

File No. 111333

Committee Item No. 1  
Board Item No. \_\_\_\_\_

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: January 18, 2012

Board of Supervisors Meeting

Date \_\_\_\_\_

#### Cmte Board

- |                                     |                          |                                              |
|-------------------------------------|--------------------------|----------------------------------------------|
| <input type="checkbox"/>            | <input type="checkbox"/> | Motion                                       |
| <input type="checkbox"/>            | <input type="checkbox"/> | Resolution                                   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Ordinance                                    |
| <input type="checkbox"/>            | <input type="checkbox"/> | Legislative Digest                           |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Budget & Legislative Analyst Report          |
| <input type="checkbox"/>            | <input type="checkbox"/> | Ethics Form 126                              |
| <input type="checkbox"/>            | <input type="checkbox"/> | Introduction Form (for hearings)             |
| <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"/> | Award Letter                                 |
| <input type="checkbox"/>            | <input type="checkbox"/> | Application                                  |

#### 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"/>	_____

Completed by: Victor Young

Date: January 13, 2012

Completed by: Victor Young

Date: \_\_\_\_\_

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

1 [Appropriating \$192,000,000 of Earthquake Safety and Emergency Response General  
2 Obligation Bonds to the Department of Public Works in FY2011-2012]

3 Ordinance appropriating \$192,000,000 of the 2012A Series Earthquake Safety and  
4 Emergency Response General Obligation Bond Proceeds to the Department of Public  
5 Works in FY2011-2012 for necessary repairs and seismic improvements in order to  
6 better prepare San Francisco for a major earthquake or natural disaster and placing  
7 these funds on Controller's Reserve pending the sale of the bonds.

8  
9 Note: Additions are single-underline italics Times New Roman;  
10 deletions are ~~strikethrough italics Times New Roman~~.  
11 Board amendment additions are double underlined.  
12 Board amendment deletions are ~~strikethrough normal~~.

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

14 Section 1. The sources of funding outlined below are herein appropriated to reflect the  
15 funding available in Fiscal Year 2011-2012.

16  
17 **SOURCES Appropriation**

18	Fund	Index/Project Code	Subobject	Description	Amount
19	3C XCF XXX	XXXXXX	80111	General Obligation	\$192,000,000
20	Earthquake Safety and	CESER1 MP0000		Bond Proceeds	
21	Emergency Response Bond				
22	Fund				
23	<b>Total SOURCES Appropriation</b>				<b><u>\$192,000,000</u></b>

1 Section 2. The uses of funding outlined below are herein appropriated in FY 2011-2012 in  
 2 Subobject 06700 (Buildings, Structures, and Improvement Project-Budget), Subobject 07311  
 3 (Cost of Bond Issuance, Underwriter's Discount, and Reserve Pending Bond Sales),  
 4 Subobject 081C4 (City Services Auditor Internal Audits for the General Obligation Bond  
 5 Oversight Committee and the Controller's Audit Fund), and reflect the projected uses of  
 6 funding for the necessary repairs and seismic improvements that are needed in order to better  
 7 prepare San Francisco for a major earthquake or natural disaster.

8  
 9 **USES Appropriation**

Fund	Index Code/ Project Code	Subobject	Description	Amount
3C XCF XXX	XXXXXX	06700 Buildings,	Earthquake Safety and	\$181,694,886
Earthquake Safety and	CESER1	Structures, and	Emergency Response	
Emergency Response	MP0000	Improvement	Repairs and	
Bond Fund		Project-Budget	Improvements	
3C XCF XXX	XXXXXX	07311	Cost of Issuance	<u>\$286,054</u>
Earthquake Safety and	CESER1	Bond Issuance		<u>\$281,084</u>
Emergency Response	MP0000	Cost		
Bond Fund				
3C XCF XXX	XXXXXX	07311	Underwriter's Discount	<u>\$917,225</u>
Earthquake Safety and	CESER1	Bond Issuance		<u>\$917,200</u>
Emergency Response	MP0000	Cost		
Bond Fund				

