

File No. 140840

Committee Item No. 24

Board Item No. 44

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Sub-Committee

Date July 23, 2014

Board of Supervisors Meeting

Date July 29 2014

Cmte Board

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Completed by: Linda Wong Date July 18, 2014

Completed by: Linda Wong Date 7/23/14

1 [Issuance of General Obligation Bonds - Earthquake Safety and Emergency Response
2 Bonds, 2014 - Not to Exceed \$400,000,000]

3 **Resolution providing for the issuance of not to exceed \$400,000,000 aggregate**
4 **principal amount of City and County of San Francisco general obligation bonds**
5 **(Earthquake Safety and Emergency Response Bonds, 2014); authorizing the execution,**
6 **authentication, and registration of said bonds; providing for the levy of a tax to pay the**
7 **principal and interest thereof; providing for the appointment of depositories and other**
8 **agents for said bonds; providing for the establishment of accounts related thereto;**
9 **adopting findings under the California Environmental Quality Act (CEQA), the CEQA**
10 **guidelines and San Francisco Administrative Code, Chapter 31; finding that the**
11 **proposed project is in conformity with the eight priority policies of Planning Code,**
12 **Section 101.1(8), and with the General Plan consistency requirement of Charter,**
13 **Section 4.105, and Administrative Code, Section 2A.53; ratifying certain actions**
14 **previously taken; and granting general authority to City officials to take necessary**
15 **actions in connection with the authorization, issuance, sale and delivery of said bonds.**

16
17 WHEREAS, By Resolution No. 34-14 adopted by the Board of Supervisors (the
18 "Board") of the City and County of San Francisco (the "City") on February 4, 2014, it was
19 determined and declared that public interest and necessity demands the construction,
20 acquisition, improvement, and retrofitting of earthquake safety and emergency
21 responsiveness facilities and infrastructure therein described; and

22 WHEREAS, By Ordinance No. 16-14 adopted by the Board on February 4, 2014, the
23 Board duly called a special election to be held on June 3, 2014, for the purpose of submitting
24 to the electors of the City a proposition to incur bonded indebtedness of the City in the amount
25 of \$400,000,000 for the improvement, retrofitting, rehabilitation and completion of earthquake

1 safety and emergency responsiveness facilities and infrastructure, as therein described (the
2 "Project"); and

3 WHEREAS, A special election was held in the City on June 3, 2014, for the purpose of
4 submitting to the qualified voters of the City said proposition, denominated as Proposition A,
5 as follows:

6 "SAN FRANCISCO EARTHQUAKE SAFETY AND EMERGENCY RESPONSE BOND,
7 2014. To improve fire, earthquake and emergency response by: improving and/or
8 replacing deteriorating cisterns, pipes, and tunnels, and related facilities to ensure
9 firefighters a reliable water supply for fires and disasters; improving and/or replacing
10 neighborhood fire and police stations; replacing certain seismically unsafe police and
11 medical examiner facilities with earthquake-safe buildings and to pay related costs,
12 shall the City and County of San Francisco issue \$400,000,000 in general obligation
13 bonds, subject to citizen oversight and regular audits?"

14
15 and the requisite two-thirds of voters approved such proposition; and

16 WHEREAS, This Board has determined, and does hereby declare that it is necessary
17 and desirable that all of said bonds designated generally as "City and County of San
18 Francisco General Obligation Bonds (Earthquake Safety and Emergency Response, 2014)"
19 (the "Bonds") in the aggregate principal amount of \$400,000,000 be issued and sold in series
20 from time to time, for the purposes authorized and on the conditions set forth in this
21 Resolution; and

22 WHEREAS, The Bonds will be payable from proceeds of the annual tax levy, as
23 provided herein; and
24
25

1 WHEREAS, The City has paid and expects to pay certain expenditures in connection
2 with the Project to be financed by the Bonds prior to the issuance and sale of each series of
3 the Bonds to be sold, and the City intends to reimburse itself and to pay third parties for such
4 prior expenditures from the proceeds of each series of Bonds; and

5 WHEREAS, Section 1.150-2 of the Treasury Regulations promulgated under the
6 Internal Revenue Code of 1986 (the "Treasury Regulations") requires the City to declare its
7 official intent to reimburse prior expenditures with the proceeds of a subsequent borrowing;
8 and

9 WHEREAS, The Treasury Regulations require that any reimbursement allocation of
10 proceeds of a series of Bonds be made with respect to expenditures incurred prior to the
11 issuance of such series of Bonds will occur not later than eighteen (18) months after the later
12 of (i) the date on which the expenditure is paid or (ii) the date on which the facilities are placed
13 in service, but in no event later than three (3) years after the expenditure is paid; and

14 WHEREAS, The Bonds are being issued pursuant to (i) this Resolution duly adopted
15 by the Board, (ii) Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the California Government
16 Code, (iii) the Charter of the City (the "Charter") and (iv) a duly held election; and

