CITYWIDE DEBT CAPACITY

Policy Analysis Report to Supervisor Chan

Presentation to:

BUDGET & APPROPRIATIONS COMMITTEE

BOARD OF SUPERVISORS
CITY AND COUNTY OF SAN FRANCISCO

May 6, 2026

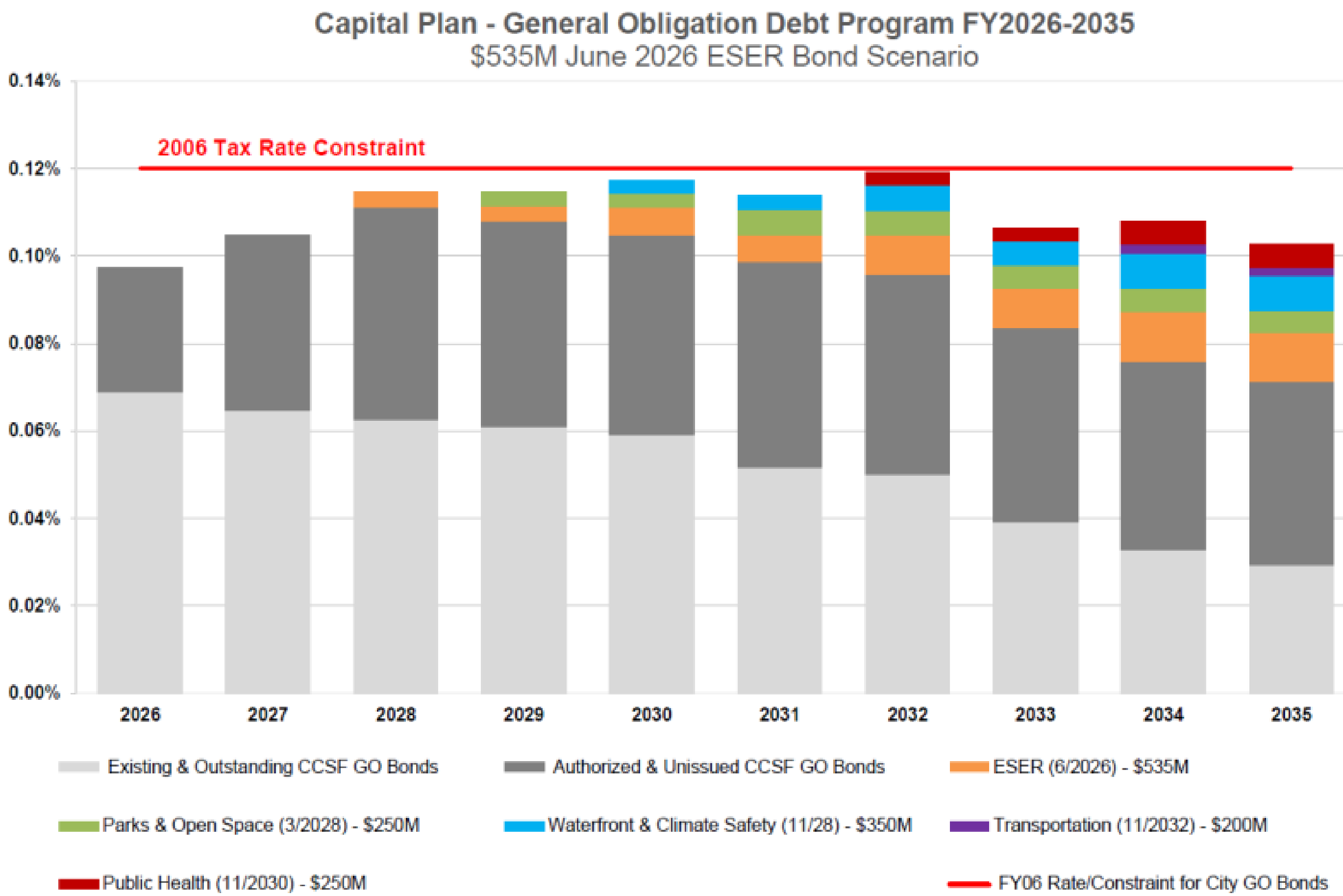
Request

- Impact of relaxing City’s financial policies to issue more debt
- Detail on authorized but unissued debt
- Funding for Potable Emergency Firefighting Water System (PEFWS)

