

LEGISLATIVE DIGEST

[Authorizing Refunding Certificates of Participation, Series 2019-R1 - Multiple Capital Improvement Projects - Not to Exceed \$160,000,000]

Ordinance authorizing the execution and delivery of Certificates of Participation, in one or more series from time to time, on a tax-exempt or taxable basis, evidencing and representing an aggregate principal amount of not to exceed \$160,000,000 to refinance certain certificates of participation that financed various capital improvement projects and finance certain additional capital improvements; approving the form of a Third Supplement to Trust Agreement between the City and County of San Francisco and U.S. Bank National Association, as trustee (“Trustee”) (including certain indemnities contained therein); approving respective forms of a Third Supplement to Property Lease and a Third Supplement to Project Lease, each between the City and the Trustee for the lease and lease back of all or a portion of certain real property and improvements located at 375 Laguna Honda Boulevard or other property as determined by the Director of Public Finance; approving the form of two separate Escrow Agreements (including certain indemnities contained therein), between the City and U.S. Bank National Association, as escrow agent (“Escrow Agent”); approving the form of an Official Notice of Sale and a Notice of Intention to Sell the Certificates of Participation; approving the form of an official statement in preliminary and final form; approving the form of a Continuing Disclosure Certificate; granting general authority to City officials to take necessary actions in connection with the authorization, sale, execution and delivery of the Certificates of Participation; approving modifications to documents; and ratifying previous actions taken in connection therewith, as defined herein.

Existing Law

This is new legislation.

Background Information

The proposed Ordinance authorizes the execution and delivery of Refunding Certificates of Participation (“Refunding COPs”) in an amount not to exceed \$160,000,000. The Refunding Certificates will be executed and delivered to (i) refinance previously issued City certificates of participation (“Refunded Certificates”) that were issued to finance the costs of various capital projects, (ii) fund a debt service reserve fund for the Refunding COPs, and (iii) pay the costs of issuance (e.g. trustee fees, legal fees, rating agency fees, financial advisory fees, escrow and title insurance, printing and other delivery costs).

The Refunding COPs are being issued to take advantage of the lower interest rate environment to achieve debt service savings. The proposed Ordinance approves forms of various legal documents necessary to secure the Refunding COPs, including a Third Supplement to Property Lease (supplementing the Original Property Lease) and a Third

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Supplement to the Project Lease (supplementing the Original Project Lease), in each case, between the City and the trustee named therein ("Trustee"). The Refunding COPs will be executed and delivered under the terms of a Third Supplement to Trust Agreement between the City and the Trustee. The Ordinance also approves the forms of Escrow Agreements that are agreements that provide for the payment as and when due the previously issued certificates of participation.

The proposed Ordinance establishes certain parameters for the execution and delivery of the Refunding Certificates, including (i) a maximum interest rate of 12%; (ii) a maximum term for the Third Supplement to Project Lease of twenty (20) years from the date of execution, and (iii) a maximum base rental payable under the Third Supplement to Project Lease of \$15,381,705.

The proposed Ordinance delegates to the Controller's Director of Public Finance authority to cause the execution and delivery of the Refunding Certificates by negotiated sale; provided the discount payable to any designated underwriters cannot exceed one-half of one percent of the principal amount of the Certificates.

Finally, the proposed Ordinance approves the form of Preliminary Official Statement ("POS"), which is the City's disclosure document provided to potential investors in the Refunding Certificates. The POS describes the terms of the issue and, importantly, provides disclosure regarding the sources of repayment for the Refunding Certificates and the financial affairs of the City as of the date of the execution and delivery of the Refunding Certificates.