17 WHEREAS, Pursuant to Section 9.106 of the Charter, there shall be delivered a
18 certificate of a duly authorized officer of the City, concurrently with the issuance of each series
19 of Bonds, except for any series of Bonds issued to refund any bond anticipation notes issued
20 in anticipation of the issuance of such series of Bonds, stating that the outstanding general
21 obligation bond indebtedness of the City, including all series of the Bonds issued and to be
22 issued and outstanding on the date of delivery of such series, will not exceed three percent of
23 the assessed value of all taxable real and personal property located within the City; now,
24 therefore, be it
25

1 RESOLVED, By the Board of Supervisors of the City and County of San Francisco, as
2 follows:

3 Section 1. Recitals. All of the recitals herein are true and correct.

4 Section 2. Conditions Precedent. Subject to certification to the Board by the Registrar
5 of Voters of the City that more than two-thirds of the votes cast on Proposition B favored the
6 incurring of such bonded indebtedness, all conditions, things and acts required by law to exist,
7 to happen and to be performed precedent to the adoption of this Resolution authorizing the
8 issuance of the Bonds exist, have happened and have been performed in due time, form and
9 manner in accordance with applicable law, and the City is now authorized pursuant to the
10 Charter and applicable law to incur indebtedness in the manner and form provided in this
11 Resolution.

12 Section 3. Issuance of the Bonds. The Board hereby authorizes the issuance and sale
13 of \$400,000,000 aggregate principal amount of the Bonds. The Bonds may be sold in one or
14 more series (each series of such Bonds to bear such additional or other designation as may
15 be necessary or appropriate to distinguish such series from every other series and from other
16 bonds issued by the City) as the Board shall determine, and shall be sold in accordance with
17 law, as such law may from time to time be amended, supplemented or revised, and on the
18 terms and conditions approved by the Board in this Resolution, as supplemented by such
19 other resolution or resolutions relating to such series of Bonds and as provided in the
20 resolution of the Board authorizing and directing the sale of each series of Bonds (each, a
21 "Sale Resolution"). The offering and sale of the Bonds may be aggregated with the offering
22 and sale of other general obligation bonds being issued by the City, as authorized from time to
23 time by the Board.

24 Section 4. Execution and Authentication. The Sale Resolution for each series of Bonds
25 shall set forth the form of such Bond, with such necessary or appropriate variations, omissions

1 and insertions as may be permitted by resolution. "CUSIP" identification numbers may be
2 imprinted on Bonds, but such numbers shall not constitute a part of the contract evidenced by
3 the Bonds and any error or omission with respect thereto shall not constitute cause for refusal
4 of any purchaser to accept delivery of and to pay for the Bonds. In addition, failure on the part
5 of the City to use such CUSIP numbers in any notice to owners of the Bonds shall not
6 constitute an event of default or any violation of the City's contract with such owners and shall
7 not impair the effectiveness of any such notice.

8 The Bonds shall be signed by the Mayor of the City and countersigned by the Clerk of
9 the Board. All signatures hereinbefore referred to may be facsimile or manual. The Treasurer
10 of the City (the "City Treasurer") shall authenticate the Bonds by manual signature, and when
11 so executed and authenticated, the Clerk of the Board shall deliver the Bonds to or for the
12 account of the purchasers in exchange for the purchase price thereof.

13 In case such officer(s) whose signature(s) or countersignature(s) appear(s) on a Bond
14 shall cease to be such officer(s) before the delivery of such Bond to the purchaser, such
15 signature(s) or countersignature(s) shall nevertheless be valid and sufficient for all purposes
16 as if the officer(s) had remained in office until the delivery of such Bond.

17 Section 5. Transfer or Exchange and Registration of Bonds. Any Bond may be
18 transferred or exchanged in accordance with its terms and the resolution authorizing its sale.
19 Each Bond shall be registered in accordance with the resolution authorizing its sale.

20 Section 6. General Redemption Provisions. The terms of the redemption (whether
21 optional or mandatory redemption), if any, of any series of Bonds and the manner prescribed
22 for notice of any redemption of such series of Bonds shall be set forth in the resolution
23 authorizing the sale of the Bonds to be redeemed.

1 Each Sale Resolution shall provide that the City Treasurer shall establish a
2 Redemption Account for such series of Bonds and shall further provide for the deposit and
3 application of moneys in such Redemption Account.

4 Section 7. Tax Levy. For the purpose of paying the principal of and interest on the
5 Bonds, the Board at the time of fixing the general tax levy shall fix, and in the manner
6 provided for such general tax levy, levy and collect annually until the Bonds are paid, or until
7 there shall be a sum set apart for that purpose in the treasury of the City sufficient to meet all
8 sums coming due for payment of principal of and interest on the Bonds, a tax sufficient to pay
9 the annual interest on the Bonds as the same becomes due and also such part of the principal
10 thereof as shall become due before the proceeds of a tax levied at the time for making the
11 next general tax levy can be made available for the payment of such interest or principal.

12 Said tax shall be in addition to all other taxes levied for City purposes, shall be
13 collected at the time and in the same manner as other taxes of the City are collected, and
14 shall be used only for the payment of the Bonds and the interest thereon.