1	Fund	Index Code/ Project Code	Subobject	Description	Amount
3	3C XCF XXX	XXXXXX	07311	Reserve Pending	<del>\$8,555,000</del>
4	Earthquake Safety and	CESER1	Bond Issuance	Bond Sales	<u>\$8,560,000</u>
5	Emergency Response	MP0000	Cost		
6	Bond Fund				
8	3C XCF XXX	XXXXXX	081C4 -	City Services Auditor	<u>\$183,445</u>
9	Earthquake Safety and	CESER1	Controller	0.1% allocation for the	<u>\$183,440</u>
10	Emergency Response	MP0000	Internal Audits	General Obligation Bond	
11	Bond Fund			Oversight Committee	
12				Audits	
14	3C XCF XXX	XXXXXX	081C4 -	City Services Auditor	\$363,390
15	Earthquake Safety and	CESER1	Controller	0.2% allocation for the	
16	Emergency Response	MP0000	Internal Audits	Controller's Audit Fund	
17	Bond Fund				
19	<b>Total USES Appropriation</b>				<u><b>\$192,000,000</b></u>

21 Section 3. The uses of funding outlined above for \$192,000,000 are herein placed on  
 22 Controller's Reserve pending sale of the General Obligation Bonds.

1 Section 4. The Controller is authorized to apply funds appropriated by this ordinance to abate  
2 advanced expenditures incurred by the General Fund for projects supported by ESER bonds  
3 that are eligible to be reimbursed by bond proceeds.  
4

5 Section 5. The Controller is authorized to record transfers between funds and adjust the  
6 accounting treatment of sources and uses appropriated in this ordinance as necessary to  
7 conform with Generally Accepted Accounting Principles.  
8

9 APPROVED AS TO FORM:  
10 DENNIS J. HERRERA, City Attorney

11 By:  \_\_\_\_\_

12 Deputy City Attorney

FUNDS AVAILABLE  
Ben Rosenfield, Controller

13 By:  \_\_\_\_\_

14 Date: December 9, 2011  
15 Amended: December 23, 2011  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

**Items 1 and 2**  
**Files 11-1333 and 11-1344**  
*(continued from January 11, 2012)*

**Department:**  
 Department of Public Works,  
 Controller's Office of Public Finance

## EXECUTIVE SUMMARY

### Legislative Objectives

- File 11-1344: Resolution authorizing and directing the sale of up to \$192,000,000 in Earthquake Safety and Emergency Response General Obligation Bonds.
- File 11-1333: Ordinance appropriating \$192,000,000 of 2012 Earthquake Safety and Emergency Response Bond proceeds, including (a) \$160,620,973 to DPW for construction of a new Public Safety Building, (b) \$21,073,913 to DPW for renovation of various neighborhood fire stations, (c) \$1,745,114 for oversight, accountability and bond issuance costs, (d) \$8,560,000 Reserve to allow for fluctuations in market conditions, and (e) placing the entire \$192,000,000 on Controller's Reserve pending the sale of the bonds.

### Key Points

- On June 8, 2010, San Francisco voters approved Proposition B, authorizing the issuance of \$412,300,000 of Earthquake Safety and Emergency Response (ESER) General Obligation Bonds to finance the construction, acquisition, improvement, and retrofitting of 19 Fire Stations, a new Public Safety Building, repair, replacement and expansion of the City's Auxiliary Water Supply System (AWSS), and other firefighting infrastructure and facilities related to earthquake safety. Of the total \$412,300,000 in ESER GO Bonds, the DPW will manage projects totaling \$303,000,000, and the PUC will manage projects totaling \$102,400,000.
- In November, 2010, the Board of Supervisors approved the sale and appropriation of up to \$85,000,000 of ESER GO Bonds, the first in a series of four ESER GO Bond sales under the \$412,300,000 authorized by Proposition B (Files 10-1256 and 10-1248). The proposed resolution (File 11-1344) would authorize the second sale of up to \$192,000,000 of ESER GO Bonds.
- The proposed \$192,000,000 appropriation ordinance (File 11-1333), includes (a) \$160,620,973 to DPW for construction of a new Public Safety Building, (b) \$21,073,913 to DPW for renovation of various neighborhood fire stations, (c) \$1,745,114 for oversight, accountability and bond issuance costs, (d) \$8,560,000 Reserve to allow for fluctuations in market conditions, and (e) places the entire \$192,000,000 on Controller's Reserve pending the sale of the bonds. No funds are included for the PUC's AWSS projects.

### Fiscal Impacts

- The proposed resolution authorizing the sale of up to \$192,000,000 in ESER GO Bonds will have a projected annual interest rate of 6.0 percent over approximately 25 years, with estimated total debt service payments of \$353,433,547, including \$169,993,557 in interest and \$183,440,000 in principal, with estimated average annual debt service payments of \$14,137,342. Debt service would be paid from increased Property Taxes, such that an owner of a single family residence with an assessed value of \$500,000 would pay average annual additional Property Taxes to the City of \$29.09 per year.
- As of December 31, 2011, there was \$1,293,281,219 of General Obligation Bonds outstanding, or approximately 0.82% of the total net assessed value of property in the City. If the proposed not to exceed \$192,000,000 of ESER General Obligation Bonds are issued, the total outstanding General Obligation Bonds would total \$1,485,281,219, or approximately 0.94% of the total net assessed value of property.

