

File No. 210028

Committee Item No. 5

Board Item No. 4

# COMMITTEE/BOARD OF SUPERVISORS

## AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date March 17, 2021

Board of Supervisors Meeting

Date March 23, 2021

### Cmte Board

- Motion
- Resolution
- Ordinance
- Legislative Digest
- Budget and Legislative Analyst Report
- Youth Commission Report
- Introduction Form
- 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)

- Office of the Controller's Presentation - March 17, 2021
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Completed by: Linda Wong Date March 12, 2021

Completed by: Linda Wong Date March 19, 2021

1 [Appropriation - Refunding General Obligation Bond Proceeds - \$220,000,000 -  
 2 FY2020-2021]

3 **Ordinance appropriating \$220,000,000 from the issuance of one or more series of**  
 4 **Refunding General Obligation Bonds; and placing such amounts on Controller's**  
 5 **reserve.**

6  
 7 Note: Additions are *single-underline italics Times New Roman*;  
 8 deletions are ~~*striketrough italics Times New Roman*~~.  
 9 Board amendment additions are double underlined.  
 Board amendment deletions are ~~striketrough normal~~.

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

11  
 12 Section 1. The sources of funding outlined below are herein appropriated to  
 13 reflect the funding available in Fiscal Year 2020-2021.

14  
 15 **SOURCES Appropriation**

Fund /	Project & Activity /	Account	Description	Amount
Department ID	Authority			
17620 / 230018	10026734 – 0001 /	480121	Proceeds from	\$220,000,000
19 DSGOB GENERAL	10000	Proceeds	Refunding of	
20 OBLIGATION BOND /	GE General City	from	Bonds	
21 GEN General City –	Services/ Operating	Refunding		
22 Unallocated		of Bonds		
<b>Total SOURCES Appropriation</b>				<b>\$220,000,000</b>

25

1 Section 2. The uses of funding outlined below are herein appropriated to reflect  
 2 the projected uses of funding for the refunding of general obligation bonds for Fiscal Year  
 3 2020-2021.

4

5 **USES Appropriation**

6	Fund /	Project & Activity /	Account	Description	Amount
7	Department ID	Authority			
8	17620 / 230018	10026734 – 0001 /	508010	Refund of	\$217,916,150
9	DSGOB GENERAL	10000	Pmt To	General	
10	OBLIGATION BOND /	GE General City	Refund Bond	Obligation Bond	
11	GEN General City -	Services/ Operating	Escrow Agnt		
12	Unallocated				
13					
14	17620 / 230018	10026734 – 0001 /	573110	Costs of	\$1,203,850
15	DSGOB GENERAL	10000	Bond	Issuance	
16	OBLIGATION BOND /	GE General City	Issuance		
17	GEN General City -	Services/ Operating	Cost-		
18	Unallocated		Unamortized		
19					
20	17620 / 230018	10026734 – 0001 /	573110	Underwriter's	\$ 880,000
21	DSGOB GENERAL	10000	Bond	Discount	
22	OBLIGATION BOND /	GE General City	Issuance		
23	GEN General City –	Services/ Operating	Cost-		
24	Unallocated		Unamortized		
25					

1	Fund /	Project & Activity /	Account	Description	Amount
2	Department ID	Authority			
3	<b>Total USES Appropriation</b>				<b><u>\$220,000,000</u></b>

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5 Section 3. The Controller is authorized to record transfers between funds and  
6 adjust the accounting treatment of sources and uses appropriated in this Ordinance as  
7 necessary to conform to Generally Accepted Accounting Principles and other laws.

8

9 Section 4. To the extent that debt service is required in Fiscal Year 2020-2021  
10 on previously issued bonds prior to the refunding herein, the Controller is authorized to  
11 transfer funds as needed to maintain existing debt service.

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13 Section 5. The entire amount of \$220,000,000 is hereby placed on Controller's  
14 Reserve pending sale of the refunding general obligation bonds.

