

File No. 200707

Committee Item No. 13

Board Item No. 25

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date July 15, 2020

Board of Supervisors Meeting

Date July 21, 2020

Cmte Board

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

OTHER (Use back side if additional space is needed)

<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____

Completed by: Linda Wong

Date July 10, 2020

Completed by: Linda Wong

Date July 17, 2020

1 [General Obligation Bonds - San Francisco Unified School District - Not to Exceed
2 \$280,000,000]

3 **Resolution authorizing the San Francisco Unified School District to issue and sell on**
4 **its own behalf its general obligation bonds, Election of 2016, Series B in an aggregate**
5 **principal amount not to exceed \$280,000,000 without further action of the City and**
6 **County of San Francisco.**

7
8 WHEREAS, An election was duly and regularly held in the San Francisco Unified
9 School District (the "District") on November 8, 2016, in accordance with Section 1(b)(3) of
10 Article XIII A of the California Constitution, for the purpose of submitting a bond measure
11 (Proposition A) to the qualified electors of the District, authorizing the issuance of general
12 obligation bonds in the aggregate principal amount of \$744,250,000 (the "Election of 2016
13 Bonds"), and more than 55% of the votes cast were in favor of the issuance of the Election of
14 2016 Bonds; and

15 WHEREAS, The District has heretofore issued, or caused the City and County of San
16 Francisco (the "City") to issue on the District's behalf the "San Francisco Unified School
17 District General Obligation Bonds, Election of 2016, Series A" (the "Series A Bonds") in the
18 original principal amount of \$180,000,000 for authorized school purposes; and

19 WHEREAS, Section 15140(b) of the Education Code of the State of California (the
20 "Education Code") authorizes a county board of supervisors to allow school districts over
21 which the county superintendent of schools has jurisdiction to issue and sell school bonds
22 directly without further action by the board of supervisors or officers of the county if said
23 school district has not received a qualified or negative certification in its most recent interim
24 report; and

25 ///

1 WHEREAS, The Board of Education of the District adopted on April 28, 2020, a
2 resolution (the “District Resolution”) providing for the issuance and sale of its “San Francisco
3 Unified School District General Obligation Bonds, Election of 2016, Series B,” in an aggregate
4 principal amount not to exceed \$280,000,000 (the “Bonds”); and

5 WHEREAS, By said District Resolution, the District requests that this Board of
6 Supervisors of the City (the “Board”) authorize the District to issue and sell the Bonds on its
7 own behalf, and provides for a competitive or negotiated sale process, all subject to the
8 Education Code, the Government Code of the State (the “Government Code”) and applicable
9 law; and

10 WHEREAS, The District has represented and warranted to the City that it has not
11 received a qualified or negative certification in its most recent interim report; now, therefore,
12 be it

13 RESOLVED, By the Board of Supervisors of the City and County of San Francisco, as
14 follows:

15 Section 1. Recitals. All of the recitals in this Resolution are true and correct.

16 Section 2. Authorization of Issuance. The Board hereby authorizes the issuance of
17 the Bonds by the District on its own behalf, pursuant Section 15140(b) of the Education Code.
18 This authorization shall only apply to the Bonds authorized to be issued by said District
19 Resolution.

20 Section 3. Purpose. The purpose of this action is to permit the District to sell its
21 Bonds in the manner that the District determines to be in its best interests and the best
22 interests of its taxpayers, as provided in the District Resolution.

23 Section 4. No Qualified or Negative Certification. If the District shall have received,
24 at a time prior to the issuance of the Bonds, a qualified or negative certification in its most
25 recent interim report (as defined in Section 42131 of the Education Code) the District shall not

1 be entitled to issue the Bonds pursuant to the authority granted by this Resolution.

2 Section 5. District Responsibilities. The District shall provide notice to the City,
3 through the Controller's office of Public Finance, of its intent to sell or issue any future series
4 of Bonds not less than forty-five (45) days prior to the anticipated sale or issuance of any such
5 Bonds, which notice shall be acknowledged in writing by the Controller's Office of Public
6 Finance within fifteen (15) days of receipt of such notice. Furthermore, the City, through the
7 Controller's Office of Public Finance, shall receive (i) a copy of the certified resolution of the
8 District Board of Education approving the issuance of any future series of Bonds; (ii) a copy of
9 the debt service schedule within fifteen (15) days of the issuance of any future series of
10 Bonds; and (iii) all minutes approved by the independent citizens' oversight committee formed
11 pursuant to the Education Code when such minutes are available. Failure of the City or the
12 District to provide any such notice, acknowledgement, resolution, debt service schedule or
13 minutes required by this Resolution shall not affect the validity of any Bonds issued or sold by
14 the District, or the requirement of the City to levy the tax pursuant to Section 15252 of the
15 Education Code.

