

File No. 160197

Committee Item No. 9
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee Date March 16, 2016

Board of Supervisors Meeting

Cmte Board

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OTHER

(Use back side if additional space is needed)

1 [Appropriation - Proceeds from Earthquake Safety and Emergency Response General
2 Obligation Bonds - \$111,060,000 - FY2015-2016]

3 **Ordinance appropriating \$111,060,000 of the 2016 Series Earthquake Safety and**
4 **Emergency Response (ESER 2014) General Obligation Bond Proceeds to the**
5 **Department of Public Works in FY2015-2016 for necessary repairs and seismic**
6 **improvements in order to better prepare San Francisco for a major earthquake or**
7 **natural disaster.**

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

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16
17 Be it ordained by the People of the City and County of San Francisco:

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Section 1. The sources of funding outlined below are herein appropriated to reflect
funding available for Fiscal Year 2015-2016.

1 **SOURCES Appropriation**

3	Fund	Index Code /	Subobject	Description	Amount
4	Project Code				
5	3C XCF XXX -	XXXXXXXXXX	80111	General Obligation	\$111,060,000
6	Earthquake Safety &	CESER2MP0000	Proceeds from	Bond Proceeds	
7	Emergency Response		Sale of Bonds-		
8	(ESER 2014, Series		Face Amount		
9	2016D)				
10					
11	Total SOURCES Appropriation				\$111,060,000
12					
13					

14 Section 2. The uses of funding outlined below are herein appropriated in Subobject
15 06700 (Buildings, Structures, and Improvement Project-Budget), Subobject 0935W (Operating
16 Transfer Out to 5W-Water Department Funds for Auxiliary Water Supply System), Subobject
17 07311 (Cost of Bond Issuance, Underwriter's Discount, and Reserve Pending Bond Sale),
18 Subobject 081C4 (City Services Auditor Internal Audits for the General Obligation Bond
19 Oversight Committee and the Controller's Audit Fund), and reflect the projected uses of
20 funding for the necessary repairs and seismic improvements that are needed in order to
21 better prepare San Francisco for a major earthquake or natural disaster in Fiscal Year 2015-
22 2016.

1 **USES Appropriation**

2	Fund	Index Code / Project Code	Subobject	Description	Amount
4	3C XCF XXX -	XXXXXXXXXX	06700	Earthquake Safety	\$74,201,550
5	Earthquake Safety &	CESER2 MP0000	Buildings, Structures	& Emergency	
6	Emergency		& Improvement	Response	
7	Response (ESER		Project-Budget	Facilities	
8	2014, Series 2016D)			Improvements	
9					
10					
11	3C XCF XXX -	XXXXXXXXXX	0935W	Auxiliary Water	\$34,065,000
12	Earthquake Safety &	CESER2 MP0000	OTO to 5W-Water	Supply System	
13	Emergency		Department Funds		
14	Response (ESER				
15	2014, Series 2016D)				
16					
17	3C XCF XXX -	XXXXXXXXXX	07311	Cost of Issuance	\$366,257
18	Earthquake Safety &	CESER2 MP0000	Bond Issuance		
19	Emergency		Cost		
20	Response (ESER				
21	2014, Series 2016D)				
22					
23					
24					
25					

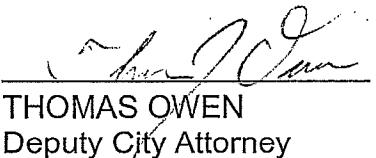
1	Fund	Index Code / Project Code	Subobject	Description	Amount
2					
3	3C XCF XXX -	XXXXXXXXXXXX	07311	Reserve for	1,000,000
4	Earthquake Safety &	CESER2 MP0000	Bond Issuance	Market	
5	Emergency		Cost	Uncertainty	
6	Response (ESER				
7	2014, Series 2016D)				
8					
9	3C XCF XXX -	XXXXXXXXXXXX	07311	Underwriter's	\$1,100,600
10	Earthquake Safety &	CESER2 MP0000	Bond Issuance	Discount	
11	Emergency		Cost		
12	Response (ESER				
13	2014, Series 2016D)				
14					
15	3C XCF XXX -	XXXXXXXXXXXX	081C4	0.2% allocation for	\$216,533
16	Earthquake Safety &	CESER2 MP0000	Controller	the Controller's	
17	Emergency		Internal Audits	Audit Fund	
18	Response (ESER				
19	2014, Series 2016D)				
20					
21					
22					
23					
24					
25					

1	3C XCF XXX -	XXXXXXXXXX	081C4	0.1% allocation for	\$110,060
2	Earthquake Safety &	CESER2 MP0000	Controller	the General	
3	Emergency		Internal Audits	Obligation Bond	
4	Response (ESER			Oversight	
5	2014, Series 2016D)			Committee Audits	
6					
7					
8	Total USES Appropriation				\$111,060,000
9					

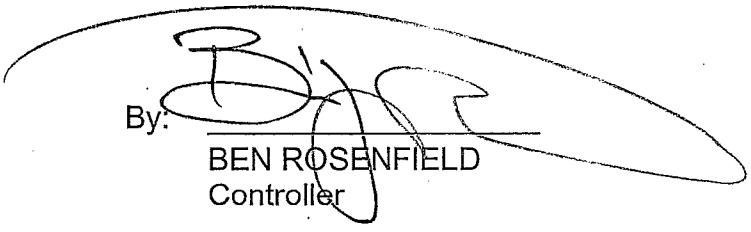
10 Section 3. The uses of funding outlined above for \$111,060,000 are herein placed on
 11 Controller's Reserve pending sale of the General Obligation Bonds.

