

File No. 120487

Committee Item No. 1

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Sub-Committee Date 7/18/12

Board of Supervisors Meeting Date _____

Cmte Board

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Completed by: Victor Young Date July 13, 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 \$155,000,000 of Certificate of Participation Proceeds for the Department of War Memorial in FY2011-2012]

Ordinance appropriating \$155,000,000 of Certificate of Participation for the Veterans Building Seismic Upgrade and Improvement project of the Department of War Memorial 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 in Fiscal Year 2011-2012.

SOURCES Appropriation

| Fund | Index/Project Code | Subobject | Description | Amount |
|------------------------------------|--------------------|-----------|-----------------|----------------------|
| 3C XCF COP | 465100/ | 80141 | Proceeds from | \$155,000,000 |
| City Facility Improvement | CWMVBR 01 | | Certificates of | |
| Projects – COP Budget | | | Participation | |
| Total SOURCES Appropriation | | | | \$155,000,000 |

Section 2. The uses of funding outlined below are herein appropriated in the Subobjects 06700 (Buildings, Structures, and Improvement Project-Budget), 07311 (Cost of Bond Issuance), 07000 (Debt Service - Budget), and reflects the projected uses of funding for Veteran Building Seismic Upgrade and Improvement project.

1 **USES Appropriation**

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| Fund | Index Code / Project Code | Subobject | Description | Amount |
|--|------------------------------|---|---|---------------|
| 3C XCF COP | 465100/ | 06700 | Certificate of Participation Project Fund | \$117,221,148 |
| City Facility Improvement Projects – COP Budget | CWMVBR 01 | Buildings, Structures, and Improvement Project-Budget | | |
| 3C XCF COP | 465100/ | 07000 | Debt Service Reserve | \$12,299,400 |
| City Facility Improvement Projects – COP Budget | CWMVBR 01 | Debt Service – Budget | | |
| 3C XCF COP | 465100/ | 07000 | Capitalized Interest | \$22,117,250 |
| City Facility Improvement Projects – COP Budget | CWMVBR 01 | Debt Service – Budget | | |
| 3C XCF COP | 465100/ | 07311 | Other Costs of Issuance | \$402,185 |
| City Facility Improvement Projects – COP Budget | CWMVBR 01 | Costs of issuance | | |
| 3C XCF COP | 465100/ | 07311 | Other Underwriter's Discount | \$840,575 |
| City Facility Improvement Projects – COP Budget | CWMVBR 01 | Costs of issuance | | |

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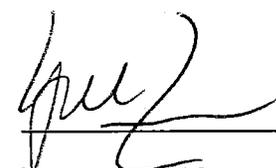
| | Fund | Index Code / Project Code | Subobject | Description | Amount |
|----|---------------------------------|---------------------------|---------------------|--------------------|-----------------------------|
| 2 | 3C XCF COP | 465100/ | 07311 | Reserve Pending | \$1,885,000 |
| 3 | City Facility Improvement | CWMVBR 01 | Costs of issuance | Bond Sale | |
| 4 | Projects – COP Budget | | | | |
| 6 | 3C XCF COP | 465100/ | 081C4 | City Services | \$234,442 |
| 7 | City Facility Improvement | CWMVBR 01 | Controller Internal | Auditor 0.2% | |
| 8 | Projects – COP Budget | | Audits | allocation for the | |
| | | | | Controller's Audit | |
| | | | | Fund | |
| 11 | Total Uses Appropriation | | | | <u><u>\$155,000,000</u></u> |

Section 3. 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

FUNDS AVAILABLE
Ben Rosenfield, Controller

By: 
Deputy City Attorney

By: 
Date: June 14, 2012

| | |
|--------------------------------------|---|
| Item 1 File 12-0487 | Departments: Department of Public Works (DPW), War Memorial |
|--------------------------------------|---|

EXECUTIVE SUMMARY**Legislative Objective**

The proposed ordinance would appropriate \$155,000,000 of Certificates of Participation proceeds for the Veterans Building Seismic Upgrade and Improvements Project to the Department of War Memorial for FY 2011-12.