Debt overview

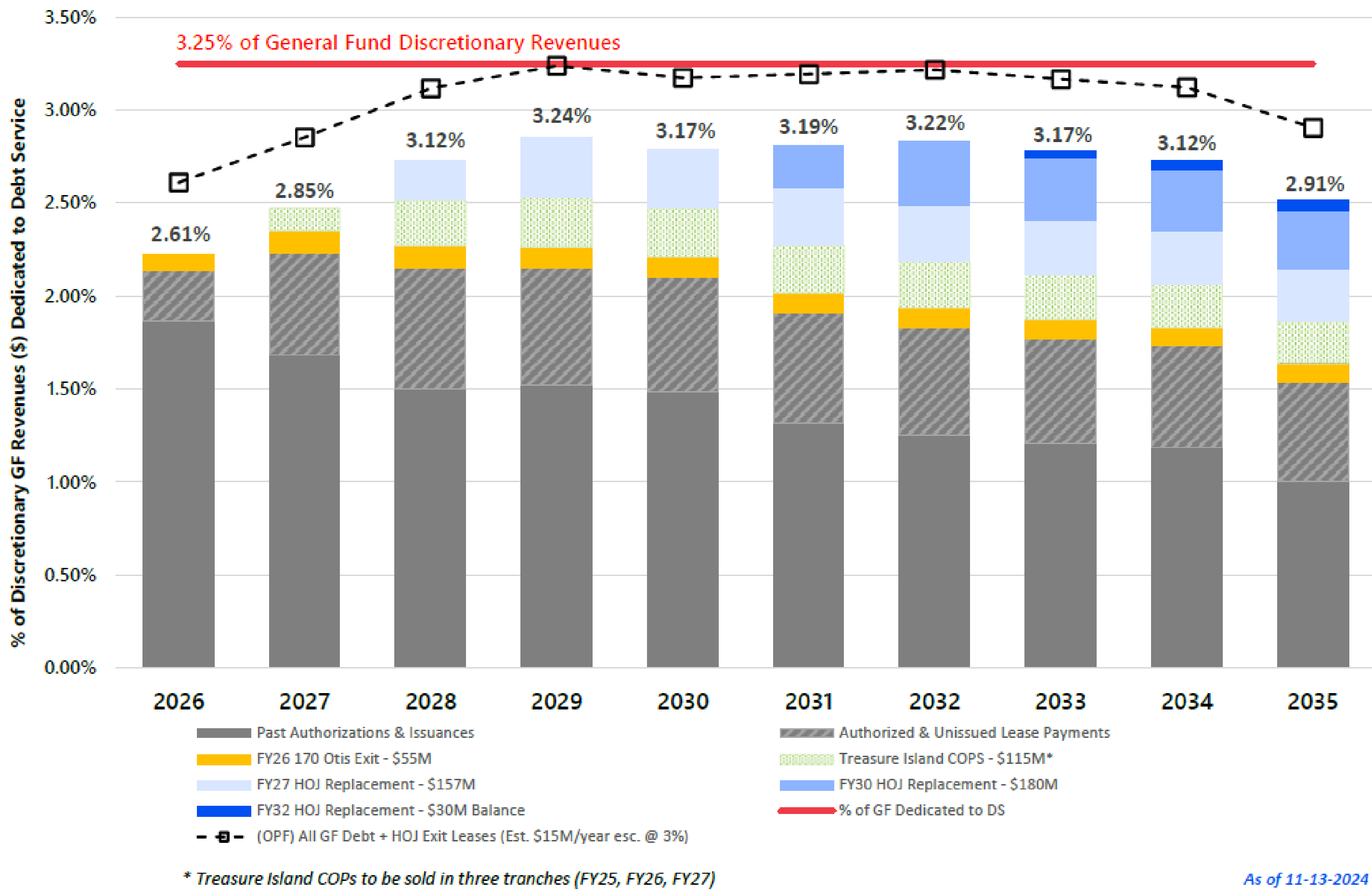
- The City has two primary funding sources for funding General Fund capital projects: general obligation bonds (GO bonds), which require voter approval and are paid for by property taxes, and certificates of participation (COPs), which are paid directly from the General Fund.
- Under City policy established in the capital plan, the property tax rate used to repay G.O. bonds may not exceed the 2006 rate, which is 0.1201 percent of assessed value, or $120.10 per $100,000 of assessed value.
- Under City policy established in the Administrative Code, the annual debt service paid on COPs may not exceed 3.25 percent of General Fund aggregate discretionary revenue.