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

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

22 By: 
 23 THOMAS OWEN
 24 Deputy City Attorney

20 FUND'S AVAILABLE
 21 BEN ROSENFIELD, Controller

22 By: 
 23 BEN ROSENFIELD
 24 Controller

Items 7, 8, 9, 10, 11 and 12 Files 16-0195, 16-0196, 16-0197, 16-0200, 16-0201 and 16-0202	Departments: Office of Public Finance (OPF) Department of Public Works (DPW) Public Utilities Commission (PUC) San Francisco Municipal Transportation Agency (SFMTA)
EXECUTIVE SUMMARY	
Legislative Objectives	
<ul style="list-style-type: none"> • <u>File 16-0195</u>: Ordinance appropriating \$46,462,851, including \$44,145,000 of Series 2016E RRSS bond proceeds and \$2,317,851 of accumulated bond interest earnings to DPW and SFMTA and placing these funds on Controller's Reserve pending the bond sale. • <u>File 16-0196</u>: Ordinance appropriating \$29,673,553, including \$25,215,000 of Series 2016C ESER bonds and \$4,458,553 of accumulated bond interest to the Department of Public Works (DPW) for seismic improvements and placing these funds on Controller's Reserve pending the bond sale. • <u>File 16-0197</u>: Ordinance appropriating \$111,060,000 of Series 2016D ESER bonds to DPW for seismic repairs and placing these funds on Controller's Reserve pending the bond sale. • <u>File 16-0200</u>: Resolution authorizing and directing the sale of not-to-exceed \$25,215,000 aggregate principal Earthquake Safety and Emergency Response (ESER) General Obligation Bonds, Series 2016C, approved by the voters on June 8, 2010. • <u>File 16-0201</u>: Resolution authorizing and directing the sale of not-to-exceed \$111,060,000 aggregate principal Earthquake Safety and Emergency Response (ESER) General Obligation Bonds, Series 2016D, approved by the voters on June 3, 2014. • <u>File 16-0202</u>: Resolution authorizing and directing the sale of not-to-exceed \$44,145,000 aggregate principal Road Repaving and Street Safety (RRSS) General Obligation Bonds, Series 2016E, approved by voters on November 8, 2011. 	Key Points <ul style="list-style-type: none"> • In June 2010, voters authorized \$412,300,000 of general obligation bonds for earthquake safety and emergency response projects. To date, five sales have occurred, totaling \$387,085,000. This sale of \$25,215,000 (Series 2016C) is the sixth and final 2010 ESER sale. • In June 2014, voters authorized \$400,000,000 of general obligation bonds to fund additional ESER projects. One prior issuance of \$100,670,000 in 2014 occurred, leaving a remaining balance of \$299,330,000. This Series 2016D issuance is for \$111,060,000. • Projects to be funded with these two ESER bond sales include: continued work on multiple Neighborhood Fire Station and Support Facilities, upgrades to District Police Stations, relocation of the Medical Examiner Facility and the Traffic Company & Forensic Services Division and continued work on the Emergency Firefighting Water System. • In November 2011, voters authorized \$248,000,000 of general obligation bonds to repair and improve roads and street infrastructure. To date, two RRSS bond sales have occurred, totaling \$203,855,000. This \$44,145,000 sale is the third and final 2011 RRSS sale. • Projects to be funded with the RRSS bonds include: road paving, streetscape improvements and repair and replacement of transit and traffic signals.

Fiscal Impact

- The supplemental appropriation for the Series 2016C 2010 ESER Bonds (File 16-0196) also includes \$4,458,553 of interest earnings from previous bond sales, to be expended on additional fire station improvements. The supplemental appropriation for the Series 2016E 2011 RRSS Bonds (File 16-0195) includes \$2,317,851 of interest earnings from previous bond sales, to be expended on additional streetscape projects.
- The requested not-to-exceed total of \$180,420,000 of general obligation bonds is projected to be sold for a par amount of \$179,420,000, with \$1,000,000 reserve. This includes \$176,851,268 in estimated project and Controller audit funds and \$2,568,732 in issuance and related oversight costs.
- These bonds are estimated to have an annual interest rate of 3.6 percent over approximately 20-years, with interest on the bonds totaling \$72,255,618. Average annual debt service on the bonds would be \$12,583,781. Total principal and interest payments over 20 years are estimated to be \$251,675,000.
- Repayment of the annual debt service is covered through increases in the annual Property Tax rate, such that homeowners with an assessed value of \$600,000 will pay average annual additional \$38.46 in Property Taxes to the City if the anticipated \$179,420,000 for the three Series 2016C ESER, 2016D ESER and 2016E RRSS bonds are sold.

Recommendations

- Approve File 16-0195, which includes \$2,317,851 of additional interest earnings, contingent on the approval by the Capital Planning Committee.
- Approve the remaining three proposed resolutions and two proposed 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, subject to the Controller certifying the availability of funds, are subject to Board of Supervisors approval.

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.

Background

2010 ESER Bonds

In June 2010, San Francisco voters 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. To date, the Board of Supervisors has authorized the sale and appropriation of \$387,085,000 of these 2010 ESER Bonds, as summarized in Table 1 below.

