



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

SUBJECT: Resolution Approving the Form and Authorizing the Distribution of the Official Statement Among Other Matters in Connection with the Upcoming Sale of the City and County of San Francisco Certificates of Participation (War Memorial Veterans Building Seismic Upgrade and Improvements), Series 2015A and Series 2015B

DATE: May 5, 2015

This memorandum, together with the accompanying attachment, is being submitted to your office in connection with the execution and delivery of the above-captioned obligations to ensure that the City complies with its obligations under federal securities laws (as further discussed below).

Federal securities laws impose on the City the obligation to ensure that its offering documents are accurate and complete in all material respects. This obligation applies to the individual members of the governing bodies approving the disclosure documents as well as City staff charged with preparing the documents.

We are attaching the revised Official Statement for your approval prior to its publication. We would like to respectfully request consideration of the resolution at the May 13, 2015 Budget and Finance Committee meeting.

Background

In Ordinance No. 149-11 (the "2011 Ordinance"), the Board of Supervisors (the "Board") approved the execution and delivery of certificates of participation to finance capital improvements to the War Memorial Veterans Building and related property owned by the City located at 401 Van Ness Avenue. In the 2011 Ordinance, the Board authorized the City to issue not to exceed par amount of \$170,000,000 in City and County of San Francisco Certificates of Participation (War Memorial Veterans Building Seismic

Upgrade and Improvements), Series 2015A and Series 2015B, (the “Certificates”) to finance the costs of the seismic retrofit, demolition, construction, reconstruction, installation, equipping, improvement or rehabilitation of the War Memorial Veterans Building (the “Project”). Proceeds from the sale of Transferable Development Rights (“TDR”) in the amount of \$14,496,012 were appropriated by the Board in supplemental appropriation Ordinance 171-14 pending the sale of the certificates. However, since the adoption of Ordinance 171-14, TDR proceeds did not materialize at the anticipated levels. In lieu of available TDR proceeds to date, the City will increase the Certificates proceeds by \$14,496,012.

The City anticipates issuing the Certificates in June 2015. From February 2012 through April 2015, the Project has incurred project expenditures totaling approximately \$98.5 million using the City’s commercial paper program. The City anticipates issuing its Certificates to refund commercial paper in June 2015. Substantial completion is anticipated to occur on or around July 31, 2015.

Table 1 outlines the revised anticipated sources and uses for the Certificates.

Table 1: Revised Anticipated Sources and Uses from the Issuance of the Certificates.

<u>Estimated Sources</u>		<u>Amount</u>
<u>Proceeds</u>		\$ 149,040,000
Total Estimated Sources		\$ 149,040,000
<u>Estimated Uses</u>		
Project Fund Deposit		\$ 131,689,002
Deposit of Project Proceeds (COPs)	117,192,990	
FY2014-15 Appropriation (TDR)	14,496,012	
Other Fund Deposits		\$ 16,022,025
CP Interest & Fees	6,500,000	
Debt Service Reserve Fund	<u>9,522,025</u>	
Other Costs of Issuance		\$ 1,328,973
Cost of Issuance	807,333	
Underwriter's Discount	<u>521,640</u>	
Total Estimated Uses		\$ 149,040,000

The increase in Certificates proceeds will not increase the par amount or the annual lease payment pursuant to the 2011 Ordinance due to lower than project capitalized interest costs as a result of the use of the City’s Commercial Paper program yielding lower interest cost.

Official Statement

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

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

The Board of Supervisors and the Mayor, in adopting and approving the proposed Resolution, approve and authorize the use and distribution of the Official Statement by the co-financial advisors with respect to the Certificates. 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 final as of their dates. The Official Statement is attached for your approval prior to its publication.

Additional Information

The proposed Resolution will be introduced at the Board of Supervisors meeting on Tuesday, May 5, 2015. The related forms of Official Statement, including the Appendix A, will also be submitted.

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.

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 the Certificates. 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 Certificates announces the date and time of the competitive bond sale, including the terms relating to the Certificates; the terms of sale, form of bids, and delivery of bids; and closing procedures and documents.

The Official Bid Form attached to the Official Notice of Sale is the form of the official bid for the purchase of the Certificates. Pursuant to the Resolution, the Controller is authorized to award the Certificates 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.

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 Certificates in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5).

Financing Timeline

Schedule milestones in connection with the financing may be summarized as follows:

<u>Milestone</u>	<u>Date*</u>
Introduction of authorizing resolution to the Board of Supervisors	May 5, 2015
Consideration by the Board of Supervisors Budget & Finance Committee	May 13, 2015
Issuance and delivery of the Certificates of Participation	June 2015

*Please note that dates are estimated unless otherwise noted.

Your consideration of this request 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
Nicole Elliott, Mayor's Office
Kate Howard, Mayor's Budget Director
Harvey Rose, Budget Analyst
Ben Rosenfield, Controller
Mark Blake, Deputy City Attorney
Elizabeth Murray, San Francisco War Memorial and Performing Arts Center
Tara Lamont, DPW