Debt Policy Limits



The Capital Planning Committee projects that the City will reach its G.O. bond debt capacity constraint in approximately FY 2031-32.

Debt Policy Limits



The Capital Planning Committee projects that the City will reach its COP debt capacity constraint in approximately FY 2028-29.

Changes to Debt Limits

Estimated G.O. Bond Debt Capacity Additional Principal with Increase to 2006 Limit

Additional Property Tax Rate	Additional Annual Debt Service	Total Additional Debt Service	Total Additional Debt Principal
0.01%	$35,784,254	$715,685,078	$410,442,573
0.02%	$71,568,508	$1,413,370,157	$820,885,147
0.03%	$107,352,762	$2,147,055,235	$1,231,327,720
0.04%	$143,137,016	$2,862,740,314	$1,641,770,293
0.05%	$178,921,270	$3,578,425,392	$2,052,212,867
0.06%	$214,705,524	$4,294,110,470	$2,462,655,440

Estimated COP Debt Capacity Additional Principal with Increase to General Fund Revenue Constraint (FY 2025-26)

FY 2025-26 General Fund Discretionary Revenue			$4,660,000,000
General Fund Revenue Paid to COP Debt Service	**COP Principal Debt Capacity**	**Increase to COP Debt Capacity**	**Annual Debt Service Limit**
3.25% (Current Limit)	$1,668,752,923	-	$151,450,000
3.50%	1,797,118,532	128,365,609	163,100,000
3.75%	1,925,484,141	256,731,219	174,750,000
4.00%	2,053,849,751	385,096,828	186,400,000
4.25%	2,182,215,360	513,462,438	197,340,250

Trade Offs

- Higher property taxes for general obligation bonds
  - For the median valued single-family homeowner, a 0.01 percentage point increase in the property tax rate would increase property taxes for median home by $75, or from $8,928 to $9,003 in FY 2025-26.
  - San Francisco had the eight highest property tax rate in the California in FY 2024-25. Were San Francisco to increase its property tax rate by .01 percent to cover greater G.O. bond debt service, San Francisco would have the sixth highest average property tax rate.
  - The 2006 property tax constraint has resulted in more bonds being approved by voters
- Higher General Fund costs for new COPs
- More debt could result in a rating downgrade

Authorized But Unissued GO Bonds

Year and Bond Name	Authorized Amount	Issued Amount	Unissued Amount
2016 Preservation & Seismic Safety (PASS)	$260,684,550	$213,220,000	$47,464,550
2018 Embarcadero Seawall Safety	425,000,000	208,690,000	216,310,000
2019 Affordable Housing Bond	600,000,000	492,460,000	107,540,000
2020 Earthquake Safety & Emergency Response (ESER)	628,500,000	385,515,000	242,985,000
2020 Health & Recovery Bond	487,500,000	374,805,000	112,695,000
2024 Affordable Housing Bond	300,000,000	147,230,000	152,770,000
2024 Healthy, Safe, & Vibrant SF Bond	390,000,000	83,635,000	306,365,000
Total	**$3,091,684,550**	**$1,905,555,000**	**$1,186,129,550**

The following projects have authorized but unissued debt and have not begun construction:

- $216.3 million unissued from the 2018 Seawall Bond,
- $53.1 million from the 2020 ESER Bond for Disaster Response Facilities (Fire Station 7, Taraval Police Station, and unallocated funding),
- $29.2 million from the 2020 Health and Recovery Bond for HSH, and
- $10 million in RPD funding for the Community Opportunity Fund, Playgrounds, and Sustainability in the 2020 Health and Recovery Bond.