Table 1: 2010 ESER Bonds Previously Issued and Appropriated

Month and Year	Amount Authorized (Not-to Exceed)	Bonds Issued	File Numbers of Bond Authorization and Appropriation
November 2010	\$85,000,000	\$79,520,000	Files 10-1256 and 10-1248
January 2012	192,000,000	183,330,000	Files 11-1344 and 11-1333
June 2012	40,410,000	38,265,000	Files 12-0533 and 12-0527
May 2013	31,905,000	31,020,000	Files 13-0382 and 13-3068
July 2014	57,840,000	54,950,000	Files 14-0812 and 14-0802
Total		\$387,085,000	

Based on the initial authorization of \$412,300,000, and previous appropriations totaling \$387,085,000, there is a remaining balance of \$25,215,000 to be issued and appropriated.

2014 ESER Bonds

In June 2014, San Francisco voters approved Proposition A, which authorized the issuance of not-to-exceed \$400,000,000 in general obligation bonds to fund the completion of certain projects funded by the 2010 ESER bonds as well as new ESER projects. On July 29, 2014, the

Board of Supervisors approved two resolutions (Files 14-0840 and 14-0811) authorizing the issuance of the entire not-to-exceed \$400,000,000 of the 2014 ESER Bonds and the sale of the first series of the 2014 ESER bonds for \$100,670,000. On September 12, 2014, the Board of Supervisors approved an ordinance appropriating the \$100,670,000 (File 14-0801) from the first bond sale, leaving a remaining authorized balance of \$299,330,000.

2011 RRSS Bonds

In November 2011, San Francisco voters authorized the issuance of a not-to-exceed \$248,000,000 of Road Repaving and Street Safety (RRSS) General Obligation Bonds to repair and improve roads and street infrastructure in the City. On January 24, 2012, the Board of Supervisors approved a resolution (File 11-1343) authorizing the issuance of the entire not-to-exceed \$248,000,000 of the 2011 RRSS bonds. As shown in Table 2 below, to date, two sales and appropriations of the RRSS bonds have occurred, totaling \$203,855,000.

Table 2: 2011 RRSS Bonds Previously Issued and Appropriated

Month and Year	Amount Authorized.		Files
	(Not-to Exceed)	Bonds Issued	
February 2012	\$76,500,000	\$74,295,000	Files 11-1346 and 11-1335
May 2013	133,275,000	129,560,000	Files 13-0381 and 13-0363
Total		\$203,855,000	

Based on the initial 2011 RRSS bond authorization of \$248,000,000, and previous appropriations totaling \$203,855,000 as shown in Table 2 above, there is a remaining balance of \$44,145,000 to be issued and appropriated for the 2011 RRSS bonds.

DETAILS OF PROPOSED LEGISLATION

The three proposed resolutions authorize the issuance of the following bonds, totaling \$180,420,000:

- File 16-0200: Resolution authorizing and directing the sale of not-to exceed \$25,215,000 aggregate principal Earthquake Safety and Emergency Response (ESER) General Obligation Bonds, Series 2016C, approved by the voters on June 8, 2010.
- File 16-0201: Resolution authorizing and directing the sale of not-to-exceed \$111,060,000 aggregate principal Earthquake Safety and Emergency Response (ESER) General Obligation Bonds, Series 2016D, approved by the voters on June 3, 2014.
- File 16-0202: Resolution authorizing and directing the sale of not-to-exceed \$44,145,000 aggregate principal Road Repaving and Street Safety (RRSS) General Obligation Bonds, Series 2016E, approved by voters on November 8, 2011.

The three proposed ordinances appropriate the bond proceeds from the three above-noted bond sales as well as accumulated bond interest for a total of \$187,196,404 as follows:

- File 16-0196: Ordinance appropriating \$29,673,553, including \$25,215,000 of Series 2016C ESER bonds and \$4,458,553 of accumulated bond interest to the Department of Public Works (DPW) for seismic improvements and placing these funds on Controller's Reserve pending the bond sale.
- File 16-0197: Ordinance appropriating \$111,060,000 of Series 2016D ESER bonds to DPW for additional seismic repairs and placing these funds on Controller's Reserve pending the bond sale.
- File 16-0195: Ordinance appropriating \$46,462,851, including \$44,145,000 of Series 2016E RRSS bond proceeds and \$2,317,851 of accumulated bond interest earnings to DPW and the San Francisco Municipal Transportation Agency (SFMTA) for road, streetscape and signal improvements and placing these funds on Controller's Reserve pending the bond sale.

The proposed Series 2016C ESER Bonds of \$25,215,000 will be the sixth and final issuance of bonds under the 2010 ESER Bonds. The Series 2016D Bonds of \$111,060,000 will be the second issuance under the 2014 ESER Bonds. The Series 2016E RRSS Bonds of \$44,145,000 will be the third and final issuance under the 2011 RRSS Bonds.

Table 3 below shows the sources and uses for the Series 2016C, 2016D and 2016E bonds.