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17 APPROVED AS TO FORM:  
DENNIS J. HERRERA, City Attorney

FUNDS AVAILABLE:  
BEN ROSENFELD, Controller

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19 By: /s/ \_\_\_\_\_  
JON GIVNER  
Deputy City Attorney

By: /s/ \_\_\_\_\_  
BEN ROSENFELD  
Controller

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<p><b>Items 5 &amp; 6</b> <b>Files 21-0028 &amp; 21-0183</b></p>	<p><b>Department:</b> Controller’s Office</p>
<p><b>EXECUTIVE SUMMARY</b></p>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• File 21-0028 is an ordinance appropriating \$220,000,000 of the refunding bond series to be sold in 2021.</li> <li>• File 21-0183 is a resolution approving 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.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• 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 Office of Public Finance has identified \$239.6 million in outstanding general obligation bonds, of which \$206.2 million can be paid before the bonds reach their stated maturity date. This includes general obligation bonds issued in 2013 and prior refunding bonds issued in 2011.</li> <li>• The Office of Public Finance plans to issue refunding bonds in two series, Series 2021 R1 and Series 2021 R2, in an amount not to exceed \$220 million. The first series, 2021-R1, would refund general obligation bonds issued in 2013 that can be refinanced beginning June 15, 2021, and the second series, 2021-R2, would refund the prior refunding bonds issued in 2011 that can be refinanced beginning December 15, 2021.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• Based on bond market conditions as of February 2021, the City could issue Series 2021-R1 and 2021-R2 tax-exempt refunding bonds in the Spring of 2021 in order to realize savings. The 2021 refunding bonds will be sold at an interest rate of 1.86 percent and result in an estimated \$25.2 million in total debt service savings.</li> <li>• The combined cost of issuance and underwriters discount of the 2021 Refunding Bonds is estimated at \$1.1 million which is less than 1 percent of the principal amount, below the maximum allowed. The Office of Public Finance proposes allowing for a negotiated sale of the refunding bonds.</li> <li>• The Office of Public Finance will monitor market conditions to determine whether it is beneficial to issue Series R2 as forward to delivery bonds, essentially locking in refunding savings in the current market, at a time where interest rates are low.</li> <li>• The debt ratio is estimated to slightly decrease after the proposed issuance of the 2021 Refunding Bonds.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>• Approve the proposed resolution and ordinance.</li> </ul>	

## 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 approved "Series 2020-R1", the first series of refunding bonds in an amount not to exceed \$255,000,000 (File 20-0088).

## DETAILS OF PROPOSED LEGISLATION

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

**File 21-0183:** The proposed resolution approves 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. The first series, 2021-R1, would refund prior bonds that can be refinanced beginning June 15, 2021, and the second series, 2021-R2, would refund the prior bonds that can be refinanced beginning December 15, 2021. The resolution authorizes the Controller or the Director of Public Finance to finalize and distribute the official Preliminary Statement for the sale of the Series 2021 Bonds and for City officials to take other actions necessary to finalize the agreements for the bond transactions.

The legislation also amends Section 13 of the 2020 resolution authorizing the issuance of refunding bonds (File 20-0088) in order to correct for a definition error, replacing the term "Prior Bonds" with "applicable Series of Bonds".

**File 21-0028:** The proposed ordinance appropriates \$220,000,000 of the refunding bond series to be sold in 2021.

**FISCAL IMPACT**

The Office of Public Finance has identified \$239.6 million in outstanding general obligation bonds of which \$206.2 million can be paid before the bonds reach their stated maturity date, as shown in Exhibit 1 below.

