

File No. 250387

Committee Item No. 9

Board Item No. 10

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date May 21, 2025

Board of Supervisors Meeting Date June 3, 2025

Cmte Board

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Completed by: Brent Jalipa Date May 15, 2025

Completed by: Brent Jalipa Date May 29, 2025

[Appropriation - \$379,000,000 Including \$350,000,000 Series 2025R Certificates of Participation Refunding Proceeds and \$29,000,000 of Series 2017B Prior Debt Reserve Proceeds - FY2024-2025]

Ordinance appropriating \$379,000,000 consisting of \$350,000,000 of Refunding Certificates of Participation Series 2025R proceeds and \$29,000,000 of Series 2017B Prior Debt Service Reserve to the Refunding Certificates of Participation Series 2025R and placing these funds on Controller's Reserve pending the sale of the Certificates of Participation in Fiscal Year (FY) 2024-2025.

Note: Additions are single-underline italics Times New Roman;
deletions are ~~strikethrough italics Times New Roman~~.
Board amendment additions are double underlined.
Board amendment deletions are ~~strikethrough normal~~.

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

Section 1. The sources of funding outlined below are herein appropriated to reflect the projected sources of funding for FY2024-2025.

SOURCES Appropriation

Fund /	Project & Activity /	Account	Description	Amount
Department ID	Authority			
17462 - DSCOP	10026734 - GE General City	480121	Proceeds	\$350,000,000
REFUNDING	Services / 0001 - GE		From	
S2025R (2017B) /	General City Services /		Refunding Of	
230018 - GEN	10000 - Operating		Bond	
General City -				
Unallocated				
17462 - DSCOP	10026734 - GE General City	495020	ITI Fr	\$29,000,000
REFUNDING	Services / 0001 - GE		4D/COP-	
S2025R (2017B) /	General City Services /		Certificate of	
230018 - GEN	10000 - Operating		Participation	
General City -				
Unallocated				
Total SOURCES Appropriation				<u>\$379,000,000</u>

Section 2. The uses of funding outlined below are herein appropriated to reflect the projected funding available for FY2024-2025.

USES Appropriation

Fund /	Project & Activity /	Account	Description	Amount
Department ID	Authority			
17462 - DSCOP	10026734 - GE General City	508010	Pmt To	\$340,000,000
REFUNDING	Services / 0001 - GE		Refund Bond	
S2025R (2017B) /	General City Services /		Escrow Agnt	
230018 - GEN	10000 - Operating			
General City -				
Unallocated				
17462 - DSCOP	10026734 - GE General City	573610	Cost of	\$1,500,000
REFUNDING	Services / 0001 - GE		Issuance	
S2025R (2017B) /	General City Services /			
230018 - GEN	10000 - Operating			
General City -				
Unallocated				

	Fund /	Project & Activity /	Account	Description	Amount
	Department ID	Authority			
3	17462 - DSCOP	10026734 - GE General City	573610	Underwriters	\$4,000,000
4	REFUNDING	Services / 0001 - GE		Discount	
5	S2025R (2017B) /	General City Services /			
6	230018 - GEN	10000 - Operating			
7	General City -				
8	Unallocated				
9					
10	17462 - DSCOP	10026734 - GE General City	573610	Debt Service	\$27,000,000
11	REFUNDING	Services / 0001 - GE		Reserve Fund	
12	S2025R (2017B) /	General City Services /			
13	230018 - GEN	10000 - Operating			
14	General City -				
15	Unallocated				
16					
17	17462 - DSCOP	10026734 - GE General City	573610	Market	\$6,500,000
18	REFUNDING	Services / 0001 - GE		Uncertainty	
19	S2025R (2017B) /	General City Services /		Reserve	
20	230018 - GEN	10000 - Operating			
21	General City -				
22	Unallocated				
23					
24	Total USES Appropriation				<u><u>\$379,000,000</u></u>
25					

Section 3. 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 and other laws.