### Recommendation

- Approve the proposed ordinance (File 11-1333) and the proposed resolution (File 11-1344).

**MANDATE STATEMENT / BACKGROUND****Mandate Statement**

Section 9.105 of the City's Charter provides that the Board of Supervisors is authorized to approve the issuance and sale of General Obligation bonds in accordance with State law or local procedures adopted by ordinance. Section 9.105 of the City's Charter also provides that (a) amendments to the appropriation ordinance, as finally adopted, are to be adopted in the same manner as other ordinances<sup>1</sup> and (b) no amendment to the appropriation ordinance may be adopted unless the Controller certifies the availability of funds.

**Background**

On June 8, 2010, the voters of San Francisco approved Proposition B, which authorized the issuance of \$412,300,000 of Earthquake Safety and Emergency Response (ESER) General Obligation Bonds. The ESER General Obligation Bonds will finance the construction, acquisition, improvement, and retrofitting of 19 Fire Stations, a new Public Safety Building, repair, replacement and expansion of the City's Auxiliary Water Supply System (AWSS) and other firefighting infrastructure and facilities related to earthquake safety. As shown in Table 1 below, the total ESER Bond Program Budget is \$412,300,000.

**Table 1: Earthquake Safety and Emergency Response General Obligation Bond Budget**

Description	Total Budget
Neighborhood Fire Stations <sup>2</sup>	\$64,000,000
Public Safety Building	239,000,000
<b>DPW Subtotal</b>	<b>\$303,000,000</b>
Auxiliary Water Supply System (AWSS)	\$34,400,000
Firefighting Cisterns	36,000,000
Firefighting Pipes and Tunnels	32,000,000
<b>PUC Subtotal</b>	<b>102,400,000</b>
Oversight and Cost of Bond Issuance	6,900,000
<b>Total ESER Budget</b>	<b>\$412,300,000</b>
<b>Source:</b> San Francisco Department of Public Works	

The 19 Fire Stations and the new Public Safety Building projects totaling \$303,000,000 will be managed by the Department of Public Works (DPW). The City's AWSS, firefighting cisterns<sup>3</sup>, and firefighting projects, pipes and tunnels totaling \$102,400,000 will be managed by the Public Utilities Commission (PUC). In addition, as shown in Table 1 above, an estimated \$6,900,000 is budgeted to provide bond oversight, including 0.1% allocation for the Citizens' General

<sup>1</sup> In accordance with Section 2.105 of the San Francisco Charter, the approval of an ordinance requires two readings at separate Board of Supervisors meetings, held at least five days apart.

<sup>2</sup> Renovations are planned for Fire Stations # 2, 5, 6, 13, 15, 17, 18, 22, 28, 31, 38, 40, 41, 42, 36, 43, 44, Fire Boat Headquarters #35 at the Port, and the Equipment Logistics Center #45.

<sup>3</sup> The Fire Department maintains 177 underground cisterns throughout the City, which store water available for fire fighting in case the domestic water supply and the AWSS are not available.

Obligation Bond Oversight Committee and 0.2% for the City Services Auditor and to fund the various costs to issue the General Obligation bonds.

The single largest project under the subject ESER General Obligation Bonds will be the construction of a new \$239,000,000 Public Safety Building, on City-owned land, on Block 8 in the Mission Bay South Redevelopment Project Area<sup>4</sup>. This new Public Safety Building will provide (a) a new Police Headquarters, including a new Southern District Police Station, which are both currently located in the Hall of Justice, and (b) a new Mission Bay Fire Station.

On November 2, 2010, the Board of Supervisors approved (a) a resolution (File 10-1255; Resolution 516-10) authorizing the issuance of the entire \$412,300,000 ESER General Obligation Bonds, and (b) a resolution (File 10-1256; Resolution 515-10) authorizing the sale of up to \$85,000,000 in ESER General Obligation Bonds, which was the first in the series of the total \$412,300,000 Bonds to be sold under Proposition B. At the same time, the Board of Supervisors approved an ordinance (File 10-1248) to appropriate the entire \$85,000,000 of ESER Bond sale proceeds, including (a) \$66,596,284 to initially design, develop plans and commence construction on a new Public Safety Building, (b) \$3,627,397 for planning and feasibility studies to renovate the various Fire Stations, (c) \$8,396,929 to define the plan of pipe network repair and replacement, and conduct schematic design of the AWSS, cisterns, pipes and tunnels, (d) \$1,289,390 for bond oversight and cost of issuance, and (e) \$5,090,000 placed on Controller's reserve to allow for fluctuations in the financing market.