Key Points

- On July 13, 2011, the Board of Supervisors approved the execution and delivery of Certificates of Participation (COPs) in an aggregate principal amount not to exceed \$170,000,000 to finance the seismic upgrade of and certain improvements to the War Memorial Veterans Building (File 11-0750). To date, the Board of Supervisors has appropriated \$15,000,000 of the \$170,000,000 to the War Memorial Seismic Upgrade and Improvement Project, through the FY 2010-11 Annual Appropriation Ordinance.
- The Department of Public Works (DPW) is the project manager for the War Memorial Seismic Upgrade and Improvement Project.
- DPW is now requesting appropriation of the remaining \$155,000,000 of the \$170,000,000 project cost, in order to enter into necessary preconstruction and construction agreements. DPW anticipates entering into agreements for (a) preconstruction services in September 2012 and (b) construction services in January 2013.
- War Memorial Veterans Building tenants, including (a) the Department of the War Memorial; (b) the San Francisco Posts of the American Legion and other veteran organizations; (c) the City's Law Library; and (d) the City's Arts Commission will need to vacate the Veterans Building on or before June 30, 2013 to allow for construction. Construction is estimated to take up to two years, from July 1, 2013 through June 30, 2015.
- The proposed ordinance would appropriate funds for FY 2011-12. Since FY 2011-12 concluded on June 30, 2012, the proposed ordinance should be amended to provide the requested supplemental appropriation in FY 2012-13.

Fiscal Impact

- The source of funds for the proposed \$155,000,000 supplemental appropriation is revenue from the City's Commercial Paper Program, and revenue from Certificates of Participation (COPs), the issuance of which was previously approved by the Board of Supervisors. Any Commercial Paper costs would be refunded by revenue from COPs, which are projected to be issued in December 2012. The COPs would be repaid with General Fund revenues.

Recommendations

- Amend page 1, lines 5 and 11 to replace "Fiscal Year 2011-2012" with "Fiscal Year 2012-13."
- Approve the proposed ordinance as amended.

MANDATE STATEMENT & BACKGROUND**Mandate Statement**

Under San Francisco Administrative Code Section 3.15, supplemental appropriations are subject to appropriation approval by the Board of Supervisors.

Background

The San Francisco War Memorial complex includes two buildings, the Veterans Building and the War Memorial Opera House, and the adjoining outdoor Memorial Court, all of which were completed in 1932. The complex is designated as both a City Landmark and State Landmark. The Veterans Building currently provides: (a) office, exhibit, and meeting space for the San Francisco Posts of the American Legion and other veteran organizations; (b) office space for the City's War Memorial staff; (c) exhibition space for the San Francisco Arts Commission; (d) office and exhibition space for various local non-profit organizations; (e) office space for the Mayor's Office of Disability; (f) the City's Law Library; and (g) meeting space for the City's Department of Environment. In addition, the Veterans Building also houses the Herbst Theatre and the Green Room performance and reception hall.

On July 13, 2011, the Board of Supervisors approved the execution and delivery of \$170,000,000 of Certificates of Participation (COPs) to finance the seismic upgrade of and certain improvements to the War Memorial Veterans Building (File 11-0750). The Veterans Building Seismic Upgrade and Improvements Project consist of the following improvements:

- Seismic upgrades and earthquake damage repair;
- Hazardous materials mitigation;
- Improvements to preserve and improve building facilities, including:
 - Roof and skylights renovation;
 - Replacement or upgrade of attic catwalks and service platforms; and
 - Elevator upgrades;
- Accessibility upgrades;
- Local, State, and Federal Building Code-mandated upgrades, including:
 - Energy efficiency upgrades;
 - Mechanical system upgrades; and
 - Central plant replacement; and
- Replacement of the building's water piping and drinking water system.

The City's FY 2010-11 Annual Appropriation Ordinance (AAO), as previously approved by the Board of Supervisors, included \$15,000,000 in the War Memorial's departmental budget for the Veterans Building Seismic Upgrade and Improvements Project (File 10-0701). The proposed supplemental appropriation ordinance would appropriate the remaining \$155,000,000 of the \$170,000,000 budget for the Veterans Building Seismic Upgrade and Improvements Project (\$170,000,000 less \$15,000,000).

DETAILS OF PROPOSED LEGISLATION

The proposed supplemental appropriation ordinance would appropriate \$155,000,000 of Certificates of Participation proceeds for the Veterans Building Seismic Upgrade and Improvements Project for FY 2011-12. The requested \$155,000,000 supplemental appropriation request, plus \$15,000,000 previously appropriated to the Veterans Building Seismic Upgrade and Improvements Project in the FY 2010-11 Annual Appropriation Ordinance, equals the \$170,000,000 total cost of the War Memorial Seismic Upgrade and Improvement Project.