Section 4. To the extent that debt service is required in FY2024-2025 on previously issued certificates of participation prior to the refunding herein, the Controller is authorized to transfer funds as needed to maintain existing debt service.

Section 5. The uses of funding outlined above for \$379,000,000 are herein placed on Controller's Reserve pending sale of the Refunding Certificates of Participation.

APPROVED AS TO FORM:
DAVID CHIU, City Attorney

FUNDS AVAILABLE:
GREG WAGNER, Controller

By: /s/
BRADLEY RUSSI
Deputy City Attorney

By: /s/
CHIAYU MA
Deputy Controller

Items 8 & 9 Files 25-0386, 25-0387	Department: Controller's Office
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> The proposed ordinances would: (1) authorize the execution and delivery of refunding Certificates of Participation (COPs) and approve various documents in support of the sale of COPs (File 25-0386); and (2) appropriate \$379,000,000, consisting of \$350,000,000 of refunding COPs Series 2025R and \$29,000,000 of Series 2017B prior debt service reserve to the refunding COPs Series 2025R and placing these funds on Controller's Reserve pending the sale of the COPs (File 25-0387). <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> In 2013, the Board of Supervisors approved the issuance of not to exceed \$507,880,000 in COPs to finance the expansion of the Moscone Convention Center. In 2017, the Office of Public Finance (OPF) issued the COPs in a principal amount of \$412,355,000 (Series 2017B COPs). To finance the improvements, tourist hotels in the City voted to establish the Moscone Expansion District (MED), which created an assessment based on hotel room revenue, and pays debt service in excess of an annual base contribution from the City's General Fund. OPF plans to issue refunding COPs, in an amount not to exceed \$350,000,000, to refinance the outstanding Series 2017B COPs. The proposed refunding COPs would mature in 2042 with an interest rate of 3.49 percent. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> OPF estimates that the Refunding COPs would have annual principal and interest payments of approximately \$24.2 million per year, which is less than the approximately \$27.2 million annual debt service of outstanding COPs. Total debt service over the anticipated 17-year term is estimated to be approximately \$405.8 million. According to the City's Debt Policy, refunding COPs may only be issued if the transaction produces debt service savings of at least three percent of the par value of the refunded COPs, on a net present value basis. Interest rates have recently increased and the net present value of the debt service savings of the proposed refunding debt no longer meets the three percent minimum savings threshold. The refunding COPs would only be issued if interest rates decline and savings meet this threshold. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> Approve the proposed ordinances. 	

MANDATE STATEMENT

City Administrative Code Section 10.62(b) states that the Board of Supervisors may authorize the issuance of Certificates of Participation (COPs) and other lease financing debt to fund capital projects provided the annual debt service cost of such outstanding indebtedness does not exceed 3.25% of discretionary revenue as determined by the Controller and Director of Public Finance.

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.

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) any modification of such contracts of more than \$500,000 is subject to Board of Supervisors approval.

BACKGROUND

The City issues Certificates of Participation (COPs) to partially fund various aspects of its capital planning program. In 2013, the Board of Supervisors approved the issuance of not to exceed \$507,880,000 in COPs to finance the expansion of the Moscone Convention Center (Files 13-0015, 13-0016). The plan at the time included an expansion of 371,000 square feet, or approximately 35 percent of the existing premises, with an estimated cost of approximately \$500 million. In 2017, the Office of Public Finance (OPF) issued the COPs in a principal amount of \$412,355,000 (Series 2017B COPs).

To finance the improvements, tourist hotels in the City voted to establish the Moscone Expansion District (MED), which created an assessment based on hotel room revenue.¹ The MED revenues are paid in excess of an annual base contribution from the City's General Fund, which started at \$8.2 million in FY 2018-19 and increases three percent per year through FY 2027-28 up to a cap of \$10.7 million annually. The 2017B COPs have an optional call date of October 1, 2025, which allows the City to refinance the COPs on or after that date if interest rates could produce savings for the City. Exhibit 1 below summarizes the COPs that could be refinanced for savings.

