

File No. 130707

Committee Item No. 16

Board Item No. 1

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: 07/24/2013

Board of Supervisors Meeting

Date: Sept. 3, 2013

Cmte Board

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Completed by: Victor Young Date July 19, 2013
 Completed by: Victor Young Date 7/25/13

1 [Appropriation - City and County of San Francisco Refunding Certificates of Participation of
2 \$241,014,548 - FY2013-2014]

3 Ordinance appropriating \$236,000,000 of one or more series of Refunding Certificates
4 of Participation proceeds, de-appropriating Series 2001A Certificates of Participation of
5 prior reserve funds of \$2,386,750 and re-appropriating Refunding Certificates of
6 Participation Series 2013-R1 of \$2,386,750, de-appropriating Series 2003 Certificates of
7 Participation of prior reserve funds of \$2,627,798 and re-appropriating Refunding
8 Certificates of Participation Series 2013-R2 of \$2,627,798, and placing these funds for a
9 total amount of \$241,014,548 for FY2013-2014 on Controller's reserve pending the sale
10 of the Certificates of Participation in one or more series.

11
12 Note: Additions are single-underline italics Times New Roman;
13 deletions are ~~striketrough italics Times New Roman~~.
14 Board amendment additions are double underlined.
15 Board amendment deletions are ~~striketrough normal~~.

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

17 Section 1. The sources of funding outlined below are herein appropriated to reflect the
18 funding available in Fiscal Year 2013-2014.
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1 **SOURCES Appropriation**

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Fund	Index/Project Code	Subobject	Description	Amount
XXXXXXXXX	XXXXX	80121	2013 Series	\$236,000,000
		Proceeds from Refunding of Bonds	Certificates of Participation	
Total Sources Appropriation				\$ 236,000,000

11 **USES De-Appropriation**

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Fund	Index/Project Code	Subobject	Description	Amount
4DCOPSRG	XXXXX	80121	Prior Debt Service	\$2,386,750
		Proceeds from Refunding of Bonds	Reserve	
4DCOPSRI	XXXXX	80121	Prior Debt Service	\$2,627,798
		Proceeds from Refunding of Bonds	Reserve	
Total Uses De-appropriation				\$5,014,548
Total Sources and Uses De-appropriation				\$241,014,548

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Section 2. The uses of funding outlined below are herein appropriated in FY 2013-2014 and reflect the projected uses of funding for the Refunding Certificates of Participation.

USES Appropriation

Fund	Index/Project Code	Subobject	Description	Amount
XXXXXXXXX	XXXXXX	XXXXXX	Refund of Certificates of Participation Series 2001A (30 Van Ness Project)	\$ 28,078,874
XXXXXXXXX	XXXXXX	07311	Cost of Issuance Bond Issuance Cost	\$ 216,243
XXXXXXXXX	XXXXXX	07311	Underwriter's Bond Issuance Cost Discount	\$ 169,770
COPs Series 2001A (30 Van Ness Project) Subtotal				\$ 30,681,750

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Fund	Index/Project Code	Subobject	Description	Amount
XXXXXXXX	XXXXXX	XXXXXX	Refund of Certificates of Participation Series 2003 (Juvenile Hall Replacement Project)	\$ 35,024,080
XXXXXXXX	XXXXXX	07000 Debt Service - Budget	Debt Service Reserve	\$ 2,536,314
XXXXXXXX	XXXXXX	07311 Bond Issuance Cost	Cost of Issuance	\$ 269,914
XXXXXXXX	XXXXXX	07311 Bond Issuance Cost	Underwriter's Discount	\$ 212,490
USES COPs Series 2003 (Juvenile Hall Replacement Project) Subtotal				\$ 38,042,798

