



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

Nadia Sesay
Director
Office of Public Finance

MEMORANDUM

TO: Honorable Members, Board of Supervisors

FROM: Nadia Sesay, Director of Public Finance

SUBJECT: City and County of San Francisco General Obligation Bonds (Clean and Safe Neighborhood Parks Bonds, 2012), Series 2013A
City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010), Series 2013B
City and County of San Francisco General Obligation Bonds (Road Repaving and Street Safety Bonds, 2011), Series 2013C

DATE: April 23, 2013

I respectfully request that the Board of Supervisors consider the issuance of general obligation bonds financing the Clean and Safe Neighborhood Parks program, Earthquake Safety and Emergency Response program, and Road Repaving and Street Safety program.

In connection with this request, legislation approving the sale and issuance of the bonds, supplemental appropriation ordinances to appropriate the bond proceeds, and related supporting documents are expected to be introduced at the Board of Supervisors meeting on Tuesday, April 23, 2013 and we respectfully request that the items be heard at the May 8, 2013 meeting of the Board's Budget and Finance Committee.

Background:

Clean and Safe Neighborhood Parks Bonds

A two-thirds majority of voters of the City approved Proposition B in November 2012 ("2012 Proposition B"), which authorized the issuance of not to exceed \$195,000,000 in general obligation bonds to finance the construction, reconstruction, purchase and/or improvement of park and recreation facilities within the City (the "Parks Project"). The 2012 Proposition B allocates \$152.5 million of the approved bonds to be used for Recreation and Parks Department projects and \$34.5 million of the approved bonds to be used for Port Commission projects. The subject item represents the first proposed bond sale out of the \$195,000,000 in general obligation bonds authorized to be issued by 2012 Proposition B.

The proposed resolution authorizes the issuance of not to exceed \$74,030,000 of City and County of San Francisco General Obligation Bonds (Clean and Safe Neighborhood Parks Bonds, 2012), Series 2013A (the “2013A Bonds”) to finance construction, planning, design, and other capital improvements of the Parks Project.

Earthquake Safety & Emergency Response Bonds

A two-thirds majority of voters of the City approved Proposition B in June 2010 (the “2010 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 (the “Earthquake Safety Projects”). Of the \$412,300,000 authorized to be issued by the 2010 Proposition B, \$301,115,000 has been issued to date.

The proposed resolution authorizes the issuance of not to exceed \$31,905,000 of City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010), Series 2013B (the “2013B Bonds”). The 2013B Bonds will be the fourth series of bonds to be issued under Proposition B financing the Earthquake Safety Projects. Proceeds from the 2013B Bonds will finance the following:

- Auxiliary Water Supply System (AWSS) project – improvements and seismic upgrades, including the planning, design, and construction of physical plant, pipeline, tunnel, and cistern projects of the AWSS.
- Neighborhood Fire Stations project – pre-design services, design services, construction, construction administration, and project management services.

Road Repair and Street Safety Bonds

A two-thirds majority of voters of the City approved Proposition B in November 2011 (the “2011 Proposition B”), which authorized the issuance of not to exceed \$248,000,000 in general obligation bonds to finance the repaving and reconstruction of roads, the rehabilitation and seismic improvement of street structures, the replacement of sidewalks, the installation and renovation of curb ramps, the redesign of streetscapes, and the construction, rehabilitation and renovation of traffic infrastructure (the “Streets Projects”, and together with the Earthquake Safety Projects and the Parks Projects, the “Projects”).

The proposed resolution authorizes the issuance of not to exceed \$133,275,000 of City and County of San Francisco General Obligation Bonds (Road Repaving and Street Safety Bonds, 2011), Series 2013C (the “2013C Bonds” and together with the Series 2013A Bonds and the 2013B Bonds, the “Bonds”) to finance the Streets Projects. Of the \$248,000,000 authorized to be issued by the 2011 Proposition B, \$74,295,000 has been issued to date.

Costs of Issuance

In addition, a portion of the Bonds will pay certain expenses incurred in connection with their issuance and delivery and the periodic oversight and review of the Projects by the Citizens’ General Obligation Bond Oversight Committee (“CGOBOC”). Detailed descriptions of the Projects financed with proceeds of the Bonds are included in the Bond Accountability Reports and Bond Reports prepared by the respective departments.

The remaining authorization under the 2012 Proposition B; 2010 Proposition B; and 2011 Proposition B will be issued subject to the consideration and adoption by the Board of Supervisors and approval by the Mayor of subsequent authorizing resolutions.

Financing Parameters:

The proposed resolutions authorize the issuance of not to exceed aggregate par amount of \$239,210,000. Based on current project cost estimates and schedules, the Office of Public Finance expects to issue \$233,385,000 under conservative assumptions of market conditions prevailing at the expected time of sale. The additional authorized amount above the expected issuance amount allows for fluctuations in market conditions from the date of authorization by the Board to the time of the sale of the Bonds.

The Bonds are anticipated to contribute approximately \$71.39 million to the Parks Projects; \$30.77 million to the Earthquake Safety Projects; and \$128.51 million to the Streets Projects. Table 1 outlines anticipated sources and uses for the Bonds.

Table 1: Anticipated Sources and Uses for the Bonds.