Exhibit 1: Outstanding COPs to Be Eligible for Refinancing

COP Series	Par Amount Outstanding	Average Interest Rate	Optional Call Date	Final Maturity	Average Annual Debt Service
2017B COPs	\$332,515,000	4%	10/1/2025	4/1/2042	\$27,200,000

Source: OPF

¹ The MED assessment is 1.25 percent of gross revenues for hotels in Zone 1, which is defined as the area east of Van Ness Avenue or South Van Ness Avenue and north of 16th Street, and 0.3125 percent of gross revenues for hotels in Zone 2, which is defined as the area west of Van Ness Avenue or South Van Ness Avenue and south of 16th Street. MED hotel revenues were not sufficient to pay COP debt service during the pandemic and the \$11.7 million deficit was covered by the General Fund. This amount has not yet been repaid.

DETAILS OF PROPOSED LEGISLATION

File 25-0386 is an ordinance that would: (1) authorize the execution and delivery of COPs to prepay rental payments due to U.S. Bank and Trust Company, National Association (U.S. Bank), as successor project trustee; (2) approve the form of a Supplement to Trust Agreement between the City and U.S. Bank; (3) approve respective forms of a Supplement to Property Lease and a Supplement to Project Lease, each between the City and U.S. Bank for the lease and lease back to the City of real property and improvements at 747 Howard Street or other property; (4) approve the form of the Escrow Agreement between the City and U.S. Bank, as escrow agent; (5) approve the form of an Official Notice of Sale and Notice of Intention to Sell the COPs; (6) approve the form of an Official Statement in preliminary and final form; (7) approve the form of a purchase contract between the City and one or more initial purchasers of the COPs; (8) approve the form of a Continuing Disclosure Certificate; (9) grant general authority to City officials to take necessary actions in connection with the authorization, sale, execution, and delivery of COPs; (10) approve modifications to documents, including the release of property; and (11) ratify previous actions taken.

File 25-0387 is an ordinance appropriating \$379,000,000, consisting of \$350,000,000 of Refunding COPs Series 2025R proceeds and \$29,000,000 of 2017B Prior Debt Service Reserve to the Refunding COPs Series 2025R and placing these funds on Controller's Reserve pending the sale of the COPs. The earliest the refinancing would be completed is in FY 2025-26.

Certificates of Participation

OPF plans to refund the 2017B COPs with the proposed Series 2025R Refunding COPs. Series 2025R Refunding COPs may be issued any time after the optional call date of October 1, 2025. OPF anticipates that the 2025R Refunding COPs would be tax exempt. OPF estimates that the COPs would be paid over 17 years with an estimated true interest cost of 3.49 percent. However, according to OPF, interest rates and capital markets are currently volatile, so actual interest rates at the time of issuance are subject to change.

According to the City's Debt Policy, refunding COPs may only be issued if the transaction produces debt service savings of at least three percent of the par value of the refunded bonds on a net present value basis. The proposed ordinance authorizes the refunding of any outstanding 2017B COP maturities not refunded by the series 2025R at a later date, although OPF anticipates refunding the entire outstanding 2017B COPs at one time. OPF anticipates the pricing and closing of the transaction in Fall 2025.

City Property Securing COPs

The 2017B COPs are structured as a lease-lease back, in which the City-owned northern portion of the Moscone Convention Center (Moscone North), located at 747 Howard Street, serves as the leased property to a trustee (U.S. Bank) to secure the City's outstanding COPs. The City's lease payments are equal to the debt service of the outstanding COPs and the properties are leased back to the City for its use. When the COPs are fully paid, the property lease is terminated. New

COP series are added to the structure through supplemental agreements between the City and the trustee.

OPF, in consultation with its municipal advisor KNN Public Finance, anticipates adding Moscone North to the City's larger Master Lease portfolio to create a stronger credit profile. The Master Lease currently includes Laguna Honda Hospital, the San Bruno Jail Complex, and the office building at 1 South Van Ness and is used to support seven other existing series of COPs.