	Fund	Index/Project Code	Subobject	Description	Amount
3	XXXXXX	XXXXXX	XXXXXX	Refund of	\$ 19,079,562
4				Certificates of	
5				Participation Series	
6				2004-R1	
7				(San Francisco	
8				Courthouse Project)	
10	XXXXXX	XXXXXX	07311	Cost of Issuance	\$ 149,368
11				Bond Issuance	
12				Cost	
14	XXXXXX	XXXXXX	07311	Underwriter's	\$ 116,070
15				Bond Issuance	
16				Discount	
17				Cost	
19	COPs Series 2004-R1 (San Francisco Courthouse Project) Subtotal				\$ 19,345,000


Fund	Index/Project Code	Subobject	Description	Amount
XXXXXX	XXXXXX	XXXXXX	Reserve Pending Bond Sale	\$ 152,945,000
Reserve Subtotal				\$ 152,945,000
Total Uses Appropriation				\$ 241,014,548


Section 3. The uses of funding outlined above for \$241,014,548 are herein placed on Controller's Reserve pending sale of the Refunding Certificates of Participation in one or more series.

Section 4. 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: July 9, 2013

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *EL* Mayor Edwin M. Lee *EL*
RE: Appropriation - City and County of San Francisco Refunding Certificates of Participation of \$241,014,548 - FY2013-2014
DATE: July 9, 2013

Attached for introduction to the Board of Supervisors is the ordinance appropriating \$236,000,000 of one or more series of Refunding Certificates of Participation proceeds, de-appropriating Series 2001A Certificates of Participation of prior reserve funds of \$2,386,750 and re-appropriating Refunding Certificates of Participation Series 2013-R1 of \$2,386,750, de-appropriating Series 2003 Certificates of Participation of prior reserve funds of \$2,627,798 and re-appropriating Refunding Certificates of Participation Series 2013-R2 of \$2,627,798, and placing these funds on Controller's Reserve pending the sale of the Certificates of Participation in one or more series.

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

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

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President, District 3
BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-7450
Fax No. 554-7454
TDD/TTY No. 544-5227

DAVID CHIU
邱信福
市參事會主席

PRESIDENTIAL ACTION

Date: 7/18/2013

To: Angela Calvillo, Clerk of the Board of Supervisors

Madam Clerk,

Pursuant to Board Rules, I am hereby:

Waiving 30-Day Rule (Board Rule No. 3.23)

File No. 130707 Mayor
(Primary Sponsor)

Transferring (Board Rule No. 3.3)

File No. _____
(Primary Sponsor)

From: _____ Committee

To: _____ Committee

Assigning Temporary Committee Appointment (Board Rule No. 3.1)

Supervisor _____

Replacing Supervisor _____

For: _____ Meeting
(Date) (Committee)

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2013 JUL 18 AM 9:21

David Chiu

David Chiu, President
Board of Supervisors

Item 16 & 17
File 13-0707 & 13-0709

Department(s):
 Controller's Office of Public Finance (OPF)

EXECUTIVE SUMMARY

Legislative Objective

- 13-0709: The proposed resolution would (a) authorize the issuance by the City of Refunding Certificates of Participation (COPs) in a not-to-exceed amount of \$236,000,00 to refinance in whole or part COPs previously issued to finance various capital improvements to the City (2013 Refunding COPs), (b) approve four separate facility leases, four separate lease agreements, an escrow agreement, a trust agreement, one or more official notices of sale, and one or more notices of intention to sell the 2013 Refunding COPs (c) provide for the manner of sale of 2013 Refunding COPs, whether by competitive or negotiated sale, (d) direct the publication of the notice of intention to sell the 2013 Refunding COPs, (e) approve the form of the official statement in preliminary and final form, (f) approve the form of the continuing disclosure certificate, and (g) authorize the costs of issuance.
- 13-0707: The proposed ordinance would (a) appropriate \$236,000,000 of COPs proceeds, (b) de-appropriate \$2,386,750 in 2001 COPs prior reserve funds and re-appropriate \$2,386,750 to fund the 2013 Refunding COPs issuance, and (c) de-appropriate \$2,627,798 in 2003 COPs prior reserve funds and re-appropriate \$2,627,798 to fund the 2013 Refunding COPs issuance for a total amount of \$241,014,548 to be placed on Controllers Reserve pending the sale of the Refunding Certificates of Participation.

