

File No. 220081

Committee Item No. 3

Board Item No. 14

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date March 23, 2022

Board of Supervisors Meeting Date April 5, 2022

#### Cmte Board

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| <input type="checkbox"/>            | <input type="checkbox"/>            | Motion                                       |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Resolution                                   |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Ordinance                                    |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Legislative Digest                           |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report        |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Youth Commission Report                      |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Introduction Form                            |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/>            | <input type="checkbox"/>            | MOU  |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Grant Information Form                       |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Grant Budget                                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Subcontract Budget                           |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Contract/Agreement                           |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Form 126 – Ethics Commission                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Award Letter                                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Application                                  |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Public Correspondence                        |

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

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| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Controller's Presentation - 3/23/2022</u> |
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Completed by: Brent Jalipa Date March 15, 2022

Completed by: Brent Jalipa Date March 31, 2022

1 [Appropriation - Refunding General Obligation Bond Proceeds - Controller's Reserve -  
2 \$385,000,000 - FY2021-2022]

3 **Ordinance appropriating \$385,000,000 from the issuance of one or more series of**  
4 **Refunding General Obligation Bonds; and placing such amounts on Controller's**  
5 **reserve in Fiscal Year (FY) 2021-2022.**

6 Note: **Unchanged Code text and uncodified text** are in plain Arial font.  
7 **Additions to Codes** are in single-underline italics Times New Roman font.  
8 **Deletions to Codes** are in ~~striketrough italics Times New Roman font~~.  
9 **Board amendment additions** are in double-underlined Arial font.  
10 **Board amendment deletions** are in ~~striketrough Arial font~~.  
11 **Asterisks (\* \* \* \*)** indicate the omission of unchanged Code  
12 subsections or parts of tables.

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

14 Section 1. The sources of funding outlined below are herein appropriated to reflect the  
15 funding available in Fiscal Year 2021-2022.  
16  
17  
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20  
21  
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23  
24  
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1 **Sources Appropriation**

2	Fund /	Project & Activity /	Account	Description	Amount
3	Department ID	Authority			
4	17620 / 230018	10026734 – 0001 /	480121	Proceeds from	\$385,000,000
5	DSGOB GENERAL	10000	Proceeds from	Refunding of Bonds	
6	OBLIGATION	GE General City	Refunding of Bonds		
7	BOND / GEN	Services/ Operating			
8	General City –				
9	Unallocated				
10					
11	<b>Total Sources</b>				<b>\$385,000,000</b>

12  
 13 Section 2. The uses of funding outlined below are herein appropriated to reflect the  
 14 projected uses of funding for the refunding of general obligation bonds for FY2021-2022.  
 15

16 **Uses Appropriation**

17	Fund /	Project & Activity /	Account	Description	Amount
18	Department ID	Authority			
19	17620 / 230018	10026734 – 0001 /	508010	Refund of General	\$382,100,000
20	DSGOB GENERAL	10000	Pmt To Refund	Obligation Bond	
21	OBLIGATION	GE General City	Bond Escrow Agnt		
22	BOND / GEN	Services/ Operating			
23	General City -				
24	Unallocated				

1	Fund /	Project & Activity /	Account	Description	Amount
2	Department ID	Authority			
3	17620 / 230018	10026734 – 0001 /	573110	Costs of Issuance	\$1,360,000
4	DSGOB GENERAL	10000	Bond Issuance		
5	OBLIGATION	GE General City	Cost-Unamortized		
6	BOND / GEN	Services/ Operating			
7	General City -				
8	Unallocated				
9					
10	17620 / 230018	10026734 – 0001 /	573110	Underwriter's	\$1,540,000
11	DSGOB GENERAL	10000	Bond Issuance	Discount	
12	OBLIGATION	GE General City	Cost-Unamortized		
13	BOND / GEN	Services/ Operating			
14	General City –				
15	Unallocated				
16					
17	<b>Total Uses Appropriation</b>				<b>\$385,000,000</b>
18					
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<b>Items 3 &amp; 4</b> <b>Files 22-0081 &amp; 22-0082</b>	<b>Department:</b> Controller’s Office
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**EXECUTIVE SUMMARY**

**Legislative Objectives**

- File 22-0081 is an ordinance appropriating \$385 million of the refunding bond series to be sold in the Spring of 2022.
- File 22-0082 is a resolution approving the issuance and sale of refunding bonds in an amount not to exceed \$385 million, designated as Series 2022-R1, to refund outstanding general obligation bonds.