Competitive or Negotiated Sale

The proposed ordinance permits the COPs to be sold through a negotiated or competitive sale. OPF will determine if a negotiated or competitive sale will be more advantageous based on market conditions closer to the sale of the COPs in consultation with its municipal advisor. If the COPs are sold via negotiated sale with an underwriter (or underwriters), terms, covenants, and conditions for the sale of the COPs will be detailed in the Purchase Contract. In line with City policies, for a negotiated sale, the City would issue a Request for Proposals (RFP) to the prequalified firms in the City's established Underwriter Pool.

FISCAL IMPACT

The \$379,000,000 appropriation includes \$350,000,000 in Refunding COPs proceeds and \$29,000,000 of COP prior reserve funds. Proposed uses of the \$379,000,000 appropriation include \$340,000,000 to refund the selected COPs series, \$5,500,000 in financing costs (including the cost of issuance and underwriter's discount), \$27,000,000 for a debt service reserve, and \$6,500,000 for market uncertainty pending the sale of the COPs. The sources and uses of COPs proceeds are shown in Exhibit 2 below.

Exhibit 2: Sources and Uses of Refunding COPs

Sources	Amount
Refunding COP Proceeds	\$350,000,000
Prior Reserve Funds	29,000,000
Total Sources	\$379,000,000

Uses	Amount
Refunding Escrow	\$340,000,000
Cost of Issuance ²	1,500,000
Underwriter's Discount	4,000,000
Debt Service Reserves	27,000,000
Reserve for Market Uncertainty	6,500,000
Total Uses	\$379,000,000

Source: Proposed Appropriation Ordinance

² Cost of issuance includes fees paid to rating agencies, bond and disclosure counsel, municipal advisor, title insurance, trustee fees, and reimbursement for City staff time.

Debt Service

OPF estimates that the Refunding COPs would have annual principal and interest payments of approximately \$24.2 million per year and an estimated true interest cost of 3.49 percent. This is less than the debt service of outstanding COPs, which, as noted above, is approximately \$27.2 million per year. Total debt service over the anticipated 17-year term is estimated to be approximately \$405.8 million. Debt service on the Refunding COPs would continue to be paid by MED assessments in excess of the City's General Fund annual base contribution, which started at \$8.2 million in FY 2018-19 and increases three percent per year through FY 2027-28 up to a cap of \$10.7 million annually. Debt service savings would enable MED to repay approximately \$11.7 million owed to the City's General Fund at an accelerated rate.³

Based on market conditions as of March 2025 and an estimated true interest cost of 3.49 percent, OPF estimates that, with the contribution of the 2017B debt service reserve fund and assuming no new debt service reserve fund, the refunding of the 2017B COPs would result in a total of approximately \$22.7 million in nominal savings over the term of the refunding COPs. If the Refunding COPs are issued without a reserve fund, the total amount issued would be less than \$350 million. OPF notes that market conditions are volatile and may be different at the time of issuance.

City Debt Policy

According to the City's Debt Policy, refunding COPs may only be issued if the transaction produces debt service savings of at least three percent of the par value of the refunded COPs, on a net present value basis. Based on Good Faith Estimates from KNN Public Finance in March 2025, the net present value of the debt service savings of the proposed refunding debt is estimated to be approximately \$10.2 million, which, at 3.1 percent, is more than the three percent minimum savings threshold. However, according to Bridget Katz, OPF Deputy Director, the interest rates have increased by approximately 0.4 percent since March 2025, and the debt service savings no longer meet the three percent minimum. The refunding COPs would only be issued if interest rates decline and savings meet the three percent minimum savings threshold. In addition, OPF reports that Good Faith Estimates are conservative to reflect the potential for future changes in market conditions and interest rates.

RECOMMENDATION

Approve the proposed ordinances.

³ Due to the decline in hotel revenues during the COVID-19 pandemic, the General Fund covered \$11,658,897 in MED debt service payments. MED owes this amount back to the General Fund.