Table 3: Proposed Sources and Uses of Funds

	ESER 2010 Series 2016C	ESER 2014 Series 2016D	RRSS 2011 Series 2016E	Total
Sources				
Bond Proceeds	\$25,215,000	\$111,060,000	\$44,145,000	\$180,420,000
Uses				
Project Funds	24,804,828	108,266,550	43,426,894	176,498,272
Controller's Audit Fund	49,610	216,533	86,854	352,997
Projects Subtotal	24,854,438	108,483,083	43,513,748	176,851,268
Costs of Issuance	83,197	366,257	145,657	595,112
Underwriter's Discount	252,150	1,100,600	441,450	1,794,200
Citizens' GO Bond Oversight Com.	25,215	110,060	44,145	179,420
Costs of Issuance Subtotal	360,562	1,576,917	631,252	2,568,732
Reserve Pending Bond Sale ¹	0	1,000,000	0	1,000,000
Total Uses	\$25,215,000	\$111,060,000	\$44,145,000	\$180,420,000

Source: Letter dated February 25, 2016, 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 2016C (2010), 2016D (2014) and Road Repaving and Street Safety Series 2016E (2011).

Both the appropriations for the Series 2016C ESER Bonds and the Series 2016E RRSS Bonds (Files 16-0196 and 16-0195) include interest earnings from previous bond sales. As noted above, both the Series 2016C ESER Bonds and the Series 2016E RRSS Bonds are the final issuances for these programs, such that these appropriations will complete these programs.

¹ The Reserve Pending Sale accounts for variations in interest rates prior to the sale of the proposed bonds.

The Series 2016D ESER Bond appropriation (File 16-0197) does not include additional interest earnings because these projects are still in progress and there will be additional future bond sales and appropriations, which will include such interest earnings in the future. Table 4 below shows the interest earnings included in the supplemental appropriations.

Table 4: Interest Earnings for ESER 2010 and RRSS 2011 Previous Bond Sales

Interest Earnings	ESER 2010 Series 2016C	RRSS 2011 Series 2016E
First Bond Sale	\$1,215,399	\$903,301
Second Bond Sale	3,009,203	1,414,550
Third Bond Sale	18,407	
Fourth Bond Sale	57,670	
Fifth Bond Sale	157,874	
Total	\$4,458,553	\$2,317,851

Proceeds from the 2016C ESER 2010 Bonds will fund projects totaling \$24,804,828 plus \$4,458,553 from accrued bond interest earnings, or a total of \$29,263,381 for continued work on the Neighborhood Fire Stations and Support Facilities project, which includes improvements to Fire Stations 5 and 16, and repairs, such as roof and window replacements, mechanical improvements, and emergency generators at multiple other fire stations.

Proceeds from the 2016D ESER 2014 Bonds will fund the following project costs of \$108,266,550, as shown in Table 3 above:

- \$10,194,715 for District Police Stations to continue funding the costs to rehabilitate, seismically upgrade and address accessibility issues at 12 police district stations.
- \$31,980,403 for the Medical Examiner Facility, which continues to fund the costs of relocating the Medical Examiner Facility from the seismically vulnerable Hall of Justice at 850 Bryant Street to a new seismically safe facility at One Newhall Street in India Basin. Design is complete and construction began in late November 2015. This project is anticipated to be completed by the summer of 2017.
- \$16,383,527 for the Police Department's 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 new facility at 1995 Evans Avenue. Construction is anticipated to begin in early 2018 and completed by the summer of 2020.
- \$34,065,000 for continued work on the Emergency Firefighting Water System, which combines the previous Auxiliary Water Supply System (AWSS) with a Flexible Water Supply System (FWSS). AWSS projects include the design and construction of pipelines, tunnels, and cistern projects. FWSS is for above-ground water distribution projects to provide fire suppression in areas not directly served by AWSS.
- \$15,642,905 to continue funding the Neighborhood Fire Stations and Support Facilities projects, which are also funded with the 2010 ESER bonds, as discussed above.

Proceeds from the 2016E RRSS 2011 Bonds will fund the following project costs of \$43,426,894, as shown in Table 3 above; as well as \$2,313,215 from additional interest earnings for a total of \$46,462,851.

- \$24,701,488 for continued road paving, resurfacing and reconstruction. Roads are selected based on criteria regarding condition, type of street, usage, coordination with utility companies and City agencies, geographic location and pavement inquiries. As of September 2015, 974 of 1,275 blocks or 76% of the total 2011 bond goal were paved. Program completion date is being extended from June 30, 2015 to December 31, 2018 to coordinate with other projects.
- \$14,473,828 of bond proceeds plus \$2,313,215 of interest earnings for a total of \$16,787,043 for continued funding of streetscape, pedestrian and bicycle safety improvements, based on criteria in the bond report, which include both larger scale community projects and smaller scale pedestrian and bicycle safety projects.
- \$4,251,578 for continued funding for transit and traffic signal improvements, to replace and upgrade signal hardware throughout the City.

Table 5 below shows the original budgets for the 2010 ESER bonds, 2014 ESER bonds, and the 2011 RRSS bonds, the prior appropriations to date, and the proposed bond proceeds and interest earnings to be appropriated from the sale of Series 2016C and 2016D for the ESER bonds and the Series 2016E for the RRSS bonds. As shown in Table 5, if the Board of Supervisors approves the three proposed resolutions and three proposed ordinances, there would be no remaining balance for the 2010 ESER or 2011 RRSS bonds. The 2014 ESER Bonds would have a remaining balance of \$188,270,000. Therefore, one or more future bonds sales and appropriations will be needed for the 2014 ESER Bonds.