**Key Points**

- In March 2020, the Board approved a resolution which authorized the Director of Public Finance to determine the amount, date, and other provisions for the future sale of refunding bonds, up to \$1,482,995,000 (File 20-0088), which would be sold in series. Sales of all series of refunding bonds are subject to Board of Supervisors approval. The Board has previously approved refunding bonds in March 2020 and March 2021. The Office of Public Finance has identified \$395.4 million in outstanding general obligation bonds of which \$369.4 million can be paid before the bonds reach their stated maturity date.
- The Office of Public Finance plans to issue refunding bonds, designated as Series 2022-R1, in an amount not to exceed \$385 million. As required by the resolution approving the issuance of up to \$1.483 billion in refunding bonds (File 20-0088), the proposed refunding bonds will mature between 2032 and 2034.

**Fiscal Impact**

- Based on bond market conditions as of January 2022, the City could issue Series 2022-R1 tax-exempt refunding bonds in the Spring of 2022 in order to realize savings. Based on current market conditions, the Office of Public Finance estimates that the 2022 refunding bonds will be sold at an interest rate of 1.95 percent and result in \$47.6 million in total debt service savings.
- The combined cost of issuance and underwriters discount of the proposed refunding bonds is estimated at \$2.4 million, which is less than one percent of the principal amount, below the maximum allowed. The Office of Public Finance proposes allowing for a negotiated sale of the refunding bonds.
- The debt ratio will not change significantly, either staying the same or decreasing slightly and therefore remain in compliance with the City’s debt limit.

**Recommendation**

- Approve the proposed resolution and ordinance.

**MANDATE STATEMENT**

City Charter Section 9.109 authorizes the Board of Supervisors to approve the refunding or general obligation bonds which are expected to result in net debt service savings.

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

**BACKGROUND**

**The City’s Debt Policy**

California Senate Bill (SB) 1029 provides for the issuer of state or local government debt, no later than 30 days prior to the issuance of debt, to certify that the issuer has adopted local debt policies and that the issuance is consistent with the debt policies. The Board of Supervisors previously approved the City’s Debt Policy as recommended by the Controller’s Office of Public Finance in February 2020 (File 20-0089).

In March 2020, the Board approved a resolution which authorized the Director of Public Finance to determine the amount, date, and other provisions for the future sale of refunding bonds, up to \$1,482,995,000 (File 20-0088), which would be sold in series. Sales of all series of refunding bonds are subject to Board of Supervisors approval. In March 2020, the Board also approved “Series 2020-R1,” the first series of refunding bonds in an amount not to exceed \$255 million (File 20-0088). In March 2021, the Board approved a resolution for the sale of refunding bonds, designated as Series 2021-R1 and Series 2021-R2, in an amount not to exceed \$220 million, to refund all or a portion of prior bonds (File 21-0183). In March 2021, the Board also approved an ordinance to appropriate \$220 million of the refunding bond series to be sold in 2021 (File 21-0028).

**DETAILS OF PROPOSED LEGISLATION**

The Board of Supervisors is being asked to approve the following resolution and ordinance:

**File 22-0082:** The proposed resolution approves the issuance and sale of refunding bonds in an amount not to exceed \$385 million, designated as Series 2022-R1, to refund outstanding general obligation bonds. The resolution authorizes the Controller or the Director of Public Finance to finalize and distribute the official Preliminary Statement and escrow agreement for the sale of the Series 2022-R1 Bonds and for City officials to take other actions necessary to finalize the agreements for the bond transactions.

**File 22-0081:** The proposed ordinance appropriates \$385 million of the refunding bond series to be sold in the Spring of 2022.