Ms. Nadia Sesay, Director of the Office of Public Finance in the Controller's Office advises that a total of \$79,520,000 of ESER General Obligation Bonds were sold and appropriated, such that a total of \$332,780,000 (\$412,300,000 total issuance authority less \$79,520,000 ESER Bonds sold) issuance authority remains.

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution (File 11-1344) would authorize the sale of up to \$192,000,000 of ESER General Obligation (GO) Bonds, which would be the second in the series of the total \$412,300,000 Earthquake Safety and Emergency Response funds approved by the voters on June 8, 2010 under Proposition B. The proposed resolution:

- Authorizes the Director of Public Finance to determine the sale date, interest rates, principal amount of the bonds, maturity and redemption dates, with the provision that interest rates cannot exceed 12 percent and the maturity date cannot extend beyond June 15, 2037;
- Provides for the execution, authentication and registration of the 2010 Earthquake Safety and Emergency Response Bonds, Series 2012A Bonds;

<sup>4</sup> According to Ms. Kelley Kahn, Project Manager at the Redevelopment Agency, although the recent California Supreme Court decision regarding AB 26 dissolves all redevelopment agencies, such that the San Francisco Redevelopment Agency will be eliminated as a legal entity as of February 1, 2012, this action is not anticipated to affect the ability of the City to complete the Public Safety Building. Consistent with AB 26, a Successor Agency will be created to carry out the enforceable obligations of the Redevelopment Agency. These obligations include all requirements related to the Public Safety Building pursuant to the Mission Bay Owner Participation Agreement with the Mission Bay Master Developer, FOCIL-MB, LLC.



- Sets the terms for transferring or redeeming the bonds;
- Provides for defeasance of the bonds;
- Requires a special Series 2012A Bond subaccount for payment of principal and interest; and a special Series 2012A project subaccount for acquisition, renovation, and construction of bond-funded projects;
- Approves the appointment of the Depository Trust Company as the securities depository, and authorizes the Treasurer to appoint fiscal and other agents;
- Approves the (a) Official Notice of Sale, which announces the date, time and terms of the competitive bond sale; and the (b) Notice of Intention to Sell the Bonds;
- Approves the Official Statement, describing the sources and uses of funds, security for the Bonds, risk factors, and tax and other legal matters, among other information; and authorizes the Controller or Director of Public Finance to revise the Official Statement to conform to the City's Comprehensive Annual Fiscal Report (CAFR);
- Restricts use of the bond proceeds to the public purpose for which the bonds were intended;
- Approves the Continuing Disclosure Certificate, which provides certain financial information and operating data relating to the City (the "Annual Report") not later than 270 days after the end of the fiscal year and to provide notices of the occurrence of certain enumerated events, if material;
- Authorizes City officials who have responsibility for executing documents related to the Series 2012A Bonds, including the Controller, Director of Public Finance, and Treasurer, to modify the documents as necessary, except that the Series 2012A Bond amount cannot exceed \$192,000,000; and
- Subjects the Series 2012A Bonds to the reporting requirements of the Citizens' General Obligation Bond Oversight Committee.

The proposed ordinance (File 11-1333) would appropriate the entire \$192,000,000 under this second ESER General Obligation Bond sale, including (a) \$160,620,973 to DPW for construction of a new Public Safety Building, (b) \$21,073,913 to DPW for renovation of various neighborhood fire stations, (c) \$1,745,114 for oversight, accountability and bond issuance costs, (d) \$8,560,000 Reserve to allow for fluctuations in market conditions and the actual underwriters discount or premium charged to the City based on bids received the day of the bond sale, and (e) placing the entire \$192,000,000 on Controller's Reserve pending the sale of the bonds.

Table 2 below shows (a) the total ESER Bond project budget, (b) the initial \$79,520,000 of ESER General Obligation Bonds previously sold and appropriated, (c) the proposed \$192,000,000 to be sold and appropriated, (d) the total of the first and proposed second bond sales and appropriations, and (e) the remaining amount of future bond sales and appropriations, by project.