15 All taxes collected pursuant to this Section 7 shall be deposited forthwith in a special
16 account to be designated as the "General Obligation Bonds (Earthquake Safety and
17 Emergency Responses Bonds, 2014) Bond Account" (the "Bond Account") and each and
18 every series of Bonds issued under this Resolution shall be equally and ratably secured by
19 the taxes collected pursuant to this Section 7. The Bond Account shall be administered by the
20 City Treasurer and kept separate and apart from all other accounts. Pursuant to the resolution
21 authorizing the sale of any series of Bonds, the City Treasurer may establish such additional
22 accounts and subaccounts within the Bond Account or with any agent, including but not
23 limited to any paying agent or fiscal agent, as may be necessary or convenient in connection
24 with the administration of any series of Bonds. The resolution authorizing the sale of any
25

1 series of Bonds shall establish subaccounts within the Bond Account for each Series of Bonds
2 to provide for the payment of principal and interest on such series of Bonds.

3 The City Treasurer shall also deposit in the Bond Account from the proceeds of sale of
4 the Bonds, any moneys received on account of [original issue premium and] interest accrued
5 on the Bonds to the date of payment of the purchase price thereof, and such other moneys, if
6 any, as may be specified in the resolution authorizing the sale of such series of Bonds. So
7 long as any of the Bonds are outstanding, moneys in the Bond Account shall be used and
8 applied by the City Treasurer solely for the purpose of paying the principal of and interest on
9 the Bonds as such principal and interest shall become due and payable, or for purchase of
10 Bonds if permitted by the resolution authorizing the sale of such series of Bonds; provided,
11 however, that when all of the principal of and interest on the Bonds have been paid, any
12 moneys then remaining in said Bond Account shall be transferred to the General Fund of the
13 City. The Board shall take such actions annually as are necessary or appropriate to cause the
14 debt service on the Bonds due in any fiscal year to be included in the budget for such fiscal
15 year and to make the necessary appropriations therefor.

16 Section 8. Administration and Disbursements From Bond Account.

17 (a) Interest. On or before June 15 and December 15 in each year that any of the Bonds
18 are outstanding/the City Treasurer shall set aside in the Bond Account and the appropriate
19 subaccounts therein relating to each series of the Bonds an amount which, when added to the
20 amount contained in the Bond Account and subaccounts therein on that date, if any, will be
21 equal to the aggregate amount of the interest becoming due and payable on each series of
22 the Bonds outstanding on such interest payment date.

23 (b) Principal. On or before June 15 in each year that any of the Bonds is outstanding,
24 the City Treasurer shall set aside in the Bond Account and the appropriate subaccounts
25 therein relating to each series of the Bonds an amount which will be equal to the principal on

1 each series of the Bonds outstanding that will become due and payable on said June 15,
2 including those Bonds subject to mandatory redemption on such date pursuant to the
3 provisions of the resolution authorizing the sale of such Bonds.

4 All moneys in the Bond Account shall be used and withdrawn by the City Treasurer
5 solely for the purpose of paying the principal of and interest on each series of the Bonds as
6 the same shall become due and payable. On June 15 and December 15 in each year that any
7 Bond is outstanding, the City Treasurer shall allocate, transfer and apply to the various
8 subaccounts in the Bond Account created pursuant to the resolutions authorizing the sale of
9 Bonds, on such date on which payment of principal or interest on any series of Bonds is due,
10 from moneys on deposit in the Bond Account, an amount equal to the amount of principal of,
11 premium, if any, or interest due on said date with respect to each series of the Bonds then
12 outstanding. Unless other provision shall have been made pursuant to this Resolution for the
13 payment of any Bond, all amounts held in the various subaccounts of the Bond Account
14 created pursuant to the resolutions authorizing the sale of any series of Bonds shall be used
15 and applied by the City Treasurer to pay principal of, premium, if any, and interest due on the
16 series of the Bonds to which such subaccount relates, as and when due.

17 Section 9. Appointment of Depositories and Other Agents. The City Treasurer is hereby
18 authorized and directed to appoint one or more depositories as he or she may deem desirable
19 and may authorize such depository to perform, under the supervision of the City Treasurer,
20 any of the City Treasurer's duties and responsibilities under this Resolution, to the extent
21 permitted by applicable law.

22 The City Treasurer is hereby also authorized and directed to appoint one or more
23 agents as he or she may deem necessary or desirable. To the extent permitted by applicable
24 law and under the supervision of the City Treasurer, such agents may serve as paying agent,
25 fiscal agent, escrow agent or registrar for the Bonds or may assist the City Treasurer in

1 performing any or all of such functions and such other duties as the City Treasurer shall
2 determine including such duties and responsibilities of the City Treasurer provided for in this
3 Resolution. Such agents shall serve under such terms and conditions as the City Treasurer
4 shall determine. The City Treasurer may remove or replace agents appointed pursuant to this
5 paragraph at any time.