Refunding Certificates of Participation Series 2025R

- Ordinance authorizing the execution and delivery of refunding Certificates of Participation to prepay the currently outstanding Series 2017B certificates of participation
- Supplemental ordinance appropriating the proceeds of the 2025R Refunding COPs



**Budget & Finance
Committee**

May 21, 2025

Proposed Refunding Certificates of Participation

- The City has identified the 2017B COPs as a potential refunding candidate:

Outstanding Series	Par Amount Outstanding	Average Interest Rate	First Optional Call Date	Final Maturity	Average Annual Debt Service
2017B COPs	\$332,515,000	4%	10/1/2025	4/1/2042	\$27.2 million

- The 2017B COPs were issued to finance and refinance various capital improvements associated with the City’s Moscone Convention Center Expansion Project (the “Project”)
- To help finance the Project, tourist hotels in the City voted to establish the Moscone Expansion District (MED), which created an assessment based on hotel room revenue
- MED assessments are available to pay debt service on the 2017B COPs for amounts exceeding the City’s annual general fund base contribution
- Surpluses in MED assessments are first used to fund a Stabilization Fund up to \$15,000,000 and subsequently to repay any City contribution exceeding the general fund base contribution

Proposed Refunding Certificates of Participation

Financing Estimates*

- Par amount: \$276.0M
- Final Maturity: April 1, 2042
- True Interest Cost: 3.49%
- Average Annual Debt Service: \$24.2M

Lease-Lease Back Structure

- The 2017B COPs are currently secured under a standalone lease agreement with the northern portion of the Moscone Convention Center (“Moscone North”) serving as the leased asset
- The Refunding COPs will be added to the City’s Master Lease, which currently includes the Laguna Honda Hospital Campus, San Bruno Jail Complex, and One South Van Ness. It is anticipated that Moscone North will be added to the pool of City assets

Sources and Uses (Supplemental Appropriation)

Sources:

COP Proceeds	\$350,000,000
Prior Reserve Funds	29,000,000
Total Sources	\$379,000,000

Uses:

Refunding Escrow	\$340,000,000
Issuance Expenses and Reserve Fund	32,500,000
Market Uncertainty Reserve	6,500,000
Total Uses	\$379,000,000

**Preliminary estimates as of March 26, 2025
Provided by the City’s Municipal Advisor, KNN Public*

Anticipated Financing Timeline

Milestones	Dates
• Introduction of Legislation to Board of Supervisors	April 15, 2025
• Budget and Finance Committee	May 21, 2025
• Board of Supervisors Considers Ordinances (1 st Hearing)	June 3, 2025
• Board of Supervisors Considers Ordinances (2 nd Hearing)	June 10, 2025
• Sale and Closing of COPs	Fall 2025*

**Anticipated, timing may vary based on market conditions.*

Thank you



OFFICE OF THE CONTROLLER

CITY AND COUNTY OF SAN FRANCISCO

Greg Wagner
Controller

ChiaYu Ma
Deputy Controller

Anna Van Degna
Public Finance Director

MEMORANDUM

TO: Board of Supervisors of the City and County of San Francisco

FROM: Controller's Office of Public Finance

DATE: **April 15, 2025**

SUBJECT: Ordinance Authorizing Refunding Certificates of Participation,
Series 2025R (Multiple Capital Improvement Projects)

Supplemental Appropriation Ordinance for Refunding Certificates of Participation

Recommended Action

We respectfully request that the Board of Supervisors (the "Board") review and consider for adoption the ordinance (the "COP Authorizing Ordinance") authorizing the execution and delivery of the Series 2025R Refunding Certificates of Participation (Multiple Capital Improvement Projects) (the "Refunding COPs") to refinance the previously issued and outstanding Series 2017B Certificates of Participation (Moscone Convention Center Expansion Project) (the "2017B COPs"). A supplemental ordinance appropriating the proceeds of the Refunding COPs will be introduced to the Board to accompany the COP Authorizing Ordinance (together the "Ordinances").