Fiscal Impact

- The City would issue \$83,055,000 in 2013 Refunding COPs to refund the 2001 and 2003 COPs and 2004 Refunding COPs, issued simultaneously in three separate issuances on the expected delivery and closing date of September 11, 2013. The City would issue up to \$152,945,000 of the remaining authorized \$236,000,000 in 2013 Refunding COPs when positive economic savings can be achieved.
- The initial \$83,055,000 in 2013 Refunding COPs would have an estimated annual interest rate of 3.88 percent, resulting in a total debt service cost of \$113,594,000 including (a) estimated total interest costs of \$30,539,000 and (b) estimated total principal costs of \$83,055,000, and would result in an estimated total savings to the City of approximately \$4,291,000.
- The proposed appropriation of \$241,014,548, including the proceeds of the 2013 Refunding COPs in an amount not-to-exceed \$236,000,000 along with the prior reserve funds of \$5,014,548 to be used to refund the 2001 and 2003, and 2004 Refunding COPs. The \$241,014,548 would be placed on Controller's reserve pending the sale of the 2013 Refunding COPs.

Policy Considerations

- No date is currently available for when the issuance of up to \$152,945,000 in 2013 Refunding COPs would occur. In order to allow for maximum flexibility in scheduling the issuance, the Budget and Legislative Analyst recommends approval of the proposed resolution and ordinance. However, the Office of Public Finance should provide an update to the Board of Supervisors on the details of the issuance once that information is known.

Recommendations

- 13-0709: Amend the proposed resolution to require the Office of Public Finance to report to the Board of Supervisors on all planned issuances of 2013 Refunding COPs above the currently planned \$83,055,000 in 2013 Refunding COPs, once details are known.
- 13-0709: Approve the proposed resolution as amended.
- 13-0707: Approve the proposed ordinance as amended.

MANDATE STATEMENT & BACKGROUND

Mandate Statement

13-0709: According to San Francisco Charter Section 9.118, any lease with a term of over ten years or expenditures of over \$10,000,000 is subject to approval by the Board of Supervisors. The proposed not-to-exceed issuance of \$236,000,000 of Refunding Certificates of Participation requires the City to enter into a lease which exceeds ten years and \$10,000,000, due to the asset transfer described in the Background Section below.

13-0707: Charter Section 9.105 requires that amendments to the annual appropriation ordinance be approved by ordinance of the Board of Supervisors.

Background

Certificates of Participation (COPs) are a form of long-term debt sold to investors in consideration for a portion of the lease revenues from a specific City-owned property. Investors participate in lease revenues in the form of debt service payments. Under a typical COPs structure, the City leases a City-owned property to a trustee in consideration for a one-time lease payment from the trustee to the City that is equal to the proceeds from the issuance of such COPs. The trustee subsequently subleases the same City-owned property back to the City in return for semi-annual rent payments equal to the debt service (including principal and interest) due on the COPs. This lease-sublease structure is known as an asset transfer model. Under this type of asset transfer model, the City-owned property leased to the trustee serves as collateral to the trustee on the issued COPs. After the COPs are fully repaid by the City, the City-owned property, previously leased to the trustee, reverts back to the City.

Refunding COPs are identical to standard COPs with one difference: the proceeds from the issuance of Refunding COPs are used to refund previously issued COPs. The issuance of Refunding COPs is generally contingent upon the City realizing debt service savings based on that refinancing, when compared to the debt service costs of the original COPs.

Previous COPs Issuances

30 Van Ness Avenue 2001 COPs Issuance

In October 2001, the City issued \$35,320,000 in COPs (2001 COPs) to finance the acquisition and improvement of the office building located at 30 Van Ness Avenue¹. As of June 2013, \$28,895,000 in principal amount of the 2001 COPs remains outstanding.

