

**LEGISLATIVE DIGEST**

[Ordinance to Add Debt Policies to the Administrative Code Regarding Certificates of Participation and Commercial Paper Notes]

Ordinance amending San Francisco Administrative Code by adding Section 10.62 to adopt binding financial policy under Charter Section 9.120.

**Existing Law**

The City issues Certificates of Participation from time to time to finance certain capital improvements. Certificates of Participation are non voter approved indebtedness.

The City also issues from time to time Commercial Paper to provide initial funding for certain of its capital projects.

The Board of Supervisors does not have an official policy regarding the issuance of COPs or Commercial Paper Notes.

**Background Information**

The proposed Ordinance formalizes provisions of the Debt Policy of the Controller's Office of Public Finance relating to Certificates of Participation (COPs) and Commercial Paper.

Under the Ordinance, the City may cause the issuance of COPs for, without limitation, (a) the acquisition or improvement of existing facilities and/or construction of new facilities that result in immediate or future savings in payments currently made or to be made by the City's General Fund, (b) to leverage grant and other monies to reduce operating costs of the City, (c) for the construction, improvement or acquisition of facilities to address legal mandates, or (d) the construction, improvement or acquisition of facilities for critical public health and safety needs. COPs may not be issued to finance operating costs of the City.

In connection with the issuance of COPs, the Director of Public Finance is required to identify specific revenue sources within the General Fund as internal repayment sources. COPs and other lease financing debt may be used as funding sources for capital projects provided the annual debt service cost of all such indebtedness does not exceed 3.25 percent of General Fund discretionary revenues. The Board of Supervisors may suspend this requirement upon a two-thirds vote for the current or upcoming budget year, and may suspend its provisions for individual transactions.

Under the Ordinance, the Director of Public Finance may issue tax-exempt and taxable commercial paper notes to provide interim funds to finance the acquisition, construction, and rehabilitation of capital improvements and for capital equipment. The Director of Public Finance may not issue commercial paper notes of the City for any project unless that project and related financing plan has received prior approval from the Board of Supervisors and the

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Mayor. The Ordinance requires the Director of Public Finance to file a written report with the Board annually on the use and performance of the Commercial Paper program.