6 Section 10. Project Account. There is hereby established a project account to be
7 designated as the "General Obligation Bonds (Earthquake Safety and Emergency Response
8 Bonds, 2014) Project Account" (the "Project Account"). The Project Account shall be
9 maintained by the City Treasurer, as a separate account, segregated and distinct from all
10 other accounts. The City Treasurer may establish such accounts and subaccounts within the
11 Project Account as may be necessary or convenient in connection with the administration of
12 the Project or the Bonds.

13 All of the proceeds of the sale of the Bonds (excluding any premium and accrued
14 interest received thereon, unless otherwise determined by the Director of Public Finance)
15 shall be deposited by the City Treasurer to the credit of the Project Account and shall be
16 applied exclusively to the objects and purposes specified in Proposition B. When such objects
17 and purposes have been accomplished, any moneys remaining in such account shall be
18 transferred to the Bond Account established pursuant to Section 7 hereof and applied to the
19 payment of the principal of and interest on any series of Bonds. Amounts in the Project
20 Account may be applied to the payment of costs of issuance of the Bonds, including, without
21 limitation, bond and financial printing expenses, mailing and publication expenses, rating
22 agency fees, and the fees and expenses of paying agents, registrars, financial consultants
23 and bond counsel.

24 Section 11. Defeasance Provisions. The resolution of the Board authorizing and
25 directing the sale of any series of Bonds may provide for the defeasance of such series of

1 Bonds. Any Bonds which have been deemed paid in accordance with the defeasance
2 provisions of the Board resolution authorizing and directing their sale shall no longer be
3 deemed outstanding under this Resolution.

4 Section 12. Tax Covenants. The Bonds may be issued as bonds the interest on which
5 is excluded from gross income for federal or state income tax purposes or as bonds the
6 interest on which is included in gross income for federal or state income tax purposes. With
7 respect to any series of the Bonds the interest on which is excluded from gross income for
8 federal or state income tax purposes, the City may make such covenants and representations
9 as are necessary or convenient to comply with applicable laws and regulations.

10 Section 13. Other Terms and Provisions Relating To the Bonds. The resolution of the
11 Board providing for the sale of any series of Bonds may provide for (a) the purchase of bond
12 insurance or other credit enhancement relating to such series of Bonds and to the
13 establishment of such additional terms and procedures as may be necessary to provide for
14 the application of such bond insurance or other credit enhancement for the benefit of the
15 Bondholders; (b) the investment of moneys held in any fund or account relating to the Bonds
16 in specific categories or types of investments, so long as such investments are legal
17 investments for the City and in compliance with any policy or guideline of the City applicable
18 thereto; and (c) the adoption of any supplemental resolutions relating solely to such series of
19 Bonds.

20 Section 14. Supplemental Resolutions. For any one or more of the following purposes
21 and at any time or from time to time, a supplemental resolution of the City may be adopted,
22 which, without the requirement of consent of the owners of the Bonds, shall be fully effective
23 in accordance with its terms:

24 (a) To add to the covenants and agreements of the City in this Resolution or any
25 resolution authorizing the sale of any series of Bonds, other covenants and agreements to be

1 observed by the City which are not contrary to or inconsistent with this Resolution or any
2 resolution authorizing the sale of any series of Bonds as theretofore in effect;

3 (b) To add to the limitations and restrictions in this Resolution or any resolution
4 authorizing the sale of any series of Bonds, other limitations and restrictions to be observed
5 by the City which are not contrary to or inconsistent with this Resolution or any resolution
6 authorizing the sale of any series of Bonds as theretofore in effect;

7 (c) To confirm, as further assurance, any pledge under, and the subjection to any lien
8 or pledge created or to be created by, this Resolution or any resolution authorizing the sale of
9 any series of Bonds as then in effect, of any moneys, securities or funds, or to establish any
10 additional funds or accounts to be held under this Resolution or any resolution authorizing the
11 sale of any series of Bonds;

12 (d) To cure any ambiguity, supply any omission, or cure or correct any defect or
13 inconsistent provision in this Resolution or any resolution authorizing the sale of any series of
14 Bonds; or

15 (e) To make such additions, deletions or modifications as shall not be materially
16 adverse to the owners of the Bonds.

17 Any modification or amendment of this Resolution or any Sale Resolution and of the
18 rights and obligations of the City and of the owners of the Bonds, in any particular, may be
19 made by a supplemental resolution, with the written consent of the owners of at least a
20 majority in aggregate principal amount of the Bonds outstanding at the time such consent is
21 given (except as provided in the preceding paragraph). No such modification or amendment
22 shall permit a change in the terms or maturity of the principal of any outstanding Bonds or of
23 any interest payable thereon or a reduction in the principal amount thereof or in the rate of
24 interest thereon, or shall reduce the percentage of Bonds the consent of the owners of which
25 is required to effect any such modification or amendment, or shall reduce the amount of

1 moneys for the repayment of the Bonds, without the consent of all the owners of such affected
2 Bonds.