**Exhibit 1: Series 2021-R1 & Series 2021-R2 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>
<i>Series 2021-R1</i>			
Series 2013A (Clean & Safe Neighborhood Parks, 2012)	\$71,970,000	\$36,785,000	\$34,690,000
Series 2013B (Earthquake Safety & Emergency Response, 2010)	31,020,000	15,860,000	14,955,000
Series 2013C (Road Repaving & Street Safety, 2011)	129,560,000	66,195,000	62,425,000
<i>Series 2021-R2</i>			
Refunding Series 2011-R1	339,475,000	120,760,000	94,125,000
<b>Total</b>	<b>\$572,025,000</b>	<b>\$239,600,000</b>	<b>\$206,195,000</b>

Source: Office of the Controller Memo to Board of Supervisors, February 22, 2021

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

The Office of Public Finance plans to issue refunding bonds in two series, Series 2021 R1 and Series 2021 R2, in an amount not to exceed \$220 million.

File 21-0028 is an ordinance that would appropriate up to \$220 million in bond proceeds, shown in Exhibit 2 below. According to the Office of Public Finance, the requested not-to-exceed par amount of \$220,000,000 exceeds the current estimated refunding bond proceeds amount of \$212,084,563, in order to provide flexibility in case of fluctuations in market interest rates between the date of Board authorization and bonds sale, changes in the refunding escrow or changes in estimated delivery date expenses.

**Exhibit 2: Estimated Source & Uses of 2021 Refunding Bonds**

	<b>Appropriation (File 21-0028)</b>	<b>Estimated Actuals Series 2021-R1</b>	<b>Estimated Actuals Series 2021-R2</b>	<b>Total</b>
<b>Sources</b>				
<i>Refunding Bond Proceeds</i>				
Par Amount		95,850,000	87,810,000	183,660,000
Premium		19,326,284	9,098,279	28,424,563
<b>Total Sources</b>	<b>\$220,000,000</b>	<b>\$115,176,284</b>	<b>\$96,908,279</b>	<b>\$212,084,563</b>
<b>Uses</b>				
Refunding Escrow	217,916,150	\$114,594,953	\$96,376,085	\$210,971,038
<i>Delivery Date Expenses</i>				
Cost of Issuance	1,203,850	\$407,854	373,268	781,122
Underwriter's Discount	880,000	\$173,477	158,926	332,403
<i>Subtotal Delivery Date Expenses</i>	<i>\$2,083,850</i>	<i>\$581,331</i>	<i>532,194</i>	<i>1,113,525</i>
<b>Total Uses</b>	<b>\$220,000,000</b>	<b>\$115,176,284</b>	<b>\$96,908,279</b>	<b>\$212,084,563</b>
Reserve for Market Uncertainty				7,915,437
<b>Not-to-Exceed Par Amount</b>	<b>\$220,000,000</b>			<b>\$220,000,000</b>

Source: Office of Public Finance, Montague DeRose and Associates, LLC

*Debt Service Savings*

According to the Office of Public Finance, based on bond market conditions as of February 2021, the City could issue Series 2021-R1 and 2021-R2 tax-exempt refunding bonds in the Spring of 2021 in order to realize savings<sup>1</sup>. Based on current market conditions, the Office of Public Finance estimates that the 2021 refunding bonds will be sold at an interest rate of 1.86 percent and result in \$25.2 million in total debt service savings.

The proposed resolution requires refunding bonds to achieve 3 percent present value savings of the par value of the refunded bonds, in accordance with the City's debt policy. The net present value of the debt service savings of the proposed refunding bonds is estimated to be \$23.0 million, equal to 11.17 percent of the par value of the refunded bonds, well above the 3 percent minimum present value savings threshold.

*Debt Issuance Costs*

The resolution previously approved by the Board of Supervisors authorizing issuance of up to \$1.5 billion in refunding bonds requires the costs of issuance to not exceed 2 percent, and for a negotiated sale, the underwriter's discount to not exceed 1 percent of the principal amount of the refunding bonds. The combined cost of issuance and underwriters discount of the 2021

<sup>1</sup> According to the Office of Public Finance memorandum to the Board of Supervisors, although Series 2021-R2 will refund \$94.1 million in bonds not callable until December 2021, the City can issue Series 2021-R2 as forward delivery bonds, for which investors agree to negotiated interest rates at a specified date in the future.