16 Section 6. City Responsibilities.

17 (a) The City, including the officers thereof and this Board of Supervisors, takes no
18 responsibility for any act or omission that is in any way related to the Bonds issued or sold by
19 the District pursuant to the authority granted in this Resolution, including but not limited to any
20 proceedings for the sale and issuance of the Bonds, the validity of the Bonds, or any
21 disclosure issues related to the Bonds.

22 (b) The City shall levy and collect taxes, pay principal and interest on the Bonds
23 when due, and hold and invest the bond proceeds and tax funds for the Bonds duly issued
24 and sold by the District pursuant to the authority granted by this Resolution, and as otherwise
25 required by law. The Bonds shall not constitute a debt of the City and the City shall have no

1 obligations regarding the use or application of the proceeds of the Bonds.

2 (c) The City, including the officers, officials and employees thereof and this Board of
3 Supervisors, takes no responsibility for establishing a tax rate for any new issue of bonds in
4 any year in which the information required by Section 5 hereof to be delivered to the City
5 officers is delivered later than the deadline established by such officers in order to permit
6 compliance with Section 29100 et seq. of the Government Code.

7 (d) Except as otherwise provided by this Resolution and by law, none of the City,
8 this Board or any officers, nor officials or employees of the City shall have any liability
9 hereunder or by reason hereof or in connection with the transactions contemplated hereby
10 and the Bonds shall be payable solely from tax proceeds and any other moneys of the District
11 available therefor as set forth in this Section 6.

12 Section 7. Other Actions. Officers, officials and staff of the City are hereby
13 authorized and directed, jointly and severally, to do any and all things and to execute and
14 deliver any and all documents that they may deem necessary or advisable in order to enable
15 the District to proceed with the issuance of the Bonds, and otherwise carry out, give effect to
16 and comply with the terms and intent of this Resolution. Such actions heretofore taken by
17 such officers, officials and staff are hereby ratified, confirmed and approved.

18 Section 8. Paying Agent. The City confirms that it will, through the office of the City
19 Treasurer, serve as the paying agent for the Bonds (the "Paying Agent") pursuant to a Paying
20 Agent Agreement ("Paying Agent Agreement"), by and between the District and the City.

21 Section 9. Delivery of Resolution. The Clerk of the Board of Supervisors is hereby
22 directed to deliver a copy of this Resolution to the Superintendent of the District.

23 ///

24 ///

25 ///

1 Section 10. Effective Date. This Resolution shall take effect from and after its
2 adoption.

3
4 APPROVED AS TO FORM:
5 DENNIS J. HERRERA, City Attorney

6 By: /s/ KENNETH D. ROUX
7 KENNETH D. ROUX
8 Deputy City Attorney

9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

n:\finan\las2020\9680110\01458933.docx

Item 13 File 20-0707	Department: San Francisco Unified School District
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution authorizes the San Francisco Unified School District to issue and sell on its own behalf its general obligation bonds, Election of 2016, Series B in an aggregate principal amount not to exceed \$280,000,000 without further action of the City and County of San Francisco. <p>Key Points</p> <ul style="list-style-type: none"> • San Francisco voters approved Proposition A in 2016, authorizing the School District to issue up to \$744.25 million in general obligation bonds for various school projects, including new school construction, classroom and building upgrades and expansion, information technology improvements, School of the Arts, and teachers' housing. The District issued \$180 million in Series A bonds in March 2017, and the proposed resolution approves issuance of \$280 million in Series B bonds, totaling \$460 million, with \$284.25 of the \$744.25 million of authorized bonds to be issued at a future date. • According to the proposed resolution, the District will issue the bonds that it determines to be in the best interest of the District and taxpayers. The City is responsible to set the property tax rate to cover debt service on the bonds, levy and collect property taxes, and pay principal and interest on the bonds. The bonds are not considered a debt of the City, and the City is not responsible for the issuance of the bonds or use of bond proceeds. • The general obligation bond debt does not count against the City's debt limit of 3 percent of assessed valuation, nor is it subject to the City's Capital Plan policy to constrain increases in the property tax rate from issuance of general obligation bonds to no more than \$0.1201 per \$100 assessed value. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • Bond program spending of \$225.79 million as of June 30, 2020 is \$39.06 million more than Series A Bond proceeds of \$180 million and interest earning of \$6.73 million, totaling \$186.73 in available funds. According to District staff, the District successfully applied for and received \$70.95 million in State Facility Program funds in FY 2019-20 which is used to cover the \$39.06 million project cost, and provide \$30.8 million in fund balance to meet the cash flow needs. In addition, \$3.47 million School Facility Program fund is expected to be approved by the State for fund release in FY2020-21 which would be allocated to the Bond program. <p>Recommendation</p> <ul style="list-style-type: none"> ▪ Approval of the proposed resolution is a policy matter for the Board of Supervisors. 	