**Table 2: Earthquake Safety and Emergency Response General Obligation Bond Total Budget, First Bond Sale and Appropriation and Proposed Request for Bond Sale and Appropriation**

Description	Total Project Budget	First Bond Sale and Appropriation	Proposed Second Bond Sale and Appropriation (Files 11-1344 and 11-1333)	Total of First and Second Bond Sale and Appropriation	Future Bond Sales and Appropriation Requests
<b>Department of Public Works (DPW)</b>					
Fire Stations	\$64,000,000	\$3,627,397	\$21,073,913	\$24,701,310	\$39,298,690
Public Safety Building	239,000,000	66,596,285	160,620,973	227,217,258	11,782,742
<b>DPW Subtotal</b>	<b>303,000,000</b>	<b>70,223,682</b>	<b>\$181,694,886</b>	<b>\$251,918,568</b>	<b>\$51,081,432</b>
<b>Public Utilities Commission (PUC)</b>					
Auxiliary Water Supply System	34,400,000	3,990,000	0	3,990,000	30,410,000
Firefighting Cisterns	36,000,000	1,083,190	0	1,083,190	34,916,810
Firefighting Pipes and Tunnels	32,000,000	3,323,738	0	3,323,738	28,676,262
<b>PUC Subtotal</b>	<b>102,400,000</b>	<b>8,396,928</b>	<b>0</b>	<b>8,396,928</b>	<b>94,003,072</b>
Oversight/Issuance	6,900,000	899,390	1,745,114	2,644,504	4,255,496
<b>ESER Budget</b>	<b>\$412,300,000</b>	<b>\$79,520,000</b>	<b>\$183,440,000</b>	<b>\$262,960,000</b>	<b>\$149,340,000</b>
<b>Reserve Pending Subject \$192,000,000 Bond Sale*</b>			8,560,000	8,560,000	
<b>Total</b>			<b>\$192,000,000</b>	<b>\$271,520,000</b>	<b>\$140,780,000</b>

Source: San Francisco Department of Public Works

\*The amount of the Reserve Pending Bond Sale is subject to change due to bond market conditions at the time of sale. The Controller's Office will make technical adjustments based on the sale results. If the \$8,555,000 in Reserves is not used, those funds must be re-authorized by the Board of Supervisors through subsequent sale resolutions in order to be issued.

\*\*Table 3 below provides a breakdown of the Cost of Issuance and Bond Oversight expenditures. Issuance and Bond Oversight expenditures associated with the project costs will be paid through the Controller's Office, not by DPW or PUC

According to Mr. Charles Higuera, Program Manager for the ESER Bond Program, and as shown in detail in the Attachment, DPW is requesting \$160,620,973 for the Public Safety Building project to fund (a) the construction contract, including contingency, art enrichment, and hazardous material remediation, (b) project controls, including project management and regulatory agency fees, and (c) architectural, engineering and administrative support. Mr. Higuera advises that the construction contract for the Public Safety Building was awarded to Charles Pankow Builders, Inc., based on a competitive bid, such that construction commenced in December 2011 and is anticipated to be completed by mid-2014. As reported by DPW in the November 18, 2011 Bond Accountability Report, as of September 30, 2011, DPW had expended and encumbered \$11,207,195 plus an additional \$15,175,027 was allocated for job orders, or a total of \$26,382,222, which represents 39.6 percent of the \$66,596,285 from the first ESER Bond sale and appropriation for the Public Safety Building.

As shown in Table 2 above, DPW is requesting \$21,073,913 to continue renovations of various Fire Stations, including funds for project and construction management, materials testing and

inspections, pre-design and design services, and construction and administrative costs, as detailed in the Attachment. As reported by DPW in the November 18, 2011 Bond Accountability Report, as of September 30, 2011, DPW had expended and encumbered \$3,103,035, plus an additional \$1,030,323 was allocated for job orders, or a total of \$4,133,358, which is 139 percent of the \$3,627,397<sup>5</sup> from the first ESER Bond sale and appropriation for renovations of various Fire Stations.

As shown above in Table 2, PUC is not requesting any funds from the subject second ESER bond sale and appropriation for the AWSS, cisterns, pipes and tunnels. As reported by DPW in the November 18, 2011 Bond Accountability Report, as of September 30, 2011, PUC had expended, encumbered or allocated \$1,659,624, or 19.8 percent of the \$8,396,928 total for the AWSS, cisterns, pipes and tunnels from the first ESER Bond sale and appropriation.