3 Section 15. Reimbursement. The City hereby declares its official intent to reimburse
4 prior expenditures of the City, incurred prior to the issuance and sale of each series of Bonds,
5 related to the Project or portions thereof to be financed by each series of Bonds. The Board
6 hereby declares the City's intent to reimburse the City with the proceeds of each series of
7 Bonds for the expenditures with respect to the Project (the "Expenditures" and each an
8 "Expenditure") made on and after that date that is no more than 60 days prior to adoption of
9 this Resolution. The City reasonably expects on the date hereof that it will reimburse the
10 Expenditures with the proceeds of each series of Bonds.

11 Each Expenditure was and will be either (a) of a type property chargeable to a capital
12 account under general federal income tax principles (determined in each case as of the date
13 of the Expenditure), (b) a cost of issuance with respect to a series of Bonds, (c) a
14 nonrecurring item that is not customarily payable from current revenues, or (d) a grant to a
15 party that is not related to or an agent of the City so long as such grant does not impose any
16 obligation or condition (directly or indirectly) to repay any amount to or for the benefit of the
17 City. The maximum aggregate principal amount of the Bonds expected to be issued for the
18 Project is \$400,000,000. The City shall make a reimbursement allocation, which is a written
19 allocation by the City that evidences the City's use of proceeds of the applicable series of
20 Bonds to reimburse an Expenditure, no later than 18 months after the later of the date on
21 which the Expenditure is paid or the Project is placed in service or abandoned, but in no event
22 more than three years after the date on which the Expenditure is paid.

23 The City recognizes that exceptions are available for certain "preliminary
24 expenditures," costs of issuance, certain de minimis amounts, expenditures by "small issuers"
25

1 (based on the year of issuance and not the year of expenditure) and expenditures for
2 construction projects of at least five years.

3 Section 16. Citizens' Oversight Committee. The Bonds are subject to, and incorporate
4 by reference, the applicable provisions of San Francisco Administrative Code Section 5.30 –
5 5.36 (the "Citizens' General Obligation Bond Oversight Committee"). Under Section 5.31 of
6 the Citizens' General Obligation Bond Oversight Committee, to the extent permitted by law,
7 one-tenth of one percent (0.1%) of the gross proceeds of each series of the Bonds shall be
8 deposited in the fund established by the Controller's Office and appropriated by the Board of
9 Supervisors at the direction of the Citizens' General Obligation Bond Oversight Committee to
10 cover the costs of such Committee.

11 Section 17. CEQA Findings. The Board finds and declares that in accordance with the
12 actions contemplated in this resolution, this Board, in approving Resolution No. 34-14 on
13 February 4, 2014, including in the attachments and exhibits thereto, adopted findings pursuant
14 to CEQA and the CEQA Guidelines and San Francisco Administrative Code Chapter 31,
15 including the adoption of a mitigation monitoring and reporting program (the "CEQA
16 Findings"). The CEQA Findings for the Project are on file with the Clerk of the Board in File
17 No. 131190 and are incorporated into this resolution by this reference. The Board further finds
18 that on the basis of substantial evidence and in light of the whole record, there are no
19 changes in the Project, the circumstances under which the Project will be undertaken or new
20 information that has become available since preparation of the FEIR that would alter the
21 CEQA Findings previously adopted by the Board.

22 Section 18. Planning Code. The Board hereby adopts and incorporates by reference
23 the findings and declarations relative to (i) the conformance of the Bonds to the priority
24 policies of Section 101.1(b) of the San Francisco Planning Code, (ii) the conformance of the
25 Bonds to Section 4.105 of the San Francisco Charter and Section 2A.53(f) of the San

1 Francisco Administrative Code, and (iii) the consistency of the Bonds with the City's General
2 Plan, all as more fully set forth in Resolution No. 34-14, adopted by this Board on February 4,
3 2014.

4 Section 19. Ratification. All actions heretofore taken by officials, employees and agents
5 of the City with respect to the sale and issuance of the Bonds are hereby approved, confirmed
6 and ratified.

7 Section 20. General Authority. The Clerk of the Board, the Finance Committee of the
8 Board, the Mayor, the City Treasurer, the City Administrator, the City Attorney, the Director of
9 Public Finance of the City and the Controller are each hereby authorized and directed in the
10 name and on behalf of the City to take any and all steps and to issue and deliver any and all
11 certificates, requisitions, agreements, notices, consents, and other documents, including but
12 not limited to, letters of representations to any depository or depositories, which they or any of
13 them might deem necessary or appropriate in order to consummate the lawful issuance, sale
14 and delivery of the Bonds and otherwise to give effect to this Resolution.

15 APPROVED AS TO FORM

16 DENNIS J. HERRERA City Attorney

17
18
19 By: _____

Mark D. Blake

20 Deputy City Attorney

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OFFICE OF THE MAYOR
SAN FRANCISCO



RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
JUL 18 AM 9:14

EDWIN M. LEE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *EM* Mayor Edwin M. Lee *EL*
RE: Issuance of General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014) - Not to Exceed \$400,000,000
DATE: July 18, 2014

Attached for introduction to the Board of Supervisors is the resolution Providing for the Issuance of Not to Exceed \$400,000,000 Aggregate Principal Amount of City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014); Authorizing the Execution, Authentication, and Registration of Said Bonds; Providing for the Levy of a Tax to Pay the Principal and Interest Thereof; Providing for the Appointment of Depositories and Other Agents for Said Bonds; Providing for the Establishment of Accounts Related Thereto; Adopting Findings Under the California Environmental Quality Act ("CEQA"), the CEQA Guidelines and San Francisco Administrative Code Chapter 31; Finding That the Proposed Project Is In Conformity With the Priority Policies of Planning Code Section 101.1(8) and With the General Plan Consistency Requirement of Charter Section 4.105 and Administrative Code Section 2A.53; Ratifying Certain Actions Previously Taken; and Granting General Authority to City Officials to Take Necessary Actions in Connection With the Authorization, Issuance, Sale and Delivery of Said Bonds.