Series	2013A	2013B	2013C	Agg Amount
Par Amount	\$ 72,230,000	\$ 31,130,000	\$ 130,025,000	\$ 233,385,000
Estimated Sources	\$ 72,230,000	\$ 31,130,000	\$ 130,025,000	\$ 233,385,000
Estimated Uses				
Project Fund Deposit	\$ 71,387,500	\$ 30,765,572	\$ 128,510,432	\$ 230,663,504
Controller's Audit Fund	142,775	61,531	257,021	461,327
Other Costs of Issuance				
Costs of Issuance	158,000	69,422	282,360	509,781
Underwriter's Discount	469,495	202,345	845,163	1,517,003
CGOBOC	72,230	31,130	130,025	233,385
Estimated Uses	\$ 72,230,000	\$ 31,130,000	\$ 130,025,000	\$ 233,385,000

Based upon a conservative estimate of 6.0% interest rate, OPF estimates that average fiscal year debt service on the Bonds is approximately \$20,341,000. The anticipated total par value of \$233,385,000 is estimated to result in approximately \$173,428,000 million in interest payments over the life of the Bonds. The total principal and interest payment over the approximate 20- year life of the Bonds is approximately \$406,813,000. Based on market conditions expected to exist at the time of the sale coupled with the Capital Planning Committee constraints, the Bonds could be structured with an average 25-year life.

In addition, a portion of the Bonds will pay certain expenses incurred in connection with their issuance and delivery and the periodic oversight and review of the Projects by the Citizens' General Obligation Bond Oversight Committee ("CGOBOC").

Financing Timeline:

The Bonds are expected to be issued in June 2013. Schedule milestones in connection with the financing may be summarized as follows:

<u>Milestone</u>	<u>Date*</u>
Consideration and Approval by the Capital Planning Committee	April 15, 2013
Introduction of authorizing resolution to the Board	April 23, 2013
Issuance and delivery of Bonds	June 2013

*Please note that dates are estimated unless otherwise noted.

Debt Limit:

The City Charter imposes a limit on the amount of general obligation bonds the City can have outstanding at any given time. That limit is 3.00% of the assessed value of property in the City. As of April 2013, there are \$1.80 billion in general obligation bonds outstanding or approximately 1.1319% of the net assessed value of property in the City.

If all of the City's authorized and unissued bonds were issued, the total debt burden would be 1.6287% of the net assessed value of property in the City. If the Board of Supervisors approves the issuance of the Bonds, the debt ratio would increase by 0.1476% to 1.2796%— within the 3.00% legal debt limit.

Capital Plan:

The Capital Planning Committee approved a financial constraint regarding the City's planned use of general obligation bonds such that debt service on approved and issued general obligation bonds would not increase property owners' long-term property tax rates above fiscal year 2006 levels. The fiscal year 2006 property tax rate for the general obligation bond fund was \$0.1201 per \$100 of assessed value.

In fiscal year 2012-13, the property tax rate for the general obligation bond fund is \$0.1083 per \$100 of assessed value. If the Board of Supervisors approves the issuance of the Bonds, the overall property tax rate would be maintained at \$0.1147 per \$100 of assessed value for fiscal year 2013-14—within the Capital Planning Committee's approved financial constraint.

Additional Information:

The legislation is expected to be introduced at the Board of Supervisors meeting on Tuesday, April 23, 2013. The related financing documents—including the Notice of Intention to Sell, Official Notice of Sale, Official Statement, Appendix A and Continuing Disclosure Certificate and related documents—are also expected to be submitted.

Official Notice of Sale and Notice of Intention to Sell

The Notice of Intention to Sell provides legal notice to prospective bidders of the City's intention to sell City and County of San Francisco General Obligation Bonds, consisting of (i) General Obligation Bonds (Clean and Safe Neighborhood Parks Bonds, 2012), Series 2013A, (ii) General Obligation Bonds (Earthquake Safety and Emergency Response, 2010), Series 2013B, and (iii) General Obligation Bonds (Road Repair and Street Safety Bonds, 2011), Series 2013C (collectively, the Bonds). Such Notice of Intention to Sell will be published once in "The Bond Buyer" or another financial publication generally circulated throughout the State of California.

The Official Notice of Sale for the Bonds announces the date and time of the competitive bond sale, including the terms relating to the Bonds; the terms of sale, form of bids, and delivery of bids; and closing procedures and documents. Pending market conditions, the Bonds may be bid separately by series or bids may be received for all of the Bonds.

Exhibit A to the Official Notice of Sale is the form of the official bid for the purchase of the Bonds. Pursuant to the Resolutions, the Controller is authorized to award the Bonds to the bidder whose bid represents the lowest true interest cost to the City in accordance with the procedures described in the Official Notice of Sale.

Official Statement

The Official Statement provides information for prospective bidders and investors in connection with the public offering by the City of the Bonds. The Official Statement describes the Bonds, including sources and uses of funds; security for the Bonds; 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 Bonds.

A *Preliminary Official Statement* is distributed to prospective bidders prior to the sale of the Bonds and within seven days of the public offering, 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 Bonds.

The Board of Supervisors and the Mayor, in adopting and approving the Resolutions, approve and authorize the use and distribution of the Official Statement by the co-financial advisors with respect to the Bonds. For purposes of the Securities and Exchange Act of 1934, the Controller certifies, on behalf of the City, that the Preliminary and Final Official Statements are final as of their dates.

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 bonds, major economic development projects, constitutional and statutory limitations on taxes and expenditures, and litigation and risk management. The Appendix A is dated as of March 5, 2013.

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, if material. The Continuing Disclosure Certificate describes the nature of the information to be contained in the Annual Report or the notices of material events. These covenants have been made in order to assist initial purchasers of the Bonds in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5).

Your consideration of this matter is greatly appreciated. Please contact me at 554-5956 if you have any questions. Thank you.

CC: Angela Calvillo, Clerk of the Board of Supervisors
(via email) Elaine Forbes, Deputy Director, Port of San Francisco
Phil Ginsburg, General Manager, Recreation and Park Department
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