Table 3 below provides a breakdown of the \$1,745,114 for the cost of oversight and issuance of the proposed not-to-exceed \$192,000,000 ESER General Obligation Bond sale and appropriation. These oversight and issuance costs are then separately charged to each of the DPW and PUC projects, based on the cost of each project.

**TABLE 3: Proposed Cost of Issuance and Bond Oversight**

Description	Amount
Cost of Issuance <sup>6</sup>	\$281,084
Underwriter's Discount <sup>7</sup>	917,200
City Auditor 0.1% allocation for the General Obligation Bond Oversight Committee Audits	183,440
City Services Auditor 0.2% allocation for the Controller's Audit Fund	363,390
<b>Total</b>	<b>\$1,745,114</b>

## FISCAL IMPACTS

Mr. Anthony Ababon in the Controller's Office of Public Finance advised that the not-to-exceed \$192,000,000 of ESER General Obligation Bonds are projected to have an annual interest rate of 6.0 percent over approximately 25 years, with annual debt service payments extending from 2012 through 2036. Assuming a 25-year term, these bonds will result in estimated total debt

<sup>5</sup> As noted, the \$4,133,358 amount expended, encumbered and allocated for job orders through September 30, 2011 exceeded the original \$3,627,397 amount sold and allocated for these Fire Stations from the first ESER bond sale. However, according to Mr. Higuera, and as reported in the November 18, 2011 Bond Accountability Report, \$3,500,000 was reallocated by DPW from the Public Safety Building to the Fire Stations in order to meet these financial obligations. Mr. Higuera advises that after the subject not to exceed \$192,000,000 second ESER bond sale is completed and appropriated, \$3,500,000 will be reallocated back from the Fire Stations to the Public Safety Building project.

<sup>6</sup> Cost of Issuance includes payments for bond, disclosure and tax counsel fees; financial advisory fees; rating agency fees; printing costs; and City costs for the Office of Public Finance, Treasurer, Controller, and City Attorney's Office.

<sup>7</sup> The Underwriters Discount refers to the fact that the original purchaser of the bonds that submitted the most competitive bid for the bonds includes a compensation component for underwriting the bonds and associated risks. This compensation component is included in the bid price submitted for the bonds. Thus, the award of the bonds based on the most competitive bid takes into consideration the amount of Underwriter's Discount.

service payments of \$353,433,547, including \$169,993,557 in interest and \$183,440,000 in principal, with estimated average annual debt service payments of \$14,137,342.

Repayment of such annual debt service will be recovered through increases to the annual Property Tax rate which, according to the Controller's Office, average \$0.0059 per \$100 of assessed valuation over the anticipated 25-year term of the Bonds. A single family residence with an assessed value of \$500,000, assuming a homeowners exemption of \$7,000, would pay average annual additional Property Taxes to the City of \$29.09 per year ( $\$500,000 - \$7,000 / \$100 \times \$0.0059$ ) if the proposed not to exceed \$192,000,000 ESER General Obligation Bond is issued and appropriated.

The City's Charter imposes a three percent limit on the amount of General Obligation Bonds that can be outstanding at any given time, relative to the total net assessed value of property in the City. The FY 2011-12 total net assessed value of property in the City is \$158,649,887,998. According to Ms. Sesay, as of December 31, 2011, there was \$1,293,281,219 of General Obligation Bonds outstanding, or approximately 0.82% of the total net assessed value of property in the City. If the proposed not to exceed \$192,000,000 of ESER General Obligation Bonds are issued, the total outstanding General Obligation Bonds would total \$1,485,281,219, or approximately 0.94% of the total net assessed value of property.

According to Ms. Sesay, the proposed up to \$192,000,000 ESER General Obligation Bonds are expected to be sold in early February, 2012, together with up to \$76,000,000 of Clean and Safe Neighborhood Parks General Obligation Bonds and up to \$74,000,000 of Road Repaving and Street Safety Program General Obligation Bonds, for a total of up to \$342,000,000 of General Obligation Bond sale. If the total of up to \$342,000,000 of General Obligation Bonds are issued, including the subject ESER General Obligation Bonds, the Clean and Safe Neighborhood Parks General Obligation Bonds and the Road Repaving and Street Safety Program General Obligation Bonds, the total outstanding General Obligation Bonds would total up to \$1,635,281,219 or approximately 1.03% of the total net assessed value of property in the City.

On January 11, 2012, a substitute version of the proposed supplemental appropriation ordinance (File 11-1333) was introduced and continued by the Budget and Finance Committee, which are reflected in the subject revised report.