I request that this item be calendared in Budget and Finance Committee on July 23rd.

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

Items 20, 21, 22, 23 and 24

**Files 14-0801, 14-0802, 14-0811, 14-0812,
and 14-0840**

Department:

Office of Public Finance (OPF)

EXECUTIVE SUMMARY

Legislative Objectives

- File 14-0840 authorizes the issuance \$400,000,000 in aggregate principal amount of Earthquake Safety and Emergency Response general obligation bonds that were approved by the voters on June 4, 2014;
- File 14-0811 allows for the sale of not-to-exceed \$106,095,000 of 2014 Earthquake Safety and Emergency Response general obligation bonds, Series 2014D;
- File 14-0812 allows for the sale of not-to-exceed \$57,840,000 of 2010 Earthquake Safety and Emergency Response general obligation bonds, Series 2014C;
- File 14-0801 appropriates \$106,095,000 in Series 2014D bond proceeds; and
- File 14-0802 appropriates \$57,840,000 in Series 2014C bond proceeds.

Key Points

- In June 2010, voters approved Proposition B, authorizing the issuance of not-to-exceed \$412,300,000 in general obligation bonds to finance earthquake safety and emergency response projects. Four series of the 2010 bonds, totaling \$332,135,000, have been issued to date. The sale of \$57,840,000 (Series 2014C) is the fifth series of the 2010 bonds.
- In June 2014, voters approved Proposition A, authorizing the issuance of up to \$400,000,000 in general obligation bonds to fund the completion of certain projects funded by the 2010 bonds as well as new earthquake safety and emergency response projects. The first series of bonds issued under Proposition A is 2014D.
- The projects funded through the two proposed bond sales, Series 2014C and Series 2014D include: repairs to the Public Safety Building, continued work on the Neighborhood Fire Station and Support Facilities, continuation of existing projects related to the Auxiliary Water Supply System, upgrades to District Police Stations, relocation of Medical Examiner Facility, and upgrades to the Traffic Company & Forensic Services Division.

Fiscal Impact

- The requested not-to-exceed total of \$163,935,000 in bonds is projected to be sold for a par amount of \$156,205,000, with \$154,299,784 in estimated project funds and \$1,905,216 in issuance and related oversight costs.
- The bonds are estimated to have an annual interest rate of 5.02 percent over the approximate 20-year life of the bonds, with interest on the bonds totaling \$91,900,000. The total principal and interest payment on the 20-year bonds is estimated to be \$248,105,000.
- Repayment of the annual debt service will be covered through increases in the annual Property Tax rate, and for properties with an assessed value of \$500,000, owners would pay average annual additional \$35.83 in Property Taxes to the City per year if the anticipated \$156,205,000 in bonds are sold.

Recommendation

- Approve the proposed resolutions and ordinances.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

Charter Section 9.105 provides that the issuance and sale of General Obligation bonds are subject to approval by the Board of Supervisors. Charter Section 9.105 also provides that amendments to the appropriation ordinance, as finally adopted, are to be adopted in the same manner as other ordinances, subject to the Controller certifying the availability of funds.

Administrative Code Section 2.71 requires City departments to submit Bond Accountability Reports to the Clerk of the Board, Controller, Treasurer, Director of Public Finance and the Budget and Legislative Analyst 60 days prior to appropriation of bond funds.

Administrative Code Section 3.15 requires Board of Supervisors approval for supplemental budget requests subsequent to the adoption of the annual budget.

Background

In June 2010, two-thirds majority of voters of the City approved Proposition B, which authorized the issuance of not-to-exceed \$412,300,000 in general obligation bonds to finance the construction, acquisition, improvement, retrofitting, rehabilitation and completion of earthquake safety and emergency responsiveness facilities and infrastructure.

On November 2, 2010, the Board of Supervisors approved a resolution (File 10-1255) authorizing the issuance of up to \$412,300,000 Earthquake Safety and Emergency Response (ESER) General Obligation Bonds. The Board of Supervisors has previously authorized the following sale and appropriation of \$349,315,000 of the 2010 ESER Bonds.

Month	Amount	File
November 2010	85,000,000	Files 10-1256 and 10-1248
January 2012	192,000,000	Files 11-1344 and 11-1333
June 2012	40,410,000	Files 12-0533 and 12-0527
May 2013	31,905,000	Files 13-0382 and 13-3068
Total	349,315,000	

\$332,135,000 of the \$349,315,000 has been sold to date for projects related to ESER.