Background

The City and County of San Francisco (the "City") has traditionally funded various parts of its capital planning program through the issuance of Certificates of Participation ("COPs"). When the City issues COPs it typically includes an optional call feature allowing the City to refinance the outstanding principal or par amount after a specified optional call date, should interest rates produce savings for the City. The City's currently outstanding 2017B COPs have an optional call date of October 1, 2025, such that the City will be able to refund the outstanding 2017B COPs later this year. A summary of the 2017B COPs is shown in **Table 1** below:

Table 1: Summary of 2017B COPs

Outstanding Series	Par Amount Outstanding	Average Interest Rate	Optional Call Date	Final Maturity	Average Annual Debt Service
2017B COPs	\$332,515,000	4.03%	10/1/2025	4/1/2042	\$27,200,000

The 2017B COPs were issued on July 6, 2017, to finance and refinance the costs of certain capital improvements associated with the City's Moscone Convention Center Expansion Project (the "Project"). As part of the plan of finance for the Project, non-residential hotels located within the City voted to establish the Moscone Expansion District (the "MED") in 2013 to help finance the cost of improvements. The City is authorized to charge each hotel an assessment based on its revenues from room rentals ("MED Assessments").

As outlined in the adopted MED Management Plan (Board File #131128), MED Assessments are available to pay for debt service on the 2017B COPs for amounts in excess of the City's annual general fund Base Contribution (as defined in the MED Management Plan). The City's Base Contribution started at \$8.2 million in fiscal year 2018-19, increasing by 3% per year through fiscal year 2027-28 up to a cap of \$10.7 million annually for the remainder of the term of the 2017B COPs or the proposed Refunding COPs. The City's obligation to pay debt service on the 2017B COPs or the Refunding COPs is not based or contingent upon the amount of available MED Assessments.

Plan of Finance

The COP Authorizing Ordinance would authorize the issuance of not-to-exceed \$350,000,000 in Refunding COPs to refinance the 2017B COPs. At current market rates, the Refunding COPs are projected to generate savings; however, interest rates and capital markets are subject to volatility. The Controller's Office of Public Finance ("OPF") will continue to monitor market conditions through the anticipated pricing and closing of the transaction in the fall of 2025. In accordance with the City's approved Debt Policy, the Refunding COPs will only be issued if the transaction produces minimum debt service savings of at least 3% of the par value of the refunded bonds on a net present value basis, using the refunding issue's True Interest Cost ("TIC") as the discount rate.

For good faith estimates required by Code Section 5852.1 of the California Government Code regarding the proposed financing, see **Attachment 1**. The information set forth in **Attachment 1** is based on estimates of prevailing market conditions. Actual results may differ if assumed market conditions change.

The not-to-exceed sources and uses included in the Supplemental Appropriation Ordinance for the Refunding COPs is shown below in **Table 2**:

Table 2: Supplemental Appropriation Ordinance for the Refunding COPsSources:Refunding COP Proceeds

Not-To-Exceed Par Amount	\$350,000,000
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Prior 2017B Debt Service Reserve Fund	<u>\$29,000,000</u>
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Total Sources	\$379,000,000
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Uses:2017B COPs Repayment

Refunding Escrow	\$340,000,000
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Delivery Date Expenses

Cost of Issuance	\$1,500,000
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Underwriter's Discount	\$4,000,000
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Debt Service Reserve Fund	\$27,000,000
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Total Uses	\$372,500,000
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<i>Plus: Reserve for Market Uncertainty</i>	<i>\$6,500,000</i>
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Total Uses (including Reserve for Market Uncertainty)	\$379,000,000
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The Capital Plan

The anticipated debt service associated with the delivery and execution of the Refunding COPs will be lower than the existing debt service of the 2017B COPs and, therefore, complies with the City's policy of limiting General Fund debt service payments at or below 3.25% of General Fund Discretionary Revenue, as set forth and maintained in the City's Capital Plan adopted per Resolution 626-24 in December 2024.