**FISCAL IMPACT**

The Office of Public Finance has identified \$395.4 million in outstanding general obligation bonds of which \$369.4 million can be paid before the bonds reach their stated maturity date, as shown in Exhibit 1 below.

**Exhibit 1: Series 2022-R1 General Obligation Bond Refunding Candidates**

<b>Prior Bonds</b>	<b>Original Par Amount</b>	<b>Outstanding Par Amount</b>	<b>Callable Par Amount<sup>a</sup></b>	<b>Final Maturity</b>
Series 2012D (SFGH & Trauma Center Earthquake Safety, 2008)	\$251,100,000	\$130,435,000	\$121,115,000	2032
Series 2014A (SFGH & Trauma Center Earthquake Safety, 2008)	209,955,000	137,480,000	128,575,000	2033
Series 2012E (Earthquake Safety and Emergency Response, 2010)	38,265,000	25,050,000	23,260,000	2032
Series 2014C (Earthquake Safety and Emergency Response, 2010)	54,950,000	36,160,000	34,045,000	2034
Series 2014D (Earthquake Safety and Emergency Response, 2014)	100,670,000	66,230,000	62,355,000	2034
<b>Total</b>	<b>\$654,940,000</b>	<b>\$395,355,000</b>	<b>\$369,350,000</b>	

Source: Office of the Controller Memo to Board of Supervisors, January 10, 2022

<sup>a</sup> "Callable" amount is the amount of outstanding bonds that can be paid prior to their maturity date.

File 22-0081 is an ordinance that would appropriate up to \$385 million in bond proceeds, shown in Exhibit 2 below. According to the Office of Public Finance, the requested not-to-exceed par amount of \$385 million exceeds the current estimated refunding bond proceeds amount of \$379,515,000 to provide flexibility in case of fluctuations in market conditions between the date of Board authorization and bond sale, changes in the refunding escrow, or changes in estimated delivery date expenses.

As required by the resolution approving the issuance of up to \$1.483 billion in refunding bonds (File 20-0088), the proposed refunding bonds will mature between 2032 and 2034.



**Exhibit 2: Estimated Sources and Uses of the 2022 Refunding Bonds**

	<b>Appropriation (File 22-0081)</b>	<b>Estimated Actuals Series 2022-R1</b>
<b>Sources</b>		
<i>Refunding Bond Proceeds</i>		
Par Amount	\$385,000,000	\$379,515,000
Premium	-	-
<b>Total Sources</b>	<b>\$385,000,000</b>	<b>\$379,515,000</b>
<b>Uses</b>		
Refunding Escrow	\$382,100,000	\$377,095,898
<i>Delivery Date Expenses</i>		
Cost of Issuance	1,360,000	901,042
Underwriter's Discount	1,540,000	1,518,060
<i>Subtotal Delivery Date Expenses</i>	<i>\$2,900,000</i>	<i>\$2,419,102</i>
<b>Total Uses</b>	<b>\$385,000,000</b>	<b>\$379,515,000</b>
Reserve for Market Uncertainty		\$5,485,000
<b>Not-to-Exceed Par Amount</b>	<b>\$385,000,000</b>	<b>\$385,000,000</b>

Source: Office of Public Finance, Fieldman Rolapp and Associates, Inc.

*Debt Service Savings*

According to the Office of Public Finance, based on bond market conditions as of January 2022, the City could issue Series 2022-R1 tax-exempt refunding bonds in the Spring of 2022 to realize savings. Based on current market conditions, the Office of Public Finance estimates that the 2022 refunding bonds will be sold at an interest rate of 1.95 percent and result in \$47.6 million in total debt service savings. According to the Office of Public Finance, the sale of the refunding bonds is tentatively scheduled for the week of March 28, 2022.

The resolution approving the issuance of up to \$1.483 billion in refunding bonds (File 20-0088) required refunding bonds to achieve three percent present value savings of the par value of the refunded bonds. The net present value of the debt service savings of the proposed refunding bonds is estimated to be approximately \$42.7 million, equal to 11.6 percent of the \$395.5 million outstanding principal of the bonds to be refunded, which exceeds the three percent minimum present value savings threshold.