Juvenile Hall Replacement Project 2003 COPs Issuance

In May 2003, the City issued \$41,965,000 in COPs (2003 COPs) to partially finance the costs of acquisition, improvement, construction and/or reconstruction of a new juvenile detention facility and related improvements at 375 Woodside Avenue (Juvenile Hall²) as well as the phased demolition and replacement of the building and infrastructure on the former Juvenile Hall site

¹ 30 Van Ness Avenue is a five-story building of 181,000 rentable square feet and a two-level parking garage with capacity for 40 vehicles.

² Juvenile Hall is an approximately 82,550 gross square feet facility with 110 sleeping rooms and 150-bed capacity along with a gymnasium, outdoor recreation areas, learning center, medical and dental facilities, central control station, and other related areas.

(Juvenile Hall Replacement Project). The Juvenile Hall Replacement Project was completed in February 2008. As of June 2013, \$34,850,000 in principal amount of the 2003 COPs remains outstanding.

San Francisco Courthouse Project 2004 COPs Issuance

In July 2004, the City issued \$39,350,000 in Refunding COPs (2004 Refunding COPs) to refund prior City COPs that had originally financed the construction financing, and equipping of the San Francisco Courthouse³ building located at 400 McAllister Street. The original project was completed in December 1997. As of June 2013, \$18,670,000 in principal amount of the 2004 Refunding COPs remains outstanding.

City Office Buildings 2007 COPs Issuance

In May 2007, the City issued \$152,120,000 in COPs (2007 COPs) to finance the acquisition of office buildings located at One South Van Ness Avenue⁴ and 1650 Mission Street⁵ as well as improvements to portions of One South Van Ness Avenue, 1650 Mission Street, and 30 Van Ness Avenue. As of June 2013, \$142,575,000 in principal amount of the 2007 COPs remains outstanding.

\$224,025,000 of Principal Remains Outstanding on 2001, 2003, and 2007 COPs and 2004 Refunding COPs

Table 1 summarizes the principal remaining on the four issuances whose refunding is the subject of the proposed resolution and ordinance.

Table 1: Remaining Principal as of June 2013 on COPs Proposed for Refunding

	Principal
2001 COPs	\$28,895,000
2003 COPs	34,850,000
2004 Refunding COPs	18,670,000
2007 COPs	142,575,000
Total	\$224,990,000

DETAILS OF PROPOSED LEGISLATION

13-0709: The proposed resolution would (a) authorize the issuance by the City of Refunding COPs in a not-to-exceed amount of \$236,000,00 to refinance in whole or part COPs previously issued to finance various capital improvements to the City (2013 Refunding COPs), (b) approve four separate facility leases, four separate lease agreements, an escrow agreement, a trust agreement, one or more official notices of sale, and one or more notices of intention to sell the 2013 Refunding COPs (c) provide for the manner of sale of Refunding COPs, whether by

³ The San Francisco Courthouse is a six-story building with approximately 230,000 square feet of space, including 38 courtrooms and hearing rooms that serves as a forum for the hearing for all civil, small claims, family law, probate and juvenile dependency matters by the City's courts.

⁴ One South Van Ness Avenue is an eight-story office building with 508,000 rentable square feet and a multi-level parking garage with a 120-vehicle capacity.

⁵ 1650 Mission Street is a five-story office building with approximately 217,000 rentable square feet and a parking garage with a 118-vehicle capacity.

competitive or negotiated sale, (d) direct the publication of the notice of intention to sell the 2013 Refunding COPs, (e) approve the form of the official statement in preliminary and final form, (f) approve the form of the continuing disclosure certificate, and (g) authorize the costs of issuance.

13-0707: The proposed ordinance would (a) appropriate \$236,000,000 of 2013 Refunding COPs proceeds, (b) de-appropriate \$2,386,750 in 2001 COPs prior reserve funds and re-appropriate \$2,386,750 to fund the 2013 Refunding COPs issuance, and (c) de-appropriate \$2,627,798 in 2003 COPs prior reserve funds and re-appropriate \$2,627,798 to fund the 2013 Refunding COPs issuance.

