



**OFFICE OF THE CONTROLLER**  
**CITY AND COUNTY OF SAN FRANCISCO**

Ben Rosenfield  
Controller  
Todd Rydstrom  
Deputy Controller  
Anna Van Degna  
Director of Public Finance

## MEMORANDUM

**TO:** Honorable Members, Board of Supervisors

**FROM:** Anna Van Degna, Director of Public Finance   
Luke Brewer, Controller's Office of Public Finance  
Bridget Katz, Controller's Office of Public Finance

**DATE:** **Monday, August 31, 2020**

**SUBJECT:** Resolution Approving the Form of and Authorizing the Distribution of a Preliminary Official Statement Relating to the Execution and Delivery of City and County of San Francisco Certificates of Participation for the Animal Care & Control Project

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### Recommended Action

We respectfully request that the Board of Supervisors consider for review and approval the resolution ("Resolution") authorizing the distribution of a preliminary official statement relating to the execution and delivery of City and County of San Francisco Certificates of Participation ("COPs") for the Animal Care & Control Project, authorizing the preparation, execution and delivery of a final official statement, modifying and ratifying the approvals and terms and conditions of a previous resolution, and related matters.

As further discussed below, the Board of Supervisors previously approved the execution and delivery of the COPs to finance the Animal Care & Control Project per Resolution No. 498-16. This recommended action is to further facilitate the execution and delivery of the previously authorized COPs.

### Background

#### Animal Care & Control

San Francisco Animal Care and Control ("ACC") is the City's only open door animal shelter. The municipal agency provides housing, care and medical treatment to wild, exotic and domestic, stray, lost, abandoned, sick, injured and surrendered animals. Every year, ACC shelters 10,000 animals of various species in an outdated and seismically unsafe building with cramped spaces that struggle to accommodate these needs. ACC's mission is to adopt, rehome or reunite domestic animals with their guardians and to release wildlife to their native habitat. The department receives 16,000 calls every year

from residents looking for assistance with animal-related emergencies including abuse and neglect as well as matters of public safety. ACC is responsible for enforcing all State and local animal welfare and control laws and is a first responder to natural disasters and emergencies.

### The Project

A portion of the proceeds of the COPs will be used to finance or refinance the costs of the acquisition, construction and installation of improvements to the new San Francisco Animal Care and Control Facility (“Project”) to be located at 1419 Bryant Street in San Francisco’s Mission neighborhood. The Project involves the adaptive reuse and rehabilitation and seismic improvement of the original Market Street Railway powerhouse, originally built in 1893 and expanded in 1902. The single-story-plus-mezzanine, 42-foot building measures 34,350 square feet, and was most recently used by the San Francisco Municipal Transportation Agency (“MTA”) as a maintenance facility for Muni’s overhead power lines. The City plans to convert the existing building on the site into the new ACC facility. The Project will include the addition of a second story within the existing building. New exterior dog runs and gardens will be added on the ground floor and roof. The Project will increase the total square footage of the building to 44,600 square feet. The new facility is designed and will be built to an enhanced level of seismic resilience that is required of an essential facility, and includes the ability to operate completely off the grid for 72 hours with backup power and water provisions. A second, smaller building at the eastern end of the Project site will remain in use as SFMTA storage.

The ground floor of the building will house animal holding areas, dog runs, public lobbies, staff work areas, veterinary offices, and a sally port for loading use. The new second floor of the building will house adoption facilities, classrooms, accessory offices, staff rooms, and additional animal holding areas. The roof will contain a dog run, solar panels, and a roof garden for use by small animals.

Total costs of the Project are expected to be approximately \$76.4 million, which includes a 10% construction contingency. The City has used amounts from grants, other City funds, and the proceeds from the sale of commercial paper certificates of participation (“CP”) to finance part of the Project costs, as discussed further below. The construction of the Project is currently within budget, as provided in the construction contract.

