



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Greg Wagner
Controller
ChiaYu Ma
Deputy Controller

Anna Van Degna
Director of Public Finance

MEMORANDUM

TO: Honorable Members, Board of Supervisors

FROM: Anna Van Degna, Director of the Office of Public Finance
Vishal Trivedi, Office of Public Finance
Min Guo, Office of Public Finance

DATE: April 8, 2025

SUBJECT: Resolution Providing for the Issuance of not to exceed \$390,000,000 Aggregate Principal Amount of City and County of San Francisco General Obligation Bonds (Healthy, Safe and Vibrant San Francisco, 2024)

Resolution Authorizing the Issuance and Sale of General Obligation Bonds (Healthy, Safe and Vibrant San Francisco, 2024), Series 2025F in an amount not to exceed \$218,000,000

Ordinance Appropriating \$218,000,000 of the General Obligation Bonds (Healthy, Safe and Vibrant San Francisco, 2024), Series 2025F

Recommended Action

We respectfully request that the Board of Supervisors (the "Board") consider for review and adoption two resolutions authorizing the issuance and approving the sale of general obligation bonds for the 2024 Healthy, Safe and Vibrant San Francisco bond program including: 1) a resolution allowing the issuance of not to exceed \$390,000,000 of bonds; and 2) a resolution approving a first bond issuance in an amount not to exceed \$218,000,000.

In connection with this request, a supplemental appropriation ordinance to appropriate the bond proceeds, and related supporting documents are expected to be introduced at the Board of Supervisors meeting on April 8, 2025. We will request that the items be heard at the scheduled Budget and Finance Committee meeting on May 14, 2025.

Background

In November 2024, voters approved Proposition B (2024 Healthy, Safe and Vibrant SF Bond Authorization) ("2024 Proposition B"), which authorized the issuance of up to \$390,000,000 in general obligation bonds to finance the acquisition or improvement of temporary shelters, particularly for families; facilities that deliver healthcare services, including preventive care and behavioral health services, such as the Chinatown Public Health Center; critical repairs, renovations, and seismic upgrades at Zuckerberg San Francisco General Hospital and Trauma Center and Laguna Honda Hospital; and pedestrian and street safety improvements, streetscape enhancements, and other public space improvements. No bonds have been issued yet under 2024 Proposition B. The proposed issuance would be the first issuance under this authorization.

Financing Parameters

The proposed legislation would approve the issuance and sale of the City's General Obligation Bonds, Series 2025F (the "Series 2025F Bonds") under 2024 Proposition B and appropriation of the Series 2025F Bond proceeds from the sale.

Table 1 below outlines the sources and uses for the Series 2025F Bonds, based on an estimate provided by Fieldman, Rolapp & Associates, a municipal advisory firm registered with the Municipal Securities Rulemaking Board (MSRB). The information below is intended to advise the Board regarding the proposed financing in accordance with Section 5852.1 of the California Government Code.

Table 1: Estimated Sources & Uses of the Series 2025F Bonds

| <u>Estimated Sources:</u> | Series 2025F |
|--|-------------------------|
| <u>Not-to-Exceed Par Amount</u> | \$218,000,000.00 |
| Estimated Par | \$213,850,000.00 |
| Reserve for Market Uncertainty | 4,150,000.00 |
| Total Sources | \$218,000,000.00 |
| <u>Estimated Uses:</u> | |
| <u>Project Fund Deposit</u> | |
| Project Fund | \$212,073,153.69 |
| CSA Audit Fee | 424,146.31 |
| Total Project Fund Deposits | \$212,497,300.00 |
| <u>Delivery Date Expenses</u> | |
| Cost of Issuance | \$925,000.00 |
| CGOBOC Fee | 213,850.00 |
| Underwriter's Discount | 213,850.00 |
| Total Delivery Date Expenses | \$1,352,700.00 |
| Reserve for Market Uncertainty | \$4,150,000.00 |
| Total Uses | \$218,000,000.00 |

Source: Fieldman, Rolapp & Associates, Inc.

Based upon an estimated tax-exempt true interest cost of 4.95% for the Series 2025F Bonds, the Office of Public Finance estimates that this would result in an average annual debt service cost of about \$17,030,000. The anticipated par amount of \$213,850,000 is estimated to generate about \$126,720,000 in interest payments, resulting in approximately \$340,570,000 in total debt service over the anticipated 20-year term of the bonds.

Detailed descriptions of the projects to be financed with proceeds of the Series 2025F Bonds are included in the Bond Accountability Report to be prepared by Department of Public Health, Department of Public Works and San Francisco Municipal Transportation Agency. In addition, a portion of the bond proceeds will be used to pay certain expenses incurred in connection with the issuance and delivery of the bonds, and the periodic oversight and review of the projects by City Services Auditor ("CSA Audit") and the Citizens' General Obligation Bond Oversight Committee ("CBOB").

Property Tax Impact

Repayment of annual debt service on the Series 2025F Bonds will be recovered through increases in annual property taxes, the rate of which is estimated to average \$0.00485 per \$100 of assessed value or \$4.85 per \$100,000 of assessed value over the anticipated 20-year term of the bonds. The owner of a residence with an assessed value of \$600,000, assuming a homeowner's exemption of \$7,000, would pay average additional property taxes to the City of approximately \$28.75 per year if the proposed amount of \$213,850,000 of Series 2025F Bonds are sold.