The funds to be re-appropriated of \$2,386,750 in 2001 COPs and \$2,627,798 in 2003 COPs, totaling \$5,014,548, are debt service reserves that are no longer needed and would serve as a source of funds for the refunding of the previously-issued COPs, as shown in Table 3 below.

The total appropriation under the proposed ordinance is \$241,014,548, including \$236,000,000 in 2013 Refunding COPs and \$5,014,548 in prior COPs' debt service reserves. \$241,014,548 would be placed on Controller's Reserve pending the sale of the 2013 Refunding COPs.

FISCAL IMPACTS

13-0709: Issuance of Not-to-Exceed \$236,000,000 in 2013 Refunding COPs

Ms. Nadia Sesay, Director of the Controller's Office of Public Finance, currently anticipates that the City would issue \$83,055,000 of the up to \$236,000,000 in 2013 Refunding COPs to refund the 2001 and 2003 COPs and 2004 Refunding COPs. The proposed 2013 Refunding COPs would be issued simultaneously in three separate issuances on the expected delivery and closing date of September 11, 2013, based on the separate authorizations for the 2001 and 2003 COPs, and 2004 Refunding COPs.

Ms. Sesay states that the City would issue up to \$152,945,000 of the remaining authorized \$236,000,000 in 2013 Refunding COPs when positive economic savings can be achieved.⁶ The \$152,945,000 in 2013 Refunding COPs includes refunding of the \$142,575,000 in 2007 COPs remaining principal, associated financing costs, and reserves for potential market fluctuations between the time of the Board of Supervisors approval of the proposed COPs and the anticipated COPs issuance dates.

Financing Agreements and Structure

The proposed not-to-exceed \$236,000,000 issuance of 2013 Refunding COPs by the City would lease the following five City-owned properties summarized in Table 2 below to the trustee, serving as collateral under the asset transfer model described above:

- 30 Van Ness Avenue;
- 375 Woodside Avenue;
- 400 McAllister Street;
- 1650 Mission Street; and

⁶ According to Ms. Sesay, Refunding COPs would only be issued for the 2007 COPs if a minimum of 3 percent net present value savings can be achieved.

- One South Van Ness Avenue.

According to Mr. John Updike, Director of the Department of Real Estate, the approximate total value of the five properties is \$393,000,000.

Amount of 2001 and 2003 COPs and 2004 Refunding COPs to be Refunded

As shown in Table 2 below, the amount of the COPs to be refunded in the first issuance is \$82,183,861, including the principal as of September 2013 and the interest expense.

Table 2: Amount of COPs to be Refunded

	Principal	Interest Expense from 9/11/2013 – 10/11/2013	Total Cost of Redeeming COPs
2001 COPs	\$27,930,000 ⁷	\$149,336	\$28,079,336
2003 COPs	34,850,000	174,655	35,024,655
2004 Refunding COPs	18,670,000	409,870	19,079,870
Total Estimated Cost	\$81,450,000	\$733,861	\$82,183,861

Sources and Uses: Issuance of \$83,055,000 in 2013 Refunding COPs

The estimated costs to refund the 2001 and 2003 COPs and 2004 Refunding COPs are \$88,069,547, as shown in Table 3 below, which includes \$83,055,000 in 2013 Refunding COPs and \$5,014,548 in prior debt service reserve funds for the 2001 and 2003 issuances.

Table 3: Sources and Uses of Initial Refunding COPs Issuance

	2001 COPs	2003 COPs	2004 COPs	Total
Sources				
Issuance Amount	\$28,295,000	\$35,415,000	\$19,345,000	\$83,055,000
Prior Reserve Fund	2,386,750	2,627,798	-	5,014,548
Total Sources	\$30,681,750	\$38,042,798	\$19,345,000	\$88,069,548
Uses				
Refunding Fund Deposit	\$28,078,874	\$35,024,079	\$19,079,562	\$82,182,516 ⁸
Financing Costs				
Debt Service Reserve Fund	2,216,863	2,536,314	-	4,753,177
Costs of Issuance	216,243	269,914	149,368	635,525
Underwriter's Discount	<u>169,770</u>	<u>212,490</u>	<u>116,070</u>	<u>498,330</u>
Financing Costs Subtotal	2,602,876	3,018,718	265,438	5,887,032
Total Uses	\$30,681,750	\$38,042,797	\$19,345,000	\$88,069,547⁹

⁷ The \$965,000 difference between the \$27,930,000 principal noted in Table 2 and the \$28,895,000 principal noted in Table 1 is due to the expectation of a debt service payment being made prior to the refunding.