Project construction began in May 2019 and is expected to be substantially completed in December 2020, with move in anticipated to be completed by April 2021. The City estimates that the Project is 85% complete as of July 2020. Estimated Project completion is currently consistent with the original schedule. The existing animal care and control facility located at 1200 15th Street will be closed once the proposed project is completed. Per the Resolution, it is currently anticipated that the new Animal Care and Control facility located at 1419 Bryant Street will serve as the leased asset for the COPs.

### Prior Board of Supervisors Actions

In May 2016, per Ordinance No. 92-16 (“2016 Ordinance”), the Board approved the appropriation of \$60,500,000 of Certificates of Participation to the Department of Administrative Services for the Animal Care and Control Renovation Project.

In November 2016, per Resolution No. 498-16 (“2016 Resolution”), the Board approved the execution and delivery of COPs in a principal amount not to exceed \$60,500,000 in order to finance the

costs of acquisition, construction, and improvement of the Project. The 2016 Resolution also authorized the issuance of commercial paper notes in advance of the delivery of the COPs.

## **The Official Statement**

The Official Statement provides information for prospective bidders and investors in connection with the public offering by the City of its COPs. The Official Statement describes the COPs including sources and uses of funds; security for the COPs; the Project and leased property; risk factors; and tax and other legal matters, among other information. The Official Statement also includes the City's Appendix A, the most recent Comprehensive Annual Financial Report of the City, the City's Investment Policy, and other forms of legal documents for the benefit of investors, holders and owners of the COPs.

A Preliminary Official Statement is distributed to prospective investors prior to the sale of the COPs and within seven days of the public offering of the COPs, the Final Official Statement (adding certain sale results including the offering prices, interest rates, selling compensation, principal amounts, and aggregate principal amounts) is distributed to the initial purchasers of the COPs.

The 2016 Resolution also approved the form of a Preliminary Official Statement, approved the form and execution of the Official Statement relating to the sale of the COPs, approved the form of the Continuing Disclosure Certificate and granted general authority to City officials to take necessary actions in connection with the authorization, execution, sale and delivery of the COPs and approved modifications to documents and agreements.

The Preliminary Official Statement relating to the COPs has been updated as of August 27, 2020 and reflects significant changes in the City's budget and finances that have occurred since the 2016 Resolution. The Preliminary Official Statement includes the City's Comprehensive Annual Financial Report ("CAFR") for Fiscal Year 2018-2019. Updated information regarding the Project and the status of the development was provided by City staff for inclusion in the Preliminary Official Statement. Additionally, the information contained in the Appendix A, was prepared by City staff for inclusion in the Preliminary Official Statement. In accordance with rule 15c2-12 of the Securities and Exchange Act of 1934, the Controller will certify, on behalf of the City, that the Preliminary and Final Official Statements are "deemed final" as of their release dates. The Controller will also certify that such document does not contain any material misstatement or omissions prior to it being distributed to the investing marketplace. A form of the Preliminary Official Statement is attached for your approval prior to its publication.

The Office of Public Finance proposes the execution and delivery of the COPs under the authority of the 2016 Resolution and seeks approval of this Resolution by the Board of Supervisors and the Mayor, to approve and authorize the use and distribution of the Preliminary Official Statement by the co-financial advisors with respect to the COPs.

## **The Certificates and Current Plan of Finance**

The 2016 Resolution authorized the execution and delivery of tax-exempt or taxable (if necessary) COPs in a par amount not-to-exceed \$60,500,000. Based on Project cost estimates, tax analysis and schedule, the Office of Public Finance anticipates selling \$47,735,000 in tax-exempt COPs under market assumptions prevailing at the expected time of sale. The difference between the expected issuance amount and the \$60,500,000 not-to-exceed amount provides flexibility for market fluctuations until the sale of the COPs, any increased deposits to the debt service reserve fund, and possible additional delivery date expenses.

*Commercial Paper.* From January 2017 through June 2020, the Project incurred expenditures totaling approximately \$10.8 million using the City's commercial paper program. The Project anticipates issuing additional commercial paper notes to fund Project expenditures prior to the delivery of the COPs. The commercial paper notes outstanding for the Project will be refinanced with the delivery of the COPs.