MANDATE STATEMENT

California Education Code Section 15140(b) authorizes a county board of supervisors to allow school districts over which the county superintendent of schools has jurisdiction to issue and sell school bonds directly without further action by the board of supervisors if the school district has not received a qualified or negative certification in its most recent interim report.

BACKGROUND

Proposition 39, approved by California voters in 2000, allows voters to approve general obligation bonds for schools with a 55 percent majority rather the two-thirds majority required for other general obligation bonds. In 2016, San Francisco voters approved Proposition A authorizing general obligation bonds for San Francisco Unified School District with 79.8 percent majority.

The bond was for \$744.25 million to fund seismic upgrades, accessibility projects, repair damaged properties and remove hazardous materials, repair or replace major building systems, modify building interiors and exteriors, renovate administrative and other buildings, expend classrooms, construct new classrooms and new schools, make technology upgrades, and replace temporary classrooms with permanent structures. Proposition A provided for the District to use up to \$100 million for classrooms and performance spaces for the District Arts Center, and up to \$5 million to construct below market rate housing for teachers and other school staff. The District was to create an independent citizens’ oversight committee to report on use of bond funds; and the Board of Education was to conduct annual independent audits.

The \$744.25 million in general obligation bonds are allocated to the following programs:

Table 1: Bond Funded Programs (\$ millions)

Modernization Program	
<i>Modernization projects</i>	
Bond administration and operation	\$30.00
Bond construction contingency	20.00
Bond program management	9.75
Bond planning	1.50
Sustainability	5.00
Green schoolyard	5.00
School modernization projects	<u>349.50</u>
Modernization projects subtotal	\$420.75
Teacher's housing	3.50
New schools	100.00
Ruth Asawa School of the Arts	<u>100.00</u>
Modernization Program Total	\$624.25
Technology Improvements	100.00
Kitchen and Dining Facilities	<u>20.00</u>
	\$744.25

DETAILS OF PROPOSED LEGISLATION

The proposed resolution authorizes the San Francisco Unified School District to issue and sell on its own behalf its general obligation bonds, Election of 2016, Series B in an aggregate principal amount not to exceed \$280,000,000 without further action of the City and County of San Francisco.

District Responsibilities

According to the proposed resolution, the District will issue the bonds that it determines to be in the best interest of the District and taxpayers. The Board of Education approved issuance of the bonds in April 2020, and authorized that the bonds could be sold through a competitive or negotiated process. The District is to provide notice to the Controller’s Office of Public Finance at least 45 days prior to the issuance of the bonds.

Under California Education Code and included in the proposed resolution is a statement that the District will not be entitled to issue the bonds if it has received a qualified or negative certification in the most recent interim report. According to the proposed resolution, the District has represented and warranted to the City that it has not received a qualified or negative certification in its most recent interim report.

City Responsibilities

The City is responsible to set the property tax rate to cover debt service on the bonds, levy and collect property taxes, and pay principal and interest on the bonds. The bonds are not considered a debt of the City, and the City is not responsible for the issuance of the bonds or use of bond proceeds.

Bond Issuance

According to Ms. Meghan Wallace, SFUSD Chief Financial Officer, expected annual debt service on the bonds is \$19.7 million and total debt service is \$395 million over 20 years based on an estimated market interest rate of 3.5 percent. As noted above, the City is responsible to pay principal and interest on the bonds from property tax revenues. The general obligation bond debt does not count against the City’s debt limit of 3 percent of assessed valuation.

The City is responsible to set the property tax rate to cover debt service on the bonds. The impact of the proposed issuance of \$280 million in general obligation bonds is not available at this time. While the City’s Capital Plan constrains the increase in property taxes from issuance of general obligation bond debt to \$0.1201 per \$100 of assessed value, the property tax constraint does not apply to general obligation bonds issued by SFUSD.