⁸ Ms. Sesay advises that the difference of approximately \$1,345 between the total cost of redeeming the 2001, 2003, and 2004 COPs of \$82,183,861 (See Table 3 above) and the refund amount of \$82,182,516 (See Table 4 above) represents interest earned between the expected closing date and the redemption date.

⁹ The \$1.00 discrepancy between sources and uses is due to rounding.

Anticipated Annual Debt Service and Total Costs

Ms. Sesay anticipates that the initial \$83,055,000 in 2013 Refunding COPs would have an estimated annual interest rate of 3.88 percent, resulting in a total debt service cost of \$113,594,000 including (a) estimated total interest costs of \$30,539,000 and (b) estimated total principal costs of \$83,055,000.

Table 4 below summarizes the interest rate savings expected due to the refunding of the 2001, 2003, and 2004 COPs.

Table 4: Summary of Estimated Interest Rate Savings

	Average Interest Rate	Estimated Interest Rate on Refunding COPs	Savings
2001 COPs	4.91%	3.88%	1.03%
2003 COPs	4.63%	3.88%	0.75%
2004 COPs	4.29%	3.88%	0.41%

Ms. Sesay estimates that the City's proposed 2013 Refunding COPs would result in an estimated total savings to the City of approximately \$4,291,000 over the 21-year term of the \$83,055,000 in 2013 Refunding COPs to be issued. Ms. Sesay stated that the annual debt service payments would be paid over the next 21 years with both General Fund and non-General Fund revenues appropriated annually, subject to appropriation approval by the Board of Supervisors¹⁰.

13-0707: Proposed Appropriation of \$241,014,548

Table 5 below summarizes the proposed appropriation of \$241,014,548, including the proceeds of the 2013 Refunding COPs in an amount not-to-exceed \$236,000,000 along with the prior reserve funds of \$5,014,548 to be used to refund the 2001 and 2003, and 2004 Refunding COPs. The \$241,014,548 would be placed on Controller's reserve pending the sale of the 2013 Refunding COPs.

Table 5: Summary of Proposed Appropriation Ordinance

2013 Refunding COPs	\$236,000,000
Prior Reserve Funds	5,014,548
Total	\$241,014,548

¹⁰ Debt service on the 2013 Refunding COPs which would refund the 2003 COPs would be paid with General Fund revenues with debt service on the 2013 Refunding COPs refunding the 2001, 2004, and 2007 issuances all paid with non-General fund revenues.

POLICY CONSIDERATIONS

As noted above, the issuance of up to \$152,945,000 in 2013 Refunding COPs, including the refunding of the remaining principal of \$142,575,000 in 2007 COPs, would occur when positive economic savings can be achieved and no date is currently available for when that refunding would occur. In order to allow for maximum flexibility in scheduling the issuance of up to \$152,945,000 in 2013 Refunding COPs to achieve the maximum amount of savings for the City, the Budget and Legislative Analyst recommends approval of the proposed resolution and ordinance. However, the Office of Public Finance should provide an update to the Board of Supervisors on the details of the issuance once that information is known.

RECOMMENDATIONS

1. 13-0709: Amend the proposed resolution to require the Office of Public Finance to report to the Board of Supervisors on all planned issuances of 2013 Refunding COPs above the currently planned \$83,055,000 in 2013 Refunding COPs, once details are known.
2. 13-0709: Approve the proposed resolution as amended.
3. 13-0707: Approve the proposed ordinance as amended.