Table 5: ESER and RRSS Bond Appropriations

	Original Budget	Prior Appropriations	Proposed	Balance
2010 Earthquake Safety and Emergency Response				
Public Safety Building	\$239,000,000	\$239,000,000	\$0	\$0
Neighborhood Fire Stations	64,000,000	42,101,483	24,804,828	(2,906,311)
Auxiliary Water Supply System	102,400,000	102,400,000	0	0
Oversight, Accountability and Issuance	6,900,000	3,583,517	410,172	2,906,311
Subtotal 2010 ESER	\$412,300,000	\$387,085,000	\$25,215,000	\$0
ESER Interest				
Interest – Neighborhood Fire Stations				4,458,553
Total 2010 ESER Bond and Interest				\$29,673,553
2014 Earthquake Safety and Emergency Response				
District Police Stations	\$29,490,000	6,882,940	\$10,194,715	\$12,412,345
Medical Examiner Facilities	63,895,000	34,252,621	31,980,403	(2,338,024)
Traffic Company & Forensic Services	162,195,000	30,319,675	16,383,527	115,491,798
Auxiliary Water Supply System	54,065,000	20,000,000	34,065,000	0
Neighborhood Fire Stations	83,555,000	8,150,601	15,642,905	59,761,494
Oversight, Accountability and Issuance	6,800,000	1,064,163	2,793,450	2,942,387
Total 2014 ESER	\$400,000,000	\$100,670,000	\$111,060,000	\$188,270,000
2011 Road Repaving and Street Safety				
Road Paving	\$146,541,500	122,715,227	24,701,488	(\$875,215)
Ramps	13,769,000	13,768,872	0	128
Sidewalks	7,868,000	7,868,000	0	0
Structures	6,884,500	6,884,500	0	0
Streetscape	49,175,000	35,238,361	14,473,828	(537,189)
Signals	19,670,000	15,535,900	4,251,578	(117,478)
Oversight, Accountability and Issuance	4,092,000	1,844,140	718,106	1,529,754
Subtotal 2011 RRSS	\$248,000,000	203,855,000	\$44,145,000	\$0
RRSS Interest				
Interest – Streetscape Projects				2,313,215
Interest – Oversight and Accountability				4,636
Subtotal Interest				\$2,317,851
Total 2011 RRSS Bond and Interest				\$46,462,851

FISCAL IMPACT

As shown in Table 3 above, the requested not-to-exceed total of \$180,420,000 in Series 2016C, 2016D and 2016E bonds are projected to be sold for a par amount of \$179,420,000, which would result in total project funds of \$176,851,268 and issuance-related costs totaling \$2,568,732. The difference between the requested not-to-exceed total of \$180,420,000 and the projected par amount of \$179,420,000 reflects the \$1,000,000 reserve, which is included to allow for potential variations in the interest rates when the bonds are sold. The Office of Public

Finance anticipates selling these bonds on April 27, 2016. As noted above, all of the proposed supplemental appropriations of funds would be placed on Controller's Reserve pending the sale of these bonds.

Annual interest rates for these bonds are projected by the Office of Public Finance at 3.6 percent over approximately 20-years. The Office of Public Finance advises that although a 20-year term is anticipated, the proposed bonds could be structured as a 25-year bond, if market conditions require a longer period of time. The Office of Public Finance estimates that average annual debt service on the bonds is \$12,583,781. Total interest payments over the 20-year Conlife of the bonds are \$72,255,618 and total principal and interest payments are estimated to be \$251,675,000, as shown in Table 6 below.

Table 6: Total Debt Service Payments on the Proposed Three 2016 Bonds Sales

	Series 2016C ESER	Series 2016D ESER	Series 2016E RRSS	Total
Principal Interest	\$25,215,000 10,163,834	\$110,060,000 44,373,034	\$44,145,000 17,718,750	\$179,420,000 72,255,618
Total Debt Service	\$35,378,834	\$154,433,034	\$61,863,750	\$251,675,618

Annual debt service will be recovered for all of these issuances through increases in the annual Property Tax rate. Repayment of the proposed bonds is described for each Series below.

- For Series 2016C, the Office of Public Finance estimates average Property Tax increases of \$0.00091 per \$100 or \$0.91 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 \$600,000, assuming a homeowner's exemption of \$7,000, would pay average annual additional Property Taxes to the City of \$5.46 per year for the anticipated \$25,215,000 ESER Bond sale.
- For Series 2014D, the Office of Public Finance estimates average Property Tax increases of \$0.00397 per \$100 or \$3.97 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 \$600,000, assuming a homeowner's exemption of \$7,000, would pay average annual additional Property Taxes of \$23.56 per year for the anticipated \$110,060,000 ESER Bonds sale.²
- For Series 2014D, the Office of Public Finance estimates average Property Tax increases of \$0.00159 per \$100 or \$1.59 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 \$600,000, assuming a homeowner's exemption of \$7,000, would pay average annual additional Property Taxes to the City of \$9.44 per year for the anticipated \$44,145,000 RRSS Bond sale.

As summarized in Table 7 below, the total estimated issuance of \$179,420,000 of general obligation bonds will result in total additional average annual Property Taxes of \$38.46.

² The difference between the authorized amount of \$111,060,000 and the expected par amount of \$110,060,000 is the \$1,000,000 Reserve Pending Sale shown in Table 3.