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. For purposes of this provision of the Charter, the City calculates its debt limit based on total assessed valuation net of non-reimbursable and homeowner exemptions. On this basis, the City's general obligation debt limit for fiscal year 2024-25 is approximately \$10.54 billion, based on a net assessed valuation of approximately \$351.3 billion. As of April 1, 2025, the City had \$2.80 billion of general obligation bonds outstanding, which equals approximately 0.80% of the net assessed valuation for fiscal year 2024-25. If all the City's voter-authorized and unissued general obligation bonds were issued, the total debt burden would be 1.19% of the net assessed value of property in the City. If the Board approves the issuance of the Series 2025F Bonds and they are issued, the debt ratio would increase by approximately 0.06%, to 0.86% — within the 3.00% legal debt limit.

Capital Plan

The City's adopted Capital Plan includes 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 associated with repayment of debt service in any given year 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. If the Board approves the issuance of the Series 2025F Bonds, the property tax rate for general obligation bonds for fiscal year 2025-26 would be maintained below the fiscal year 2006 rate and within the Capital Planning Committee's approved financial constraint.

Additional Information

The appropriation ordinance and resolutions are expected to be introduced at the Board meeting on Tuesday, April 8, 2025. The forms of the related financing documents — including the Bond Purchase Contract, Official Notice of Sale, Notice of Intention to Sell, Preliminary Official Statement, Appendix A, Continuing Disclosure Certificate and related documents — will also be submitted at that time.

Bond Purchase Contract: The City intends to pursue a competitive sale of the Series 2025F Bonds; however, should bond structure or market conditions indicate the preferability of a negotiated transaction, the Bond Purchase Contract details the terms, covenants, and conditions for the sale of the Series 2025F Bonds through selected underwriter(s), as well as agreements regarding expenses, closing and disclosure documents.

Official Notice of Sale: The Official Notice of Sale announces the date and time for a competitive bond sale, including the terms relating to sale of the Series 2025F Bonds; form of bids, and delivery of bids; and closing procedures and documents. Exhibit A to the Official Notice of Sale is the form of the official bid for the purchase of the Series 2025F Bonds. Pursuant to the resolution, in a competitive sale the Controller's Office 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.

Notice of Intention to Sell: The Notice of Intention to Sell provides legal notice to prospective bidders of the City's intention to sell the Series 2025F Bonds. Such Notice of Intention to Sell would be published once in "The Bond Buyer" or another financial publication generally circulated throughout the State of California.

Official Statement: The Official Statement provides information for prospective bidders and investors in connection with the public offering by the City of the Series 2025F Bonds. The Official Statement describes the Series 2025F Bonds, including sources and uses of funds; security for the Series 2025F 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 Annual Comprehensive 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 Series 2025F Bonds.

A *Preliminary Official Statement* is distributed to prospective bidders prior to the sale of the Series 2025F Bonds. Within seven days of the public offering, 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 Series 2025F Bonds.

Prior to the distribution of the Preliminary and Final Official Statements, the documents will be thoroughly and critically reviewed by City staff (in consultation with the City's professional advisors, including the City's co-disclosure counsel) to provide the most current financial and other material information available.

Board members have a responsibility under federal securities laws to ensure that staff are aware of relevant information that Board members may uniquely have by virtue of their capacity as board

members that would have a material bearing of the capacity of the City to repay the bonds. Board members cannot approve a Preliminary Official Statement if they are aware that it contains material misstatements or omissions. The Board of Supervisors and the Mayor, in adopting and approving the resolution, approve and authorize the use and distribution of the Official Statement by the financial advisor with respect to the Series 2025F Bonds. For purposes of the Securities and Exchange Act of 1934, the Controller certifies, on behalf of the City, that the Preliminary and Final Official Statements are final as of their dates.

Appendix A: The City prepares the Appendix A: "City and County of San Francisco—Organization and Finances" (the "Appendix A") for inclusion in the Official Statement. 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, constitutional and statutory limitations on taxes and expenditures, and litigation and risk management. Pursuant to the resolution, City staff will revise the Official Statement, including Appendix A.

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, if material. The Continuing Disclosure Certificate describes the nature of the information to be contained in the Annual Report or the notices of material events. These covenants have been made to assist initial purchasers of the Series 2025F Bonds in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5).

Financing Timeline

Milestones

Board of Supervisors ("BoS") Introduction
Capital Planning Committee Hearing of Resolutions
Budget & Finance Committee Hearing
BoS Consideration of Resolutions and First Reading of Ordinance
BoS Second Reading of Ordinance
Estimated Sale & Closing

Dates*

April 8, 2025
May 5, 2025
May 14, 2025
Week of May 19, 2025
Week of June 2, 2025
Summer 2025

**Please note that dates are preliminary and may change.*

Your consideration of this matter is greatly appreciated. Please contact Anna Van Degna (anna.vandegna@sfgov.org), Vishal Trivedi (vishal.trivedi@sfgov.org) or Min Guo (min.guo@sfgov.org) if you have any questions.