*Debt Issuance Costs*

The resolution approving the issuance of up to \$1.483 billion in refunding bonds (File 20-0088) requires the costs of such issuances to not exceed two percent, and, for a negotiated sale, the underwriter’s discount to not exceed one percent of the principal amount of the refunding bonds. As shown above in Exhibit 2, the combined cost of issuance and underwriters discount of proposed bonds is estimated at \$2.4 million, which is less than one percent of the principal amount and below the maximum allowed.

The Office of Public Finance proposes allowing for a negotiated sale of the refunding bonds because the transaction is complicated: the series to be refunded includes multiple separate series with different initial origination dates, and multiple interest rates payable over time on

each of the refunded series. According to the Office of Public Finance, the following underwriters for the Series 2022-R1 bonds have been selected: Wells Fargo Bank, National Association (co-senior manager), Stifel, Nicolaus & Company, Incorporated (co-senior manager), Raymond James & Associates, Inc. (co-manager), TD Securities (USA) LLC (co-manager), Samuel A. Ramirez & Co., Inc. (co-manager), and Siebert Williams Shank & Co, LLC (co-manager). The Office of Public Finance states that each underwriter was selected pursuant to a Request for Proposal issued in December 2021 for vendors included in the City's prequalified pool of underwriting and investment banking firms.<sup>1</sup>

#### *Debt Limit*

Section 9.106 of the City Charter limits general obligation bond debt to three percent of the assessed value of property in the City. As of January 1, 2022, the City has approximately \$2.92 billion in aggregate principal amount of general obligation bonds outstanding, equal to approximately 0.94 percent of the net assessed value in FY 2021-22. If all the City's voter-authorized and unissued general obligation bonds were issued (an additional approximate \$1.5 billion), the total general obligation bond debt would be 1.42 percent of the net assessed value of property in the City. According to Office of Public Finance staff, if the Board of Supervisors approves the proposed 2022 Refunding Bonds, the debt ratio will not change significantly, either staying the same or decreasing slightly and therefore remain in compliance with the City' debt limit.

### **RECOMMENDATION**

Approve the proposed resolution and ordinance.

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<sup>1</sup> The Office of Public Finance selected the top two scoring Senior Managers and the top four scoring Co-Managers for the underwriting syndicate. Evaluation panelists included a staff member from the Office of Public Finance and two municipal advisors working on the bond transaction for the City.

# 2022 General Obligation Refunding Bonds

## BUDGET AND FINANCE COMMITTEE

- Resolution (File #220082):

Approves the issuance and sale of General Obligation Refunding Bonds, Series 2022-R1 ("2022 GO Refunding Bonds") - Not to Exceed \$385,000,000

- Appropriation Ordinance (File #220081):

Refunding General Obligation Bond Proceeds - \$385,000,000



March 23, 2022

City and County of San Francisco  
Office of the Controller  
Office of Public Finance

# Proposed GO Refunding Bond Series 2022-R1

## SUMMARY OF THE PROPOSED 2022 GO REFUNDING BONDS

- The following Prior Bonds have been identified by OPF as outstanding bonds which can be currently refunded and are estimated to produce savings based on bond market conditions as of March 21, 2022:

<u>2022 GO Refunding Candidates (Callable on June 15, 2022)</u>	<u>Original Par Amount</u>	<u>Outstanding Par Amount</u>	<u>Callable Par Amount</u>	<u>Final Maturity</u>
Series 2012D (SFGH & Trauma Center Earthquake Safety, 2008)	\$251,100,000	\$130,435,000	\$121,115,000	2032
Series 2014A (SFGH & Trauma Center Earthquake Safety, 2008)	\$209,955,000	\$137,480,000	\$128,575,000	2033
Series 2012E (Earthquake Safety and Emergency Response, 2010)	\$38,265,000	\$25,050,000	\$23,260,000	2032
Series 2014C (Earthquake Safety and Emergency Response, 2010)	\$54,950,000	\$36,160,000	\$34,045,000	2034
Series 2014D (Earthquake Safety and Emergency Response, 2014)	\$100,670,000	\$66,230,000	\$62,355,000	2034
<b>Subtotal 2022 GO Refunding Candidates</b>	<b>\$654,940,000</b>	<b>\$395,355,000</b>	<b>\$369,350,000</b>	