The proposed supplemental appropriation of \$155,000,000 would be expended on seismic upgrades and other improvements to the War Memorial Veterans Building as described in the Fiscal Impacts section below.

Veterans Building Seismic Upgrade and Improvements Project preconstruction activities have already commenced. Current tenants of the War Memorial Veterans Building, including the Department of the War Memorial; the San Francisco Posts of the American Legion and other veteran organizations; the City's Law Library; and the City's Arts Commission will need to vacate the Veterans Building on or before June 30, 2013. Construction is anticipated to last for up to two years, from July 1, 2013 to June 30, 2015.

According to DPW Project Manager Ms. Tara Lamont, DPW cannot enter into preconstruction or construction service agreements for the Veterans Building Seismic Upgrade and Improvements Project until the proposed supplemental appropriation has been approved. Ms. Lamont notes that without the proposed supplemental appropriation, DPW cannot approve the contractors to commence work. Preconstruction is currently scheduled to commence in September 2012 and initial construction is scheduled to commence in January 2013. Therefore, according to Ms. Lamont, delay or inaction on the proposed supplemental appropriation ordinance could result in (a) delays to the Veterans Building Seismic Upgrade and Improvements Project; (b) conflicts with Herbst Theatre commitments; and (c) potentially jeopardize the San Francisco Opera's gift of \$21,000,000 for improvements to the fourth floor of the Veterans Building that are in addition to the \$170,000,000 budget for the Veterans Building Seismic Upgrade and Improvements Project.

FISCAL IMPACTS

Funding for the proposed supplemental appropriation ordinance would be provided by a combination of Commercial Paper and Certificates of Participation (COPs), both of which have been previously approved by the Board of Supervisors (Files 10-0701 and 11-0750, respectively). According to Mr. Anthony Ababon of the Office of Public Finance, the City anticipates issuing the COPs in December 2012. Until the COPs are issued, the City's Commercial Paper program would provide any necessary funding. All Commercial Paper would be repaid by revenue from the issuance of the COPs. The COPs would be repaid from General Fund revenues, subject to future Board of Supervisors appropriation approval.

According to the Office of Public Finance, the planned use of Commercial Paper is in accordance with the City's Commercial Paper program, previously approved by the Board of Supervisors on April 6, 2010 (File 10-0269). The Office of Public Finance notes, "Commercial paper is an alternative form of short-term (or interim) financing for capital projects that permits the City to pay project costs as project expenditures are incurred."

Uses of the proposed \$155,000,000 supplemental appropriation are shown in Table 1, below.

Table 1. Uses of the Proposed Supplemental Appropriation

| Uses | Cost |
|--|--------------------------|
| Construction and Preconstruction Costs | \$117,192,900 |
| Debt Service Reserve, Capitalized Interest, and Costs of Issuance | <u>35,659,410</u> |
| Debt Service Reserve | 12,299,400 |
| Capitalized Interest | 22,117,250 |
| Other Costs of Issuance | 402,185 |
| Other Underwriter's Discount | 840,575 |
| Reserve Pending COP Sale* | 1,885,000 |
| City Services Auditor | 262,600 |
| Total Uses | \$155,000,000 |

* This amount is set-aside in case of fluctuations in market rates for the Certificates of Participation. It cannot be used for other uses.

As is noted above, the total cost of this project is \$170,000,000. A budget for the total project amount of \$170,000,000 (\$15,000,000 previously approved in FY 2010-11 and \$155,000,000, which is the subject supplemental appropriation ordinance) is shown in Table 2 below.

Table 2: Veterans Building Seismic Upgrade and Improvements Project Budget

| | |
|---|--------------------------|
| Hard Costs - Construction Contract Costs | \$101,940,800 |
| Soft Costs - Project Management, Design, Permits, etc. | <u>27,859,200</u> |
| a. Basic Engineering/Architectural Services | 11,055,000 |
| b. Supplemental Engineering/Architectural Services | 2,412,589 |
| c. Additional Construction Management Services, Geotech, Surveys | 2,633,811 |
| d. Construction Management and Related Services | 4,690,800 |
| e. DPW Project Management Services | 3,095,030 |
| f. City Administrative Services | 884,400 |
| g. Regulatory Agency Approvals | 3,087,570 |
| Commercial Paper Program Interest | 1,155,590 |
| Relocation Costs for Existing Veterans Building Tenants | 1,000,000 |
| HazMat Abatement | 500,000 |
| Debt Service Reserve, Capitalized Interest and Costs of Issuance | 35,659,410 |
| Reserve Pending COP Sale | 1,885,000 |
| Total Project Costs | \$170,000,000 |

Source: Department of Public Works.