Authorized But Unissued COPs

COP	Project Fund Authorized	Amount Issued	Remaining Project Fund
2013 Treasure Island Improvement Project	$10,000,000	$0	$10,000,000
2016 Housing Trust Fund Projects *	$75,000,000	$26,912,683	$48,087,317
2019 Hall of Justice Relocation Projects	$46,635,000	$6,983,645	$39,651,355
2019 HOPE SF Projects	$56,942,127	$3,149,366	$53,792,761
2021 Critical Repairs and Recovery Stimulus	$52,395,701	$35,944,428	$16,451,273
2022 Critical Repairs, Recovery Stimulus and Street Resurfacing	$100,483,727	$59,859,596	$40,624,131
2023 Affordable Housing and Community Facilities Projects	$112,000,000	$102,525,238	$9,474,762
2023 Critical Repairs and Street Resurfacing Projects	$67,238,751	$27,073,245	$40,165,506
2024 Critical Repairs and Street Resurfacing Projects	$44,110,000	$0	$44,110,000
2024 Treasure Island Stage 2	$50,000,000	$50,000,000	$0
2025 Street Resurfacing and Curb Ramp Projects	$50,000,000	$0	$50,000,000
Total	**$664,805,306**	**$312,448,201**	**$352,357,105**

Hall of Justice

Sources	Amount
Authorized but Unissued COPs	$54,896,138
Planned COPs	367,000,000
COPs Dedicated to HOJ	**421,896,138**
Uses	**Amount**
Replacement Space for Existing HOJ Tenants (Adjusted to 2028-2029)	$119,858,806
Replacement Space for Other Public Safety Staff (Adjusted to 2034-2035)	$135,818,785
Holding Cells (Adjusted to 2029)	$34,858,345
Critical Repairs at Current HOJ	$15,244,783
Subtotal, Known HOJ Costs	*$305,780,719*
Contingency (20%)	$61,156,144
Total HOJ Replace Costs	**$366,936,863**

There may be an opportunity to reduce the $422 million COPs dedicated to the Hall of Justice project, as well as reduce leasing costs for HOJ exit leases equivalent to $250 million in COP principal, through better understanding of projects costs after FY 2028-29.

Potable Emergency Firefighting Water System

Total Estimated Cost for All Projects	**$1,584,000,000 - $1,786,000,000**
Funded Amount (2020 ESER Bond)	$154,100,000
Funded Amount (SFPUC Water Revenue Bonds, FY 2027-2036)	189,500,000
Estimated Amount Funded	*$343,600,000*
Estimated Funding Deficit	**($1,284,900,000 - $1,442,400,000)**

- PEFWS is jointly funded by ESER and SFPUC Water Revenue Bond Program
- If June 2026 ESER bond is approved by voters, that would provide an additional $130 million
- Fully funding the PEFWS system for the westside will likely take 25 years, given financial policy constraints in both capital plans.

Options

The Board of Supervisors could work with the Mayor Budget Office, Office of Public Finance, and Capital Planning staff to:

1. Increase the City's debt policy limits regarding general obligation bonds and certificates of participation debt.
2. Repurpose up to $309 million in authorized but unused general obligation bond debt to new projects
3. Repurpose up to $1.9 million in authorized but unused certificate of participation debt to new projects.
4. Re-evaluate $422 million of certificate of participation debt dedicated to Hall of Justice projects in FY 2028-29.

All of these options would require cooperation of the administration and approval of the majority of the Board of Supervisors (to approve changes to debt policies, appropriations, and transaction documents). Repurposing general obligation bond uses would require voter approval if the new uses fall outside of the programs authorized by voters for each bond.

Questions and comments

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