Based upon an estimated 2.597% true interest cost and the anticipated total par value of \$47,735,000, the total principal and interest payments over the approximate 20-year term of the COPs are estimated to be approximately \$71,800,000. The variance between the anticipated par value and the and the 2016 Resolution not-to-exceed amount is primarily due to current investor preferences for a premium bond structure. Additionally, the interest rates for the CP interim financing have been lower than the initial projections.

For good faith estimates required by Code Section 5852.1 of the California Government regarding the proposed financing, see Attachment 1. The information set forth in Attachment 1 is based on estimates of prevailing market conditions, and the ability to finance the entirety of the project on a tax-exempt basis. Actual results may differ if assumed market conditions change.

## **Additional Information**

The Preliminary Official Statement will include the City's CAFR as well as the attachments described below.

*Appendix A:* The City prepares the Appendix A: "City and County of San Francisco—Organization and Finances" (the "Appendix A") for inclusion in the Official Statement. The Appendix A describes the City's government and organization, the budget, property taxation, other City tax revenues and other revenue sources, general fund programs and expenditures, employment costs and post-retirement obligations, investment of City funds, capital financing and certificates, major economic development projects, constitutional and statutory limitations on taxes and expenditures, and litigation and risk management.

*Continuing Disclosure Certificate:* The City covenants to provide 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.

The Continuing Disclosure Certificate describes the nature of the information to be contained in the Annual Report or the notices of enumerated events. These covenants have been made in order to assist

initial purchasers of the COPs in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5).

## Anticipated Financing Timeline

Milestones	Dates*
• Introduction of the Resolution to the Board of Supervisors	September 1, 2020
• Budget and Finance Committee Hearing	September 16, 2020
• Board Considers Approval of the Resolution	September 22, 2020
• Sale and Closing of the COPs	Est. October 2020

\*Please note that dates are estimated unless otherwise noted.

Please contact Anna Van Degna ([Anna.VanDegna@sfgov.org](mailto:Anna.VanDegna@sfgov.org)) at 415-554-5956, Luke Brewer ([Luke.Brewer@sfgov.org](mailto:Luke.Brewer@sfgov.org)) at 415-554-7693 or Bridget Katz ([bridget.katz@sfgov.org](mailto:bridget.katz@sfgov.org)) at 415-554-6240 if you have any questions. Your consideration of this matter is greatly appreciated.

cc: Angela Calvillo, Clerk of the Board of Supervisors  
Andrea Bruss, Mayor's Office  
Andres Powers, Mayor's Office  
Ashley Groffenberger, Mayor's Acting Budget Director  
Harvey Rose, Budget Analyst  
Severin Campbell, Budget Analyst  
Ben Rosenfield, Controller  
Mark Blake, Deputy City Attorney  
Kenneth Roux, Deputy City Attorney  
Ken Bukowski, Deputy City Administrator  
Andrico Penick, Director of Real Estate Division  
Tim Kempf, Project Manager, San Francisco Public Works  
Virginia Donohue, Executive Director, San Francisco Animal Care and Control

## ATTACHMENT 1

For purposes of compliance with Section 5852.1 of the California Government Code, the following information are good faith estimates provided by the City's Co-Municipal Advisors, Montague DeRose & Associates, LLC and CSG Advisors Incorporated:

1. True interest cost of the COPs: 2.597%
2. Finance charge for the COPs, including all fees and charges for third parties (including underwriter's compensation, municipal advisory fees, co-bond counsel fees, disclosure counsel fees, trustee fees and other payments to third parties): \$995,197.
3. Amount of COP proceeds expected to be received by the City, net of payments identified in 2 above and any reserve fund or capitalized interest funded with proceeds of the COPs: \$49,908,353.
4. Total payment amount for the COPs, being the sum of (a) debt service on the COPs to final maturity, and (b) any financing costs not paid from proceeds of the COPs: \$71,781,780.

The information set forth above is based up estimates of prevailing market conditions, and the ability to finance the entirety of the project on a tax-exempt basis. Actual results may differ if assumed market conditions change.