Refunding Bonds is estimated at \$1.1 million which is less than 1 percent of the principal amount, below the maximum allowed. The Office of Public Finance proposes allowing for a negotiated sale of the refunding bonds because of 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.

The Office of Public Finance will monitor market conditions to determine whether it is beneficial to issue Series R2 as forward to delivery bonds, essentially locking in refunding savings in the current market, at a time where interest rates are low. With forward delivery, both Series R1 and R2 would be priced at the same time, expected in April 2021, but Series R2 would not be issued until a future date, expected in September 2021.

*Debt Limit*

The City Charter imposes a limit on general obligation bond debt of 3 percent of the assessed value of property in the City. As of February 1, 2021, the City has approximately \$2.5 billion in aggregate principal amount of general obligation bonds outstanding, equal to approximately 0.83 percent of the net assessed value in FY 2020-21. According to the Office of Public Finance, the debt ratio is estimated to slightly decrease after the proposed issuance of the 2021 Refunding Bonds.

**RECOMMENDATION**

Approve the proposed resolution and ordinance.

**From:** [Peacock, Rebecca \(MYR\)](#)  
**To:** [BOS Legislation, \(BOS\)](#)  
**Cc:** [Kittler, Sophia \(MYR\)](#); [Liu, Adrian \(MYR\)](#); [Sandler, Risa \(CON\)](#)  
**Subject:** Mayor -- [Ordinance] -- [Appropriation – Refunding General Obligation Bond proceeds - \$220,000,000 – FY2020-2021]  
**Date:** Tuesday, January 12, 2021 4:16:27 PM  
**Attachments:** [\(4\) Ord CON GO Refunding Bonds Supplemental.zip](#)

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Attached for introduction to the Board of Supervisors is an **ordinance appropriating \$220,000,000 from the issuance of one or more series of Refunding General Obligation Bonds; and placing such amounts on Controller's reserve.**

Please let me know if you have any questions.

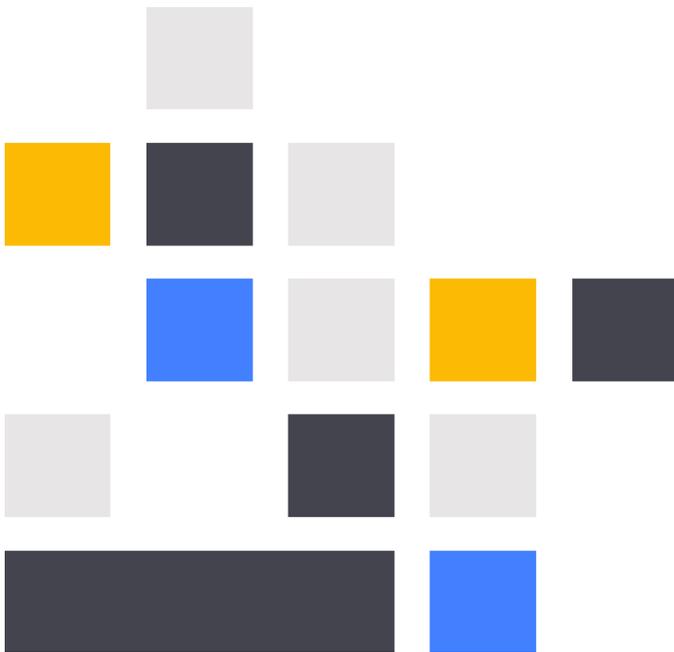
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**Rebecca Peacock** ([they/them](#))  
(415) 554-6982 | [Rebecca.Peacock@sfgov.org](mailto:Rebecca.Peacock@sfgov.org)  
Office of Mayor London N. Breed  
City & County of San Francisco