The Refunding COPs

Under the proposed Refunding COPs Ordinance, the City will structure the Refunding COPs using a lease-lease back structure. The 2017B COPs are currently structured as a standalone lease agreement, wherein the northern portion of the Moscone Convention Center ("Moscone North"), located at 747 Howard Street, serves as the sole leased asset. As compared to a standalone lease, OPF, in consultation with its municipal advisor, has determined that adding the Refunding COPs to the City's existing shared lease (the "Master Lease") will likely result in a stronger credit profile, allowing the Refunding COPs to be issued at lower interest rates. The Master Lease currently supports the City's outstanding Series 2019R-1 COPs, Series 2020-R1 COPs, Series 2021A COPs, Series 2023A COPs, Series 2023B COPs, Series 2024-R1 COPs, and Series 2024A COPs (the "Master Lease COPs") by utilizing subsequent supplement agreements as permitted by the Original Trust

Agreement, Original Property Lease, and Original Project Lease, each by and between the City and a third-party trustee, currently U.S. Bank National Association (the "Trustee").

The Master Lease currently includes the City-owned Laguna Honda Hospital campus located at 375 Laguna Honda Boulevard, San Francisco; the San Bruno Jail Complex located at 1 Moreland Drive, San Bruno; and the office building located at 1 South Van Ness, San Francisco. The current plan of finance assumes that Moscone North will be added to the other properties under the Master Lease (together, the "Leased Properties"). The Public Finance Director can designate additional properties to be added as assets under the Master Lease as needed.

Original Property Lease and Original Project Lease: Pursuant to the Original Property Lease, the City leases City-owned property to the Trustee. Pursuant to the Original Project Lease, the City leases back the leased property, together with the improvements thereon, from the Trustee. The City makes annual base rental payments to the Trustee in amounts representing the fair rental value for the improved leased property and equal to the amounts required to repay the Master Lease COPs. When the Master Lease COPs are finally paid, the Property Lease and Project Lease (each as supplemented) terminate. The City's general fund secures the payment of the City's rental payments in respect to the Master Lease COPs.

Original Trust Agreement: Pursuant to the Original Trust Agreement between the City and the Trustee acting on behalf and for the benefit of Master Lease COPs holders, the Trustee administers and disburses payments with respect to the Master Lease COPs and enforces the covenants and remedies in the event of a default by the City. The Trust Agreement provides for the terms of the Master Lease COPs, prepayment provisions, events of default, remedies in the event of default, and other related administrative provisions. The Trustee holds proceeds derived from the sale of the Master Lease COPs and disburses payments for the costs incurred for the Project, as directed by authorized City representatives.

The subsequent supplements to the Original Property and Project Leases, each between the City and the Trustee, require the City to make base rental payments on each September 25 and March 25 during the term of the supplemental leases in an amount sufficient to pay total base rental payments when due.

The subsequent supplement to the Original Trust Agreement between the City and the Trustee requires that the base rental payments be deposited in the base rental fund maintained by the trustee. On October 1 and April 1 of each year during the term of the Trust Agreement, the Trustee will apply such amounts as is necessary to make debt service payments with respect to the Master Lease COPs.

Additional Information

The forms of the related financing documents—including the Preliminary Official Statement, Bond Purchase Contract, Notice of Intention to Sell, Appendix A, the Continuing Disclosure Certificate and related documents—will also be submitted, as described below.

Official Statement: The Official Statement provides information for prospective bidders and investors in connection with the public offering by the City of the Refunding COPs. The Official Statement describes the Refunding COPs, including sources and uses of funds; security for the Refunding COPs; 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 Refunding COPs.

A *Preliminary Official Statement* is distributed to prospective investors prior to the sale of the Refunding COPs. Within seven business 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 Refunding COPs.

The Board of Supervisors and the Mayor, in adopting and approving the proposed COP Authorizing Ordinance, approve and authorize the use and distribution of the Official Statement by the City's Municipal Advisor with respect to the Refunding COPs. In accordance with rule 15c2-12 of the Securities and Exchange Act of 1934, the Controller will certify, on behalf of the City, that the Preliminary and Final Official Statements are "deemed final" as of their respective dates.