- Estimated gross savings to property taxpayers of approximately **\$37.4 million** based on an estimated total interest cost of 2.45%
- On a net present value (“NPV”) basis, debt service savings are estimated to be **\$32.8 million**, or **8.9%** of the total outstanding principal (\$369.4 million) of the Prior Bonds to be refunded



# Approving Sale of GO Refunding Bonds, Series 2022-R1, not to exceed \$385,000,000

## CURRENT PLAN OF FINANCE

- With the Resolution, OPF is seeking approval of the sales of the fourth (2022-R1) series of GO Refunding Bonds under the 2020 Master Refunding Authorization
- Not to exceed par amount of \$385,000,000
- Final Maturity of June 15, 2034
- Estimated All-In True Interest Cost: 2.45%
- Estimated Closing Date:
  - Series 2022-R1: April 2021

## SOURCES AND USES

<u>Sources:</u>	Series 2022-R1
<u>Refunding Bond Proceeds</u>	
Par Amount	\$320,670,000
Premium	49,979,324
Budgeted Debt Service due 6/15/22	7,767,594
<b>Total Sources</b>	<b>\$378,416,918</b>
<u>Uses:</u>	
Refunding Escrow	\$377,009,139
<u>Delivery Date Expenses</u>	
Cost of Issuance	\$926,774
Underwriter's Discount	\$481,005
<b>Total Uses</b>	<b>\$378,416,918</b>
<i>Reserve for Market Uncertainty</i>	<i>\$6,583,082</i>
<b>Not-to-Exceed Par Amount</b>	<b>\$385,000,000</b>

Source: Wells Fargo Bank, N.A.



# Selection of Underwriters

## COMPETITIVE REQUEST FOR PROPOSALS (RFP)

- For the Series 2022-R1 Bonds, the Controller's Office of Public Finance submitted a competitive RFP solicitation to the City's pre-qualified pool of firms providing Underwriting and Investment Banking Services.
- The City received 11 Senior Manager proposals from and 15 Co-Manager proposals which were reviewed and scored by qualified panelists.
- Per the RFP, the top 2 scoring Senior Manager firms and the top 4 scoring Co-Manager firms were selected as the underwriting syndicate for the Series 2022-R1 Bonds.
- The selected firms were:
  - **Co-Senior Managers:** Wells Fargo Bank, N.A. and Stifel, Nicolaus & Company, Inc.
  - **Co-Managers:** Raymond James & Associates, Inc.; TD Securities (USA) LLC; Ramirez & Co., Inc.; and Siebert Williams Shank & Co., LLC



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# QUESTIONS



**From:** [Conine-Nakano, Susanna \(MYR\)](#)  
**To:** [GIVNER, JON \(CAT\)](#); [Sandler, Risa \(CON\)](#); [BOS Legislation. \(BOS\)](#)  
**Cc:** [Paulino, Tom \(MYR\)](#); [Trivedi, Vishal \(CON\)](#); [Taufic, Camilla \(MYR\)](#)  
**Subject:** Mayor -- Ordinance -- Refunding General Obligation Bond Proceeds  
**Date:** Tuesday, January 25, 2022 3:51:29 PM  
**Attachments:** [Mayor -- Ordinance -- Refunding General Obligation Bond Proceeds.zip](#)

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Hello Clerks,

Attached for introduction to the Board of Supervisors is an Ordinance appropriating \$385,000,000 from the issuance of one or more series of Refunding General Obligation Bonds; and placing such amounts on Controller's reserve.

[@Sandler, Risa \(CON\)](#), can you please reply-all to confirm the Controller's approval? Thanks!

[@GIVNER, JON \(CAT\)](#), can you please reply-all to confirm your approval? Thanks!

Please let me know if you have any questions.

Sincerely,

Susanna

Susanna Conine-Nakano  
Office of Mayor London N. Breed  
City & County of San Francisco  
1 Dr. Carlton B. Goodlett Place, Room 200  
San Francisco, CA 94102  
415-554-6147