## **POLICY CONSIDERATIONS**

Administrative Code Section 2.71(b) requires the Department of Public Works (DPW) and the Public Utilities Commission (PUC) to submit Bond Accountability Reports to the Board of Supervisors 60 days prior to approval by the Board of Supervisors of the sale of any subsequent series of bonds for the same project. In accordance with Administrative Code Section 2.72, the Bond Accountability Report must include: (a) certification from authorized representatives of DPW and PUC that the information in the report is correct; (b) cumulative amount of bond proceeds available and expended on the project; (c) brief description of each project line item for which bond proceeds have been expended; (d) the amount of bond proceeds expended on each project line item; (e) identification of completed and uncompleted project line items; (f) status and explanation of each uncompleted project line item; (g) identification and explanation of any project line item not included in a proposed expenditure report; (h) identification of any

project line time included in a proposed expenditure report for which bond proceeds will not be used; and (i) certification that each project identified is in conformity with the voter's authorization.

On November 18, 2011, DPW submitted a Bond Accountability Report for the Earthquake Safety and Emergency Response Bond Program. In addition, on September 30, 2011, DPW submitted an Earthquake Safety and Emergency Response Bond Program report to the Citizens General Obligation Bond Oversight Committee. The Budget and Legislative Analyst notes that both of these reports state that an additional \$31,505,626 of requested funding would be included in the subject second ESER General Obligation Bond sale and appropriation, for the PUC's AWSS, cisterns, pipes and tunnels projects. However, as discussed above, the PUC is not requesting any additional funding at this time for the AWSS, cisterns, pipes and tunnels projects. According to Mr. Carlos Jacobo, Budget Director at the PUC, after further evaluation, the PUC determined that there was sufficient funding in the AWSS, cisterns, pipes and tunnels projects to extend through the Summer of 2012, at which time the PUC will determine, together with the Office of Public Finance, the amount of additional General Obligation Bond sale and appropriations that are needed.

## RECOMMENDATION

Approve the proposed ordinance (File 11-1333) and resolution (File 11-1344).