Form of Official Notice of Sale and Notice of Intention to Sell (if the Refunding COPs are sold competitively): The Notice of Intention to Sell provides legal notice to prospective bidders of the City's intention to sell the Refunding COPs. Such Notice of Intention to Sell will be published once in "The Bond Buyer" or another financial publication generally circulated throughout the State of California.

The Official Notice of Sale for the Refunding COPs announces the date and time of a competitive sale, including the terms relating to the Refunding COPs; the terms of sale, form of bids, and delivery of bids; and closing procedures and documents.

The Official Bid Form attached to the Official Notice of Sale is the form of the official bid for the purchase of the Refunding COPs. Pursuant to the COP Authorizing Ordinance, the Controller is authorized to award the Refunding COPs 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.

Form of Purchase Contract (if the Refunding COPs are sold on a negotiated basis): The City will work with its Municipal Advisor to determine whether a negotiated or competitive sale will be most advantageous for the transaction based on market conditions closer to the sale of the Refunding COPs. Should the Refunding COPs be sold via a negotiated sale with an underwriter(s), the Purchase Contract will be the document that details the terms, covenants, and conditions for the sale of the Refunding COPs through selected underwriter(s), as well as agreements regarding expenses, closing and disclosure documents. For a negotiated sale, the City would work with its Municipal Advisor to select qualified firms from the City's Underwriter Pool via a competitive Request for Proposal ("RFP") process.

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 Refunding COPs in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5).

Anticipated Financing Timeline

Milestones	Dates*
• Introduction of the Ordinances at the Board of Supervisors	April 15, 2025
• Budget and Finance Committee Hearing for Ordinances	May 21, 2025
• Board Consideration of the Ordinances (1 st Reading)	June 3, 2025
• Final Board Consideration of Ordinances (2 nd Reading)	June 10, 2025
• Sale and Closing of the Refunding COPs	Fall 2025

*Please note that dates are estimated unless otherwise noted.

Please feel free to contact Anna Van Degna (Anna.VanDegna@sfgov.org), Bridget Katz (Bridget.Katz@sfgov.org), or Grant Carson (Grant.Carson@sfgov.org) if you have any questions. Your consideration of this matter is greatly appreciated.

Attachment 1

GOOD FAITH ESTIMATES

For purposes of compliance with Section 5852.1 of the California Government Code, the following information are good faith estimates provided by the City's Municipal Advisor, KNN Public Finance.

1. True interest cost of the COPs: 3.49%
2. Finance charge for the COPs, including all fees and charges for third parties (including underwriter's compensation, municipal advisory fees, co-bond counsel fees, disclosure counsel fees, trustee fees and other payments to third parties): \$2,384,823.
3. Amount of COP proceeds expected to be received by the City, net of payments identified in 2 above and any reserve fund or capitalized interest funded with proceeds of the COPs: \$304,793,622.
4. Total payment amount for the COPs, being the sum of (a) debt service on the COPs to final maturity, and (b) any financing costs not paid from proceeds of the COPs: \$405,780,802.

The information set forth above is based on estimates of prevailing market conditions as of March 26, 2025. Actual results may differ if assumed market conditions change.

OFFICE OF THE MAYOR
SAN FRANCISCO



DANIEL LURIE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Adam Thongsavat, Liaison to the Board of Supervisors
RE: [Appropriation - \$379,000,000 Including \$350,000,000 Series 2025R Certificates of Participation Refunding Proceeds and \$29,000,000 of Series 2017B Prior Debt Reserve Proceeds - FY2024-25]
DATE: April 15, 2025

Ordinance appropriating \$379,000,000 consisting of \$350,000,000 of Refunding Certificates of Participation Series 2025R proceeds and \$29,000,000 of Series 2017B Prior Debt Service Reserve to the Refunding Certificates of Participation Series 2025R and placing these funds on Controller's Reserve pending the sale of the Certificates of Participation in Fiscal Year (FY) 2024-2025.

Should you have any questions, please contact Adam Thongsavat at adam.thongsavat@sfgov.org