In June 2014, voters approved Proposition A, which authorized the issuance of up to \$400,000,000 in general obligation bonds for the completion of certain projects funded by the 2010 ESER bonds as well as new ESER projects. The first series of bonds has not yet been issued under Proposition A.

DETAILS OF PROPOSED LEGISLATION

The proposed three resolutions do the following:

- File 14-0840 authorizes the issuance \$400,000,000 in aggregate principal amount of City and County of San Francisco General Obligation Bonds that were approved by the voters in June 2014;
- File 14-0811 allows for the sale of not-to-exceed \$106,095,000 of City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2014), Series 2014D; and
- File 14-0812 allows for the sale of not-to-exceed \$57,840,000 of City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response bonds, 2010), Series 2014C; and,

The proposed two ordinances appropriate \$163,935,000 as follows:

- File 14-0801 appropriates \$106,095,000 in Series 2014D bond proceeds; and
- File 14-0802 appropriates \$57,840,000 in Series 2014C bond proceeds.

The 2014C Bonds will be the fifth series of bonds to be issued under the 2010 Proposition B, and the 2014D Bonds will be the first series to be issued under the 2014 Proposition A. The two series authorized by the proposed resolutions represent a not to exceed aggregate principal amount of \$163,935,000. Table 1 below shows the total amount of the 2010 and 2014 Earthquake Safety and Emergency Response bonds that have been authorized and sold.

Table 1: Total Authorized and Sold Earthquake Safety and Emergency Response Bonds

	2010 Bonds	2014 Bonds (Pending)	Total
Authorized	\$412,300,000	\$400,000,000	\$812,300,000
Previously Sold	332,135,000	0	332,135,000
Remaining Balance	\$80,165,000	\$400,000,000	\$480,165,000
Proposed	2014C Series	2014D Series	Total
	57,840,000	106,095,000	163,935,000
Remaining Balance	\$22,325,000	\$293,905,000	\$316,230,000

The proposed sources and uses of the Series 2014C and 2014D bond proceeds are shown in Table 2 below.

Table 2: Sources and Uses of Funds

	ESER 2010 Series 2014C	ESER 2014 Series 2014D	Aggregate
Sources			
Bond Proceeds	\$57,840,000	\$106,095,000	\$163,935,000
Uses			
<u>Projects</u>			
Emergency Firefighting Water System (AWSS)	31,003,224	20,000,000	51,003,224
Neighborhood Fire Stations	11,600,000	8,150,600	19,750,600
Public Safety Building	11,782,742	0	11,782,742
District Police Stations	0	6,882,939	6,882,939
Traffic Company & Forensic Services Division	0	30,319,674	30,319,674
Medical Examiner Facility	0	<u>34,252,621</u>	<u>34,252,621</u>
Subtotal, Projects	54,385,966	99,605,834	153,991,800
Controller's Audit Fund	108,772	199,212	307,984
Projects Subtotal	54,494,738	99,805,046	154,299,784
Other Costs of Issuance			
Costs of Issuance	233,902	421,674	655,576
Underwriter's Discount	386,190	707,245	1,093,435
Citizens' General Obligation Bond Oversight Committee	55,170	101,035	156,205
Costs of Issuance Subtotal	675,262	1,229,954	1,905,216
Par Amount of Bonds	55,170,000	101,035,000	156,205,000
Reserve Pending Bond Sale ¹	2,670,000	5,060,000	7,730,000
Total Uses	\$57,840,000	\$106,095,000	\$163,935,000

Source: Letter dated July 15, 2014, from the Office of Public Finance to the Board of Supervisors, re City and County of San Francisco General Obligation Bonds, Earthquake Safety and Emergency Response Bonds, Series 2014C (2010) and 2014D (2014)

Proceeds from the 2014C Bonds will fund the following project costs of \$54,385,966, as shown in Table 2 above:

- \$31,003,224 for renovation of the City's emergency firefighting water system (the Auxiliary Water Supply System or AWSS), which includes planning, design and construction of cisterns, pipelines, and tunnels.
- \$11,600,000 for Neighborhood Fire Station and Support Facilities, which includes design of Fire Station 5 improvements, construction of Fire Station 16 improvements, environmental review of the Station 35 fire boat, and other projects. As shown in Table

¹ The Reserve Pending Sale accounts for variations in interest rates prior to the sale of the proposed bonds.

3 below, \$21,885,235 in 2010 ESER bonds to fund Neighborhood Fire Station and Support Facilities projects remains unsold and unappropriated.

- \$11,782,742 to complete the Public Safety Building project. The project is scheduled for completion in November 2014.