**Attachment  
Earthquake Safety and Emergency Response Bond Program**

Description	Budget	Bond Sales			Future Bond
		First	Second	Total	
<b>Public Safety Building</b>					
Construction					
CM/SC (including all trade contracts)	178,000,000	42,184,935	134,815,708	177,000,643	178,000,000
Construction Contingency	11,835,114	0	11,702,285	11,702,285	11,835,114
All Enrichment	3,500,000	786,890	1,522,503	2,249,163	3,500,000
Hazardous Materials	580,000	176,945	400,000	576,945	580,000
Subtotal	194,915,114	43,748,770	148,448,496	192,197,931	194,915,114
Project Services					
Project Management	5,528,183	1,112,051	2,090,326	3,202,377	5,528,183
Regulatory Agencies	2,069,495	78,263	778,272	856,535	2,069,495
Subtotal	7,597,678	1,190,314	2,868,598	4,048,912	7,597,678
Architectural/Engineering/Construction Administration					
Architectural/Engineering	24,249,523	18,215,431	5,739,092	24,054,523	24,249,523
Pre-Construction	18,856,050	738,926	117,121	19,692,077	18,856,050
Construction Management	6,102,004	1,143,000	1,633,212	2,879,212	6,102,004
Testing and Inspection	1,170,000	384,882	1,823,029	2,017,911	1,170,000
Geotech. Services and Data Collection	1,083,820	600,882	268,638	1,050,520	1,083,820
Subtotal	32,342,497	22,283,401	8,571,892	31,055,293	32,342,497
<b>Public Safety Building Total</b>	<b>237,257,611</b>	<b>66,032,176</b>	<b>163,436,973</b>	<b>229,461,226</b>	<b>237,257,611</b>
<b>Neighborhood Fire Stations</b>					
Program Development Pre-Bond (7420A)	1,016,698	1,016,698	0	1,016,698	1,016,698
Project Management (7420A)	2,178,831	490,000	484,053	1,274,053	2,178,831
Pre-Design Services Focused Scope/Comprehensive & General	1,041,000	1,041,000	0	1,041,000	1,041,000
Construction Management Support Services (CMSS)	1,348,000	1,348,000	1,348,000	1,348,000	1,348,000
MTB	480,000	480,000	480,000	480,000	480,000
Contingency					
<b>7420A / COMPREHENSIVE</b>					
<b>7420A Station 2</b>					
Design Phase	99,000	99,000	99,000	99,000	99,000
Construction Administration	21,412	21,412	21,412	21,412	21,412
Construction	650,000	650,000	650,000	650,000	650,000
Subtotal	770,412	770,412	770,412	770,412	770,412
<b>7421A Station 8</b>					
Design Phase	721,000	721,000	721,000	721,000	721,000
Construction Administration	77,883	77,883	77,883	77,883	77,883
Construction	6,340,000	6,340,000	6,340,000	6,340,000	6,340,000
Subtotal	7,138,883	7,138,883	7,138,883	7,138,883	7,138,883
<b>7422A Station 22</b>					
Design Phase	559,000	559,000	559,000	559,000	559,000
Construction Administration	0	0	0	0	0
Construction	659,000	659,000	659,000	659,000	659,000
Subtotal	1,218,000	1,218,000	1,218,000	1,218,000	1,218,000
<b>7427A Station 36</b>					
Design Phase	89,000	89,000	89,000	89,000	89,000
Construction Administration	21,412	21,412	21,412	21,412	21,412
Construction	650,000	650,000	650,000	650,000	650,000
Subtotal	760,412	760,412	760,412	760,412	760,412
<b>7423A Station 43</b>					
Design Phase	718,187	718,187	718,187	718,187	718,187
Construction Administration	0	0	0	0	0
Construction	639,000	639,000	639,000	639,000	639,000
Subtotal	1,357,187	1,357,187	1,357,187	1,357,187	1,357,187
<b>7424A Station 34 Fire Boat Headquarters</b>					
Pre-Design Phase	333,000	333,000	333,000	333,000	333,000
Design Phase	0	0	0	0	0
Construction Administration	82,883	82,883	82,883	82,883	82,883
Construction	1,160,000	1,160,000	1,160,000	1,160,000	1,160,000
Subtotal	1,575,883	1,575,883	1,575,883	1,575,883	1,575,883
<b>7425A Station 49 Equipment Logistics Center</b>					
Pre-Design Phase	300,000	300,000	300,000	300,000	300,000
Design Phase	0	0	0	0	0
Construction Administration	291,919	291,919	291,919	291,919	291,919
Construction	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Subtotal	10,591,919	10,591,919	10,591,919	10,591,919	10,591,919
<b>FOCUSSED SCOPE</b>					
<b>7426A Stations 6, 15, 16, 17, 18, 20, 31, 32, 40, 41, 42, 43</b>					
Design Phase	1,280,000	1,280,000	1,280,000	1,280,000	1,280,000
Construction Administration	277,380	277,380	277,380	277,380	277,380
Construction	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Subtotal	8,557,380	8,557,380	8,557,380	8,557,380	8,557,380
<b>7426A Stations 10, 20, 32 (Alhambra)</b>					
Design Phase	220,000	220,000	220,000	220,000	220,000
Construction Administration	48,717	48,717	48,717	48,717	48,717
Construction	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000
Subtotal	1,568,717	1,568,717	1,568,717	1,568,717	1,568,717
<b>Neighborhood Fire Stations Total</b>	<b>24,440,000</b>	<b>3,027,397</b>	<b>21,073,919</b>	<b>24,701,316</b>	<b>24,440,000</b>
<b>Auxiliary Water Supply System</b>	<b>1,572,400,000</b>	<b>8,304,828</b>	<b>0</b>	<b>8,304,828</b>	<b>1,572,400,000</b>
<b>Overnight, Accountability and Cost of Insurance</b>	<b>6,900,000</b>	<b>899,390</b>	<b>1,750,114</b>	<b>2,649,504</b>	<b>6,900,000</b>
<b>TOTAL</b>	<b>412,300,000</b>	<b>79,570,600</b>	<b>183,448,000</b>	<b>263,018,600</b>	<b>412,300,000</b>

**Summary**

Component	Budget	First	Second	Total	Future
Public Safety Building	237,257,611	66,032,176	163,436,973	229,469,149	237,257,611
Neighborhood Fire Stations	24,440,000	3,027,397	21,073,919	24,701,316	24,440,000
Auxiliary Water Supply System	1,572,400,000	8,304,828	0	8,304,828	1,572,400,000
Overnight, Accountability and Cost of Insurance	6,900,000	899,390	1,750,114	2,649,504	6,900,000
<b>Total</b>	<b>412,300,000</b>	<b>79,570,600</b>	<b>183,448,000</b>	<b>263,018,600</b>	<b>412,300,000</b>

Reserve Pending Bond Sale **8,558,000**  
 Total Second Bond Sale Request **192,020,000**