POLICY CONSIDERATIONS

The Board of Supervisors Has Previously Approved the Funding Source and Initial Appropriation for the Proposed Supplemental Appropriation for the War Memorial Seismic Upgrade and Improvement Project

As noted above, the Board of Supervisors has previously approved (a) the issuance of Certificates of Participation (COPs) to fund the Veterans Building Seismic Upgrade and Improvements Project (File 11-0750); and (b) the appropriation of \$15,000,000 of the total project costs of \$170,000,000 (File 10-0701). In addition, the Board of Supervisors recently approved an amendment to an agreement between DPW and Simpson Gumpertz & Heger, Inc. (SGH) in order for SGH to provide the initial engineering and architectural services for the Veterans Building Seismic Upgrade and Improvements Project (File 12-0255). Therefore, the proposed supplemental appropriation ordinance is consistent with these actions previously taken by the Board of Supervisors.

The Proposed Supplemental Appropriation Is for FY 2012-13

The proposed ordinance would appropriate funds for FY 2011-12. Since FY 2011-12 concluded on June 30, 2012, the proposed ordinance should be amended to provide the requested supplemental appropriation in FY 2012-13.

RECOMMENDATIONS

1. Amend page 1, lines 5 and 11 to replace "Fiscal Year 2011-2012" with "Fiscal Year 2012-13," as noted above.
2. Approve the proposed ordinance as amended.

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Mayor Edwin M. Lee *EL*
RE: Appropriating \$155,000,000 of Certificate of Participation proceeds for the Department of War Memorial in Fiscal Year 2011-2012
DATE: June 26, 2012

Attached for introduction to the Board of Supervisors is the ordinance appropriating \$155,000,000 of Certificate of Participation for the Veterans Building Seismic Upgrade and Improvement project of the Department of War Memorial for Fiscal Year 2011-2012.

Please note this item is cosponsored by Supervisor Olague.

I request that this item be calendared in Budget and Finance Committee.

Should you have any questions, please contact Jason Elliott (415) 554-5105.

cc. Supervisor Christina Olague

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2012 JUN 26 PM 3:23
AL



Re: Veterans Building COP appropriation (File #120487) 
Judson True to: Murray, Elizabeth, Alisa Somera
Cc: "Tang, Katy", "Goyal, Manish", "Lamont, Tara", "Young, Victor"

07/12/2012 09:47 AM

Alisa - please waive the 30 day hold on the below item.

Thank you,
Judson

Judson True
Office of Supervisor David Chiu
City Hall, Room 264
San Francisco, CA 94102
415.554.7451 desk
415.554.7454 fax

From: "Murray, Elizabeth" <elizabeth.murray@sfgov.org>
To: "True, Judson" <judson.true@sfgov.org>
Cc: "Young, Victor" <victor.young@sfgov.org>, "Goyal, Manish" <manish.goyal@sfgov.org>, "Tang, Katy" <katy.tang@sfgov.org>, "Lamont, Tara" <tara.lamont@sfdpw.org>
Date: 07/09/2012 12:38 PM
Subject: Veterans Building COP appropriation (File #120487)

Judson,

The War Memorial and Department of Public Works are requesting a waiver that the 30 day rule for "Appropriating \$155,000,000 of Certificate of Participation Proceeds for the Department of War Memorial in FY 2011-2012" (File #120487), which was introduced on June 26, 2012.

We had originally thought this would be heard by the Budget and Finance Committee on July 11, but it is now targeted to be heard on July 18, 2012. This is critical to our ability to continue the project's design/construction documents phase and meet the project schedule.

Thank you for your consideration and help with this.

Elizabeth Murray
San Francisco War Memorial and Performing Arts Center
401 Van Ness Avenue, Suite 110
San Francisco, CA 94102
(415) 554-6306
Elizabeth.murray@sfgov.org