**Table 7: Anticipated Annual Property Tax Increases on \$600,000 Home
For Bond Repayments**

General Obligation Bonds	Anticipated Par Amount	Anticipated Average Annual Property Tax Impact on \$600,000 Home
2016C ESER Bond	\$25,215,000	\$5.46
2016D ESER Bond	110,060,000	23.56
2016E RRSS Bond	44,145,000	9.44
Total	179,420,000	\$38.46

Source: Controller's Office of Public Finance

However, in accordance with the City's capital plan and debt policy, new issuances of bond debt will be offset by the retirement of existing bond debt, such that the Property Tax rate paid by property owners in the City cannot exceed the 2006 Property Tax rates.

POLICY CONSIDERATION

Bond Accountability Reporting

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. On November 16, 2015, Mr. Charles Higueras, the Program Manager for the ESER Program submitted both the 2010 and 2014 Earthquake Safety and Emergency Response Bond Program Accountability Reports. On December 21, 2015, Mr. John Thomas, Program Manager for the RRSS Program submitted the Road Repaying and Street Safety 2011 Bond Program Accountability Report.

As noted in the 2014 ESER Bond Accountability Report, the City's General Fund will be used to procure furniture, fixtures and equipment (FF&E) estimated to cost \$4,869,000, because FF&E is not a bond eligible expense. Ms. Marisa Fernandez, Senior Administrative Analyst in DPW advises that these General Fund monies will be requested in the FY 2017-18 Police Department's budget. The department representatives advise that the project amounts in each of these recent Accountability Reports are different than the amounts now being requested for the various projects due to changes in the estimated costs for oversight, accountability and issuance, which allow for additional expenditures for project funds.

Capital Planning Committee

On February 22, 2016, the Capital Planning Committee approved the following:

- issuance of \$25,215,000 of 2010 ESER bonds and appropriation of \$30,000,000³ from these bonds proceeds, plus interest earned;
- issuance and appropriation of \$111,060,000 of 2014 ESER bonds; and
- issuance and appropriation of \$44,145,000 of 2011 RRSS bonds.

³ Although the Capital Planning Committee approved \$30,000,000, the actual amount of the requested supplemental appropriation for the 2010 ESER bonds is \$29,673,553 as shown in Table 5 above.

Approval by the Capital Planning Committee did not include the proposed additional \$2,317,851 of interest earned on the previous RSS bonds, for a total requested appropriation of \$46,462,851. Ms. Rachel Alonso, Transportation Finance Analyst at DPW advises that on Monday, March 14, 2016, DPW anticipates requesting approval from the Capital Planning Committee to appropriate the additional \$2,317,851 of interest earnings for additional streetscape, bike and pedestrian safety projects. The Board of Supervisors should approve this supplemental appropriation ordinance (File 16-0195) contingent on the approval by the Capital Planning Committee to use interest earnings for this purpose.

RECOMMENDATIONS

1. Approve File 16-0195, which includes \$2,317,851 of additional interest earnings, contingent on the approval by the Capital Planning Committee.
2. Approve the remaining three proposed resolutions and two proposed ordinances.
- 3.



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

Nadia Sesay
Director
Office of Public Finance

MEMORANDUM

TO: Honorable Members, Board of Supervisors

FROM: Nadia Sesay, Director of Public Finance *NS*

SUBJECT: City and County of San Francisco General Obligation Bonds
(Earthquake Safety and Emergency Response, 2010), Series 2016C
(Earthquake Safety and Emergency Response, 2014), Series 2016D
(Road Repaving and Street Safety, 2011), Series 2016E

DATE: Thursday, February 25, 2016

I respectfully request that the Board of Supervisors consider for review and adoption the resolutions authorizing the sale and issuance of general obligation bonds financing the Earthquake Safety and Emergency Response (ESER) and Road Repaving and Street Safety (RSS) programs at its Tuesday, March 1, 2016 meeting.

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. We respectfully request that the items be heard at the scheduled March 16, 2016 meeting of the Budget and Finance Committee.

Background:

On June 8, 2010, a two-thirds majority of voters of the City approved Proposition B ("2010 Proposition B"), the San Francisco Earthquake Safety and Emergency Response Bond, authorizing the city to issue \$412,300,000 in general obligation bonds to improve fire, earthquake and emergency response and ensure firefighters a reliable water supply for fires and disasters in the City. Of the total authorization, \$387,085,000 of general obligation bonds have been issued to date for earthquake and emergency response projects, leaving \$25,215,000 remaining from the 2010 Proposition B funds.

On June 3, 2014, a two-thirds majority of voters of the City approved Proposition A ("2014 Proposition A"), the San Francisco Earthquake Safety and Emergency Response Bond, authorizing the city to issue \$400,000,000 in general obligation bonds to improve fire, earthquake and emergency response in the City and improve or replace certain seismically unsafe facilities. Of the total authorization, \$100,670,000 has been issued to date, leaving \$299,330,000 remaining from the 2014 Proposition A funds.

On November 8, 2011, a two-thirds majority of voters of the City approved Proposition B (“2011 Proposition B”), the San Francisco Road Repaving and Street S Bond, authorizing the city to issue \$248,000,000 in general obligation bonds to repair and improve roadways and traffic infrastructure in the City. Of the total authorization, \$203,855,000 has been issued to date, leaving \$44,145,000 remaining from the 2014 Proposition B funds.