Proceeds from the 2014D Bonds will fund the following project costs of \$99,605,834, as shown in Table 2 above:

- \$6,882,939 for the District Police Stations to fund the initial costs to rehabilitate and seismically upgrade selected police district stations throughout the City.
- \$34,252,621 for the Medical Examiner Facility, which funds the initial costs of relocating the Medical Examiner Facility from the seismically vulnerable Hall of Justice at 850 Bryant Street to a seismically safe facility.
- \$30,319,674 for the Traffic Company & Forensic Services Division to relocate the motorcycle police and crime lab from the seismically vulnerable Hall of Justice and the Hunters Point Shipyard to a safe facility.
- \$20,000,000 for Auxiliary Water Supply System projects funded by the 2014 ESER bonds for continued planning, design, and construction of pipeline, tunnel, and cistern projects.
- \$8,150,600 to fund the Neighborhood Fire Station and Support Facilities projects funded by the 2014 ESER bonds, which continues ongoing projects.

Table 3 below shows the 2010 Proposition B and 2014 Proposition A bond budgets, prior appropriations, and proposed appropriations for the sale of Series 2014C and 2014D bonds. As shown in Table 3, if the Board of Supervisors approves the proposed resolutions and ordinances, the balance of authorized and unsold 2010 Proposition B bonds is \$22,325,000 and 2014 Proposition A bonds is \$293,905,000.

Table 3: Earthquake Safety and Emergency Response Bond Appropriations

	Budget	Prior Appropriation	Proposed	Balance
2010 Proposition B			2014C Bonds	
Public Safety Building	\$239,000,000	\$227,217,258	\$11,782,742	\$0
Neighborhood Fire Stations	64,000,000	30,514,765	11,600,000	21,885,235
Auxiliary Water Supply System	102,400,000	71,396,776	31,003,224	0
Oversight, Accountability and Issuance	6,900,000	3,006,199	3,454,034	439,767
Total ^a	\$412,300,000	\$332,135,000	\$57,840,000	\$22,325,002
2014 Proposition A			2014D Bonds	
District Police Stations	\$30,000,000		\$6,882,939	\$23,117,061
Medical Examiner Facilities	65,000,000		34,252,621	30,747,379
Traffic Company & Forensic Services	165,000,000		30,319,674	134,680,326
Auxiliary Water Supply System	55,000,000		20,000,000	35,000,000
Neighborhood Fire Stations	85,000,000		8,150,600	76,849,400
Oversight, Accountability and Issuance			6,489,166	(6,489,166)
Total	\$400,000,000		\$106,095,000	\$293,905,000

^a Variations in total amounts are due to rounding.

FISCAL IMPACT

The requested not-to-exceed \$163,935,000 in Series 2014C and 2014D bonds (see Table 2 above) are projected to be sold for a par amount of \$156,205,000, which would result in project funds totaling \$154,299,784 and issuance and related oversight costs totaling \$1,905,216. Estimated bond proceeds of \$156,205,000 are projected to have an annual interest rate of 5.02 percent over the approximate 20-year life of the bonds. The Office of Public Finance estimates that average annual debt service on the bonds is \$12,415,000; and total interest payments over the life of the bonds are \$91,900,000. The total principal and interest payment on the 20-year bonds is estimated to be \$248,105,000.

The proposed resolution provides that the proposed bonds could be structured as a 25-year bond, instead of the anticipated 20-year term, if market conditions require a longer period of time, though a 20-year term is anticipated.

Repayment of the proposed bonds is outlined as follows and summarized in Table 4 below:

- For Series 2014C, repayment of the annual debt service will be recovered through increases in the annual Property Tax rate, which, according to the Controller's Office, would average \$0.0025 per \$100 or \$2.54 per \$100,000 of assessed valuation over the anticipated 20-year term of the bonds. The owner of a residence with an assessed value of \$500,000, assuming a homeowner's exemption of \$7,000, would pay average annual additional Property Taxes

to the City of \$12.54 per year if the anticipated \$55,170,000 Earthquake Safety and Emergency Response General Obligation Bonds are sold.²

- For Series 2014D, repayment of the annual debt service will be recovered through increases in the annual Property Tax rate, which, according to the Controller’s Office, would average \$0.0047 per \$100 or \$4.66 per \$100,000 of assessed valuation over the anticipated 20-year term of the bonds. The owner of a residence with an assessed value of \$500,000, assuming a homeowner’s exemption of \$7,000, would pay average annual additional Property Taxes to the City of \$22.96 per year if the anticipated \$101,035,000 Earthquake Safety and Emergency Response General Obligation Bonds are sold.³

Table 4: Anticipated Property Tax Increase for Bond Repayment

General Obligation Bonds	Requested		Anticipated Average Annual Property Tax Impact on \$500,000 Home
	Not to exceed Amount	Anticipated Par Amount	
2014C (Proposition B)	57,840,000	55,170,000	12.54
2014D (Proposition A)	106,095,000	101,035,000	23.29
Total	163,935,000	156,205,000	35.83

Source: Controller’s Office of Public Finance

RECOMMENDATION

Approve the proposed resolutions and ordinances.

² The difference between the authorized amount of \$57,840,000 and the expected par amount of \$55,170,000 is the \$2,670,000 Reserve Pending Sale shown in Table 2.

³ The difference between the authorized amount of \$106,095,000 and the expected par amount of \$101,035,000 is the \$5,060,000 Reserve Pending Sale shown in Table 2.

