504	5,034,116	7,857,663	17,411,283	2,032,717
Construction	729,911,000	62,393,186	226,747,749	210,498,209	499,639,144	202,558,830
City Costs (Project Management)	19,861,000	3,728,442	9,341,106	6,601,630	19,671,178	189,822
Subtotal Project	**876,911,000**	**129,611,250**	**293,133,702**	**249,384,679**	**672,129,631**	**204,781,369**
Costs of Issuance	7,847,778	1,647,878	680,336	2,418,997	4,747,210	3,100,568
Bond Oversight and Audit Costs (3% of Project Costs)	2,641,222	390,873	880,962	751,324	2,023,159	618,063
Subtotal Project + Oversight/Issuance	**887,400,000**	**131,650,000**	**294,695,000**	**252,555,000**	**678,900,000**	**208,500,000**
Reserve Pending Sale [1]				12,630,000	12,630,000	(12,630,000)
Total	**887,400,000**	**131,650,000**	**294,695,000**	**265,185,000**	**691,530,000**	**195,870,000** [2]

Source: San Francisco Department of Public Health

[1] The amount of the Reserve Pending Bond Sale is subject to change due to bond market conditions at the time of sale. The Controller's Office will make technical adjustments based on the sale results. If the $12,630,000 in Reserves is not used, those funds must be re-authorized by the Board of Supervisors through subsequent bond sale resolutions in order to be issued.

[2] The future bond sale amount of $195,870,000 assumes that the $12,630,000 in Reserves under the proposed ordinance would be unexpended at the time of future bond sales, and subsequently re-authorized by the Board of Supervisors.

To date, a total of $426,345,000 ($131,650,000 plus $294,595,000) has been appropriated for the SFGH Improvement project. As reported by DPH in the April 10, 2012 Bond Accountability Report, as of March 31, 2012, DPH had expended $262,615,669 or 61.6% of the appropriated $426,345,000 and encumbered $96,864,011 of the funds previously appropriated for the SFGH Improvement project. There remains a balance of $66,865,320 ($426,345,000 less $262,615,669 less $96,864,011) in unexpended and unencumbered funds.

Requested General Obligation Bond Debt Financing

According to Ms. Nadia Sesay, Director of the Office of Public Finance, the proposed up to $265,185,000 of SFGH Improvement General Obligation Bonds are expected to be sold in August, 2012, together with up to $40,410,000 (File 12-0533 on the June 6, 2012 calendar of the Budget and Finance Committee) of Earthquake Safety and Emergency Response General Obligation Bonds, for a total not-to-exceed $305,595,000 General Obligation Bond sale. However, as noted in the Attachment, a memorandum from Ms. Sesay, the office only intends to issue $252,555,000[2] of SFGH Improvement General Obligation Bonds and $38,485,000[3] in Earthquake Safety and Emergency Response General Obligation Bonds for a total of $291,040,000.

Ms. Sesay advised that the not-to-exceed $265,185,000 of San Francisco General Hospital Improvement GO Bonds will have a projected annual interest rate of 6.0% 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 $438,187,555, including $185,632,555 in interest and $252,555,000 in principal, with estimated average annual debt service payments of $21,909,378.

Repayment of such annual debt service will be recovered through increases to the annual Property Tax rate which, according to the Controller's Office, average $0.0138 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 $68.03 per year ($500,000-$7,000 / $100 x $0.0138) if the proposed amount of $252,555,000 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 City sells the proposed amount of $252,555,000 of General Obligation Bonds, the total outstanding General Obligation Bonds would total $1,907,296,441, or approximately 1.2% of the total net assessed value of property.

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[2] 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.

[3] The difference between the requested not to exceed $40,410,000 ESER Bonds and the $38,485,000 principal is $1,925,000 for the reserve to allow for fluctuations in the market.

As noted above, the Office of Public Finance intends to issue only $252,555,000 of the subject not to exceed $265,185,000 SFGH Improvement General Obligation Bonds as well as $38,485,000 of the not to exceed $40,410,000 (File 12-0533 on the June 6, 2012 calendar of the Budget and Finance Committee) of Earthquake Safety and Emergency Response General Obligation Bonds in August 2012, or a total issuance of $291,040,000. If the proposed not to exceed total of $291,040,000 of 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 DPH's proposed issuance and appropriation of $265,185,000. According to Mr. Brian Strong, Director of the City's Capital Planning Program, the City's Capital Planning Committee will be reviewing DPH's requested issuance and appropriation of the subject $265,185,000 of SFGH Improvement General Obligation (GO) Bonds on June 4, 2012, two days before the June 6, 2012 Budget and Finance Committee hearing. Therefore, the Budget and Legislative Analyst recommends approval of the proposed issuance and appropriation, subject to approval of the City's Capital Planning Committee.

RECOMMENDATIONS

Approve the proposed resolution (File 12-0532) and the proposed ordinance (File 12-0526), 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.

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