

[Appropriation - Proceeds from Earthquake Safety and Emergency Response General Obligation Bonds of \$57,840,000 - FY2014-2015]

Ordinance appropriating \$57,840,000 of the 2014 Series Earthquake Safety and Emergency Response (ESER 2010) General Obligation Bond Proceeds to the Department of Public Works in FY2014-2015 for necessary repairs and seismic improvements in order to better prepare San Francisco for a major earthquake or natural disaster.

Note: Unchanged Code text and uncodified text are in plain Arial font.
Additions to Codes are in single-underline italics Times New Roman font.
Deletions to Codes are in ~~strikethrough italics Times New Roman font~~.
Board amendment additions are in double underlined Arial font.
Board amendment deletions are in ~~strikethrough Arial font~~.
Asterisks (****) indicate the omission of unchanged Code subsections or parts of tables.

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 funding available for FY2014-2015.

SOURCES Appropriation

Fund	Index Code / Project Code	Subobject	Description	Amount
3C XCF XXX - Earthquake Safety & Emergency Response (ESER 2010)	XXXXXXXXXX CESER1 MP0000	80111 Proceeds from Sale of Bonds- Face Amount	General Obligation Bond Proceeds	\$57,840,000

1 Total SOURCES Appropriation

\$57,840,000

2
3 Section 2. The uses of funding outlined below are herein appropriated in Subobject
4 06700 (Buildings, Structures, and Improvement Project-Budget), Subobject 0935W (Operating
5 Transfer Out to 5W-Water Department Funds for Auxiliary Water Supply System), Subobject
6 07311 (Cost of Bond Issuance, Underwriter's Discount, and Reserve Pending Bond Sale),
7 Subobject 081C4 (City Services Auditor Internal Audits for the General Obligation Bond
8 Oversight Committee and the Controller's Audit Fund), and reflect the projected uses of
9 funding for the necessary repairs and seismic improvements that are needed in order to better
10 prepare San Francisco for a major earthquake or natural disaster in Fiscal Year 2014-2015.

11
12 **USES Re-Appropriation**

Fund	Index Code / Project Code	Subobject	Description	Amount
3C XCF XXX	XXXXXXXXXX	06700	Earthquake Safety	\$23,382,742
Earthquake Safety & Emergency Response Bond	CESER1 MP0000	Buildings, Structures & Improvement Project-Budget	& Emergency Response	
(ESER 2010) Fund				
3C XCF XXX	XXXXXXXXXX	0935W	Auxiliary Water	\$31,003,224
Earthquake Safety & Emergency Response Bond	CESER1 MP0000	OTO to 5W-Water Department Funds	Supply System	
(ESER 2010) Fund				

1	Fund	Index Code /	Subobject	Description	Amount
2		Project Code			
3	3C XCF XXX	XXXXXXXXXX	07311	Cost of Issuance	\$233,902
4	Earthquake Safety &	CESER1 MP0000	Bond Issuance		
5	Emergency		Cost		
6	Response Bond				
7	(ESER 2010) Fund				
8					
9	3C XCF XXX	XXXXXXXXXX	07311	Underwriter's	\$386,190
10	Earthquake Safety &	CESER1 MP0000	Bond Issuance	Discount	
11	Emergency		Cost		
12	Response Bond				
13	(ESER 2010) Fund				
14					
15	3C XCF XXX	XXXXXXXXXX	07311	Reserve Pending	\$2,670,000
16	Earthquake Safety &	CESER1 MP0000	Bond Issuance	Bond Sale	
17	Emergency		Cost		
18	Response Bond				
19	(ESER 2010) Fund				
20					
21	3C XCF XXX	XXXXXXXXXX	081C4	0.1% allocation for	\$55,170
22	Earthquake Safety &	CESER1 MP0000	Controller	the General	
23	Emergency		Internal Audits	Obligation Bond	
24	Response Bond			Oversight	
25	(ESER 2010) Fund			Committee Audits	

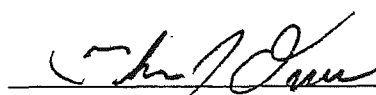
1	Fund	Index Code /	Subobject	Description	Amount
2		Project Code			
3	3C XCF XXX	XXXXXXXXXX	081C4	0.2% allocation for	\$108,772
4	Earthquake Safety &	CESER1 MP0000	Controller	the Controller's	
5	Emergency		Internal Audits	Audit Fund	
6	Response Bond				
7	(ESER 2010) Fund				
8					
9	Total USES Appropriation				\$57,840,000

11 Section 3. The uses of funding outlined above for \$57,840,000 are herein placed on
 12 Controller's Reserve pending sale of the General Obligation Bonds.

14 Section 4. The Controller is authorized to record transfers between funds and adjust
 15 the accounting treatment of sources and uses appropriated in this ordinance as necessary to
 16 conform with Generally Accepted Accounting Principles.

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

FUNDS AVAILABLE
 BEN ROSENFELD, Controller

21
 22 By: 
 23 THOMAS OWEN
 Deputy City Attorney

By: 
 BEN ROSENFELD
 Controller

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *pa* Mayor Edwin M. Lee *pa*
RE: Appropriation - Proceeds from Earthquake Safety and Emergency
Response General Obligation Bonds of \$57,840,000 - FY 2014-2015
DATE: July 15, 2014

Attached for introduction to the Board of Supervisors is the ordinance appropriating \$57,840,000 of the 2014 Series Earthquake Safety and Emergency Response (ESER 2010) General Obligation Bond Proceeds to the Department of Public Works in Fiscal Year 2014-2015 for necessary repairs and seismic improvements in order to better prepare San Francisco for a major earthquake or natural disaster

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.

pa
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<p>Items 20, 21, 22, 23 and 24 Files 14-0801, 14-0802, 14-0811, 14-0812, and 14-0840</p>	<p>Department: Office of Public Finance (OPF)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<ul style="list-style-type: none"> • 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. 	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> • 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. 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> • 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. 	
<p style="text-align: center;">Recommendation</p>	
<ul style="list-style-type: none"> • 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	34,252,621	34,252,621
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
<u>Other Costs of Issuance</u>			
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.