# 2021 General Obligation Refunding Bonds

## BUDGET AND FINANCE COMMITTEE

- Resolution: Authorizes the issuance and sale of General Obligation Refunding Bonds, Series 2021-R1 and Series 2021-R2 ("2021 GO Refunding Bonds") - Not to Exceed \$220,000,000
- Appropriation Ordinance: Refunding General Obligation Bond Proceeds - \$220,000,000



March 17, 2021

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

# Proposed GO Refunding Bond Series 2021-R1 & 2021-R2

## SUMMARY OF THE PROPOSED 2021 GO REFUNDING BONDS

- The following Prior Bonds have been identified by OPF as refunding candidates which can be refunded in March 2021 and September 2021 and are estimated to produce savings based on bond market conditions as of March 2021:

2021 General Obligation Bond Refunding Candidates	Original Par Amount	Outstanding Par Amount	Callable Par Amount	Final Maturity
<i>Refunding Candidates callable June 15, 2021</i>				
Series 2013A (Clean & Safe Neighborhood Parks, 2012)	\$71,970,000	\$36,785,000	\$34,690,000	2033
Series 2013B (Earthquake Safety & Emergency Response, 2010)	\$31,020,000	\$15,860,000	\$14,955,000	2033
Series 2013C (Road Repaving & Street Safety, 2011)	\$129,560,000	\$66,195,000	\$62,425,000	2033
Subtotal Refunding Candidates callable June 15, 2021	\$232,550,000	\$118,840,000	\$112,070,000	
<i>Refunding Candidates callable December 15, 2021</i>				
Refunding Series 2011-R1	\$339,475,000	\$120,760,000	\$94,125,000	2030
<b>Total 2021 GO Refunding Candidates</b>	<b>\$572,025,000</b>	<b>\$239,600,000</b>	<b>\$206,195,000</b>	

- Estimated gross savings to property taxpayers of approximately **\$25.2 million** based on an estimated interest rate of 1.86%
- On a net present value ("NPV") basis, debt service savings are estimated to be **\$23.0 million**, or **11.17%** of the total outstanding principal (\$206.2 million) of the Prior Bonds to be refunded



# Approving Sale of GO Refunding Bonds, Series 2021-R1 & 2021-R2, not to exceed \$220,000,000

## CURRENT PLAN OF FINANCE

- With the Resolution, OPF is seeking approval of the sales of the second (2021-R2) and third (2021-R2) series of GO Refunding Bonds under the 2020 Master Refunding Authorization
- Not to exceed par amount of \$220,000,000
- Final Maturity of June 15, 2033
- Estimated True Interest Cost: 1.86%
- Estimated Closing Dates:
  - Series 2021-R1: April 2021
  - Series 2021-R2: September 2021

## SOURCES AND USES

<u>Sources:</u>	Series 2021-R1	Series 2021-R2	Total
<u>Refunding Bond Proceeds</u>			
Par Amount	\$95,850,000	\$87,810,000	\$183,660,000
Premium	\$19,326,284	\$9,098,279	\$28,424,563
<b>Total Sources</b>	<b>\$115,176,284</b>	<b>\$96,908,279</b>	<b>\$212,084,563</b>
<u>Uses:</u>			
Refunding Escrow	\$114,594,953	\$96,376,085	\$210,971,038
<u>Delivery Date Expenses</u>			
Cost of Issuance	\$407,854	\$373,268	\$781,122
Underwriter's Discount	\$173,477	\$158,926	\$332,403
<b>Total Uses</b>	<b>\$115,176,284</b>	<b>\$96,908,279</b>	<b>\$212,084,563</b>
<i>Reserve for Market Uncertainty</i>			\$7,915,437
<b>Not-to-Exceed Par Amount</b>			<b>\$220,000,000</b>

Source: Montague DeRose and Associates, LLC