The proposed resolutions authorize the sale of not-to-exceed \$25,215,000 of City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response, 2010), Series 2016C (the “2016C Bonds”), the sale of not-to-exceed \$111,060,000 of City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response, 2014), Series 2016D, and the sale of not-to-exceed \$44,145,000 of City and County of San Francisco General Obligation Bonds (Road Repaving and Street Safety, 2011), Series 2016E (the “2016E Bonds”). The 2016C Bonds will be the sixth and final series of bonds to be issued under the 2010 Proposition B. The 2016D Bonds will be the second series of bonds to be issued under the 2014 Proposition A. The 2016E Bonds will be the third and final series of bonds to be issued under the 2011 Proposition B.

As described more fully in the 2010 and 2014 Earthquake Safety and Emergency Response Bond Accountability Reports, both dated November 16, 2015, proceeds from the 2016C and 2016D Bonds will partially finance the following program:

Neighborhood Fire Stations (NFS)

Bond proceeds from this sale will be used to renovate or replace selected fire stations to provide improved safety and a healthy work environment for firefighters, and to address structural, seismic, and other deficiencies with the aim of keeping the facilities operational to allow firefighters to respond to an emergency after a large earthquake or disaster.

As described more fully in the 2014 Earthquake Safety and Emergency Response Bond Accountability Report, dated November 16, 2015, remaining proceeds from the 2016D Bonds will partially finance the following programs:

Office of Chief Medical Examiner

The bond program allocates proceeds toward the project to relocate the Office of the Chief Medical Examiner (OCME) to One Newhall Street in the India Basin neighborhood, from its current facilities which are seismically deficient and undersized, potentially threatening OCME’s continued accreditation. The new facility will be two stories and have a gross area of 46,000 square feet, which will house the four units of the OCME: Field Investigations, Medical/Autopsy, Laboratory, and Administration.

Traffic Control & Forensic Services Division

Bond proceeds will be used to relocate the San Francisco Police Department’s Forensic Services Division (FSD) and Traffic Company (TC) to a site at 1995 Evans Avenue. This project will allow for the consolidation of FSD facilities from two location into a single, seismically-sound and adequately sized location, and it will allow TC operations to be moved from a seismically deficient facility as well.

Police Facilities

The bond program includes funding for facility upgrades to 12 different police facilities located across the City, including mechanical, electrical, fire protection, and structural safety work scopes, as well as code compliance and addressing accessibility requirements. This work will help address seismic issues as well as help to enable emergency response after an earthquake or disaster.

Emergency Firefighting Water System

The bond funding will allow for the seismic improvement of Auxiliary Water Supply System (AWSS) pipelines, tunnels, and physical plant, and the procurement of Flexible Water Supply System (FWSS) components. The water system includes water storage in cisterns and delivery of water for use in fire suppression in many areas of the City. The FWSS program includes components that will provide above-ground water distribution for fire suppression in areas not served by the AWSS. These improvements will help to protect against loss of life and property damage in major fires or potentially in a post-earthquake fire scenario.

As described more fully in the 2011 Road Repaving and Street Safety Bond Accountability Report, dated December 21, 2015, remaining proceeds from the 2016E Bonds will partially finance the following programs:

Street Resurfacing

The bond proceeds will enable Public Works to repave, repair, and reconstruct street segments throughout the City's 865 miles of streets and roadways, ensuring safe transit for pedestrian and vehicle traffic. Specific streets are selected through evaluation of pavement condition, traffic usage, location, coordination with other agencies, and pavement inquiries. Projects in this program include pavement resurfacing, curb, gutter, parking strip, and base repairs, bus pad construction, roadway striping, and curb ramps.

Streetscape, Pedestrian, and Bicycle Safety Improvements

The funds from this sale will be used to modernize streets, including the following measures: universal street design and safety components, traffic calming measures, bike safety features, pedestrian lighting and countdown signals, curb bulb-outs, tree planting and landscaping, and storm water management.

Transit & Traffic Signal Improvements

The bond program includes funding for improvements to traffic signals in three areas: 1) Traffic Signal Priority, which enables transit vehicles to receive priority for green signal indications with the goal of minimizing transit delays and enhancing on-time performance; 2) Installation of new traffic signals to improve pedestrian safety and enhance rail and vehicle transit; and 3) Signal infrastructure upgrades along transit routes.

Financing Parameters:

The proposed resolutions authorize the sale of not-to-exceed combined par amount of \$180,420,000 for Series 2016C, 2016D, and 2016E. Based on current project cost estimates and schedules, the Office of Public Finance expects to issue \$179,420,000 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 \$176,498,272 to earthquake safety and road improvement projects. Table 1 outlines anticipated sources and uses for the Bonds:

Table 1: Anticipated Sources and Uses for the Bonds.