FISCAL IMPACT

The Bond Program consists of general obligation bond proceeds and other funds. The District issued \$180 million in Series A bonds in March 2017. The proposed resolution would authorize

an additional \$280 million in Series B bonds, totaling \$460 million, with \$284.25 of the \$744.25 million of authorized bonds to be issued at a future date.

According to the District, the Bond Program has spent \$225.79 million as of June 30, 2020, with a balance of \$518.46 million, as shown in Table 2 below.

Table 2: Bond Program Spending as of June 30, 2020 (\$ millions)

Program	Total Allocation	Expenditures as of June 30, 2020	Remaining Balance
Modernization Program	\$624.25	\$173.19	451.06
Technology Improvements	100.00	45.23	54.77
Kitchen and Dining Facilities	20.00	7.37	12.63
Total	\$744.25	\$225.79	\$518.46

Source: SFUSD

Bond program spending of \$225.79 million as of June 30, 2020 is \$39.06 million more than Series A Bond proceeds of \$180 million and interest earning of \$6.73 million, totaling \$186.73 in available funds. According to District staff, the District successfully applied for and received \$70.95 million in State Facility Program funds in FY 2019-20 which is used to cover the \$39.06 million project cost, and provide \$30.8 million in fund balance to meet the cash flow needs. In addition, \$3.47 million School Facility Program fund is expected to be approved by the State for fund release in FY2020-21 which would be allocated to the Bond program.

RECOMMENDATION

Approval of the proposed resolution is a policy matter for the Board of Supervisors.

Introduction Form

By a Member of the Board of Supervisors or Mayor

Time stamp
or meeting date

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee. (An Ordinance, Resolution, Motion or Charter Amendment).
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning : "Supervisor inquiries"
- 5. City Attorney Request.
- 6. Call File No. from Committee.
- 7. Budget Analyst request (attached written motion).
- 8. Substitute Legislation File No.
- 9. Reactivate File No.
- 10. Topic submitted for Mayoral Appearance before the BOS on

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission
- Youth Commission
- Ethics Commission
- Planning Commission
- Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use the Imperative Form.

Sponsor(s):

Subject:

The text is listed:

Signature of Sponsoring Supervisor:

For Clerk's Use Only

From: [Boilard, Chelsea \(BOS\)](#)
To: [BOS Legislation, \(BOS\)](#)
Cc: [Fewer, Sandra \(BOS\)](#)
Subject: Fewer: SFUSD GO Bond Resolution
Date: Tuesday, June 30, 2020 4:34:14 PM
Attachments: [01458933.docx](#)
[01458933.pdf](#)
[Intro Form - SFUSD GO Bonds.pdf](#)
Importance: High

Hello,

Please see the attached legislation for introduction today by Supervisor Fewer. Cc'ing the Supervisor for approval.

[San Francisco Unified School District General Obligation Bonds – Not to Exceed \$280,000,000]

Resolution authorizing the San Francisco Unified School District to issue and sell on its own behalf its general obligation bonds, Election of 2016, Series B in an aggregate principal amount not to exceed \$280,000,000, without further action of the City and County of San Francisco.

Thanks,
Chelsea

From: Trivedi, Vishal (CON) <vishal.trivedi@sfgov.org>
Sent: Tuesday, June 30, 2020 9:59 AM
To: Boilard, Chelsea (BOS) <chelsea.boilard@sfgov.org>
Cc: Brewer, Luke (CON) <luke.brewer@sfgov.org>; CON - Meghan Wallace <wallacem@sfusd.edu>; Chen, John <chenj1@sfusd.edu>; David Olson <dolson@bmcaco.com>; Van Degna, Anna (CON) <anna.vandegna@sfgov.org>; Palmer, John <jpalmer@Orrick.com>; DPH - mogiv <mogiv@sfusd.edu>; Herrera, Lauren <lherrera@orrick.com>; ROUX, KENNETH (CAT) <Kenneth.Roux@sfcityatty.org>; SKELLEN, LAUREN (CAT) <Lauren.Skellen@sfcityatty.org>
Subject: SFUSD GO Bond Resolution for Introduction Today
Importance: High

Hi Chelsea,

I understand you have been coordinating with SFUSD and that Sup. Fewer has agreed to introduce their GO bond resolution. We've been working with the City Attorney's Office to get it finalized and executed for introduction. Here are the Word and .pdf versions of the resolution for Sup. Fewer to introduce today.

Feel free to respond to this group if you have any follow-up questions or need any supporting

documents from the District.

Regards,

Vishal Trivedi | Financial Analyst

Office of Public Finance | City & County of San Francisco

Phone | 415.554.4862 Email | vishal.trivedi@sfgov.org