	ESER 2010 Series 2016C	ESER 2014 Series 2016D	RRSS 2011 Series 2016E	Total
Sources				
Par Amount	\$25,215,000	\$110,060,000	\$44,145,000	\$179,420,000
Reserve Proceeds		\$1,000,000		\$1,000,000
Total Not-To-Exceed Amount	\$25,215,000	\$111,060,000	\$44,145,000	\$180,420,000
Uses				
<u>Projects</u>				
Project Funds	\$24,804,828	\$108,266,550	\$43,426,894	\$176,498,272
Controller's Audit Fund	\$49,610	\$216,533	\$86,854	\$352,996
Projects Subtotal	\$24,854,438	\$108,483,083	\$43,513,748	\$176,851,269
<u>Other Costs of Issuance</u>				
Costs of Issuance	\$83,197	\$366,257	\$145,657	\$595,111
Underwriter's Discount	\$252,150	\$1,100,600	\$441,450	\$1,794,200
Citizens' General Obligation Bond Oversight Committee	\$25,215	\$110,060	\$44,145	\$179,420
Costs of Issuance Subtotal	\$360,562	1,576,917	\$631,252	\$2,568,731
Total Uses	25,215,000	\$110,060,000	\$44,145,000	\$179,420,000
Reserve Pending Bond Sale ¹		\$1,000,000		\$1,000,000
Total Uses with Reserve	\$25,215,000	\$111,060,000	\$44,145,000	\$180,420,000

Based upon a conservative estimate of approximately 3.6% interest rate, OPF estimates that average fiscal year debt service on the Bonds is approximately \$12,580,000. The anticipated total par value of \$179,420,000 is estimated to result in approximately \$72,255,000 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 \$251,675,000. 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 a 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"). Detailed descriptions of the Projects financed with proceeds of the Bonds are included in the ESER 2010 and 2014 Bond Accountability Reports, and the RRSS 2011 Bond Accountability Report, all prepared by San Francisco Public Works.

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. For purposes of this provision of the Charter, the City calculates its debt limit on the basis of total assessed valuation net of non-reimbursable and homeowner exemptions. On this basis, the City's general obligation debt limit for fiscal year 2015-16 is approximately \$5.83 billion, based on a net assessed valuation of approximately \$194.4 billion. As of February 1, 2015, the City had outstanding approximately \$2.02

¹ The Reserve Pending Sale accounts for variations in interest rates prior to the sale of the proposed bonds.

billion in aggregate principal amount of general obligation bonds, which equals approximately 1.04% of the net assessed valuation for fiscal year 2015-16. If all of the City's authorized and unissued bonds were issued, the total debt burden would be 1.64% 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 0.09% to 1.13%—within the 3.00% legal debt limit.

Property Tax Impact

For Series 2016C, 2016D, and 2016E, 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 \$0.00647 per \$100 or \$6.47 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 \$600,000, assuming a homeowner's exemption of \$7,000, would pay average annual additional property taxes to the City of \$38.39 per year if the anticipated \$179,420,000 San Francisco General Obligation Bonds are sold for the ESER and RRSS programs.

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. If the Board of Supervisors approves the issuance of the Bonds, the property tax rate for general obligation bonds for fiscal year 2015-16 would be maintained below the fiscal year 2006 rate and 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, March 1, 2016. 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—will also be submitted.

Official Notice of Sale: 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.

Notice of Intention to Sell: The Notice of Intention to Sell provides legal notice to prospective bidders of the City's intention to sell the 2016CDE 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.

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. Pursuant to the Resolution, City staff will revise the Official Statement, including the Appendix A.

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).

Financing Timeline:

The Bonds are expected to be issued and delivered in Spring 2016. Schedule milestones in connection with the financing may be summarized as follows:

Milestone	Date*
Consideration by the Capital Planning Committee	February 22, 2016
Introduction of authorizing legislation and supporting materials to the Board	March 1, 2016
Issuance and delivery of the Bonds	April 2016

*Please note that dates are estimated unless otherwise noted.

Your consideration of this matter is greatly appreciated. Please contact me at 415-554-5956 if you have any questions. Thank you.

President, District 5
BOARD of SUPERVISORS



BOS 11, COB, B+T
Leg Dep, Deputy
Mayors, Atty

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-7630
Fax No. 554-7634
TDD/TTY No. 544-5227

London Breed

PRESIDENTIAL ACTION

Date: March 7, 2015

To: Angela Calvillo, Clerk of the Board of Supervisors

Madam Clerk,

Pursuant to Board Rules, I am hereby:

Waiving 30-Day Rule (Board Rule No. 3.23)

File No. 160195, 196, 197 Mayor
(Primary Sponsor)

Title. Appropriation - Proceeds from Bonds

Transferring (Board Rule No. 3.3)

File No. _____
(Primary Sponsor)

Title. _____

From: _____ Committee

To: _____ Committee

Assigning Temporary Committee Appointment (Board Rule No. 3.1)

Supervisor _____

Replacing Supervisor _____

For: _____ Meeting
(Date) (Committee)

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2016 MAR - 7 PM 2:30

A handwritten signature in black ink that reads "London Breed".

London Breed, President
Board of Supervisors

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *Ed* Mayor Edwin M. Lee
RE: Appropriation - Proceeds from Earthquake Safety and Emergency Response General Obligation Bonds of \$111,060,000 - FY 2015-2016
DATE: March 1, 2016

Attached for introduction to the Board of Supervisors is an ordinance appropriating \$111,060,000 of the 2016 Series Earthquake Safety and Emergency Response (ESER 2014) General Obligation Bond Proceeds to the Department of Public Works in Fiscal Year 2015-2016 for necessary repairs and seismic improvements in order to better prepare San Francisco for a major earthquake or natural disaster.

I respectfully request that this item be heard at Budget & Finance Committee on March 16, 2016.

Should you have any questions, please contact Nicole Elliott (415) 554-7940.

