

File No. 101255

Committee Item No. 8
Board Item No. 25

COMMITTEE/BOARD OF SUPERVISORS
AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: October 27, 2010

Board of Supervisors Meeting

Date 11/2/2010

Cmte Board

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Completed by: Victor Young

Date: October 22, 2010

Completed by: Victor Young

Date: 10/28/10

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1 [Issuance of General Obligation Bonds (Earthquake Safety and Emergency Response Bonds,
2 2010) - Not to Exceed \$412,300,000]

3
4 **Resolution providing for the issuance of not to exceed \$412,300,000 aggregate**
5 **principal amount of City and County of San Francisco General Obligation Bonds**
6 **(Earthquake Safety and Emergency Response Bonds, 2010); authorizing the execution,**
7 **authentication, and registration of said bonds; providing for the levy of a tax to pay the**
8 **principal and interest thereof; providing for the appointment of depositories and other**
9 **agents for said bonds; providing for the establishment of accounts related thereto;**
10 **ratifying certain actions previously taken; adopting certain CEQA findings and**
11 **determinations; and granting general authority to City officials to take necessary**
12 **actions in connection with the authorization, issuance, sale and delivery of said bonds.**

13
14 WHEREAS, By Resolution No. 47-10 adopted by the Board of Supervisors (the
15 "Board") of the City and County of San Francisco (the "City") on February 9, 2010 it was
16 determined and declared that public interest and necessity demands the construction,
17 acquisition, improvement, retrofitting, rehabilitation and completion of earthquake safety and
18 emergency responsiveness facilities and infrastructure therein described; and,

19 WHEREAS, By Ordinance No. 40-10 adopted by the Board on February 23, 2010, the
20 Board duly called a special election held on June 8, 2010, for the purpose of submitting to the
21 electors of the City a proposition to incur bonded indebtedness of the City in the amount of
22 \$412,300,000 for the improvement, retrofitting, rehabilitation and completion of earthquake
23 safety and emergency responsiveness facilities and infrastructure, as therein described (the
24 "Project"); and

1 WHEREAS, A special election was held in the City on June 8, 2010 for the purpose of
2 submitting to the qualified voters of the City Proposition B for incurring indebtedness of the
3 City in the aggregate principal amount of \$412,300,000 to finance the Project and the
4 requisite two-thirds of voters approved such proposition; and,

5 WHEREAS, This Board has determined, and does hereby declare that it is necessary
6 and desirable that all of said bonds designated generally as City and County of San Francisco
7 General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010) (the
8 "Bonds") (each series of such Bonds to bear such additional or other designation as may be
9 necessary or appropriate to distinguish such series from every other series and from other
10 bonds issued by the City) in the aggregate principal amount of \$412,300,000, be issued and
11 sold in series from time to time, for the purposes authorized and on the conditions set forth in
12 this Resolution; and,

13 WHEREAS, The Bonds will be payable from proceeds of the annual tax levy, as
14 provided herein; and,

15 WHEREAS, The City has paid and expects to pay certain expenditures in connection
16 with the Project to be financed by the Bonds prior to the issuance and sale of each series of
17 the Bonds to be sold, and the City intends to reimburse itself and to pay third parties for such
18 prior expenditures from the proceeds of each series of Bonds; and,

19 WHEREAS, Section 1.150-2 of the Treasury Regulations promulgated under the
20 Internal Revenue Code of 1986 (the "Treasury Regulations") requires the City to declare its
21 official intent to reimburse prior expenditures with the proceeds of a subsequent borrowing;
22 and,

23 WHEREAS, The Treasury Regulations require that any reimbursement allocation of
24 proceeds of a series of Bonds be made with respect to expenditures incurred prior to the
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1 issuance of such series of Bonds will occur not later than eighteen (18) months after the later
2 of (i) the date on which the expenditure is paid or (ii) the date on which the facilities are placed
3 in service, but in no event later than three (3) years after the expenditure is paid; and,

4 WHEREAS, The Bonds are being issued pursuant to a resolution duly adopted by the
5 Board, Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the California Government Code,
6 the Charter of the City and a duly held election; and,

7 WHEREAS, Pursuant to Section 9.106 of the Charter of the City (the "Charter"), there
8 shall be delivered a certificate of a duly authorized officer of the City, concurrently with the
9 issuance of each series of Bonds, except for any series of Bonds issued to refund any bond
10 anticipation notes issued in anticipation of the issuance of such series of Bonds, stating that
11 the outstanding general obligation bond indebtedness of the City, including all series of the
12 Bonds issued and to be issued and outstanding on the date of delivery of such series, will not
13 exceed three percent of the assessed value of all taxable real and personal property located
14 within the City.

15 NOW, THEREFORE, BE IT RESOLVED, By the Board of Supervisors of the City and
16 County of San Francisco, as follows:

17 Section 1. Recitals. All of the recitals herein are true and correct.

18 Section 2. Conditions Precedent. All conditions, things and acts required by law to
19 exist, to happen and to be performed precedent to the adoption of this Resolution authorizing
20 the issuance of the Bonds exist, have happened and have been performed in due time, form
21 and manner in accordance with applicable law, and the City is now authorized pursuant to the
22 Charter and applicable law to incur indebtedness in the manner and form provided in this
23 Resolution.

1 Section 3. Issuance of the Bonds. The Board hereby authorizes the issuance and sale
2 of \$412,300,000 aggregate principal amount of the Bonds for the following proposition:

3 "SAN FRANCISCO EARTHQUAKE SAFETY AND EMERGENCY RESPONSE
4 BONDS, 2010. To improve fire, earthquake and emergency response and ensure firefighters
5 a reliable water supply for fires and disasters, through projects including: improving
6 deteriorating pipes, hydrants, reservoirs, water cisterns and pumps built after the 1906
7 earthquake; improving neighborhood fire stations; replacing the seismically-unsafe emergency
8 command center with an earthquake-safe building; and to pay related costs, shall the City and
9 County of San Francisco issue \$412,300,000 in general obligation bonds, subject to citizen
10 oversight and regular audits?"

11 The Bonds may be sold in one or more series, as the Board shall determine, and shall
12 be sold in accordance with law, as such law may from time to time be amended,
13 supplemented or revised, and on the terms and conditions approved by the Board in this
14 Resolution, as supplemented by such other resolution or resolutions relating to such series of
15 Bonds and as provided in the resolution of the Board authorizing and directing the sale of
16 each series of the Bonds (each, a "Sale Resolution"). The offering and sale of the Bonds may
17 be aggregated with the offering and sale of other general obligation bonds being issued by the
18 City, as authorized from time to time by the Board.

19 Section 4. Execution and Authentication. The Sale Resolution authorizing the sale of
20 any series of the Bonds shall set forth the form of such Bond, with such necessary or
21 appropriate variations, omissions and insertions as may be permitted by such resolution.
22 "CUSIP" identification numbers may be imprinted on Bonds, but such numbers shall not
23 constitute a part of the contract evidenced by the Bonds and any error or omission with
24 respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of
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1 and to pay for the Bonds. In addition, failure on the part of the City to use such CUSIP
2 numbers in any notice to owners of the Bonds shall not constitute an event of default or any
3 violation of the City's contract with such owners and shall not impair the effectiveness of any
4 such notice.

5 The Bonds shall be signed by the Mayor of the City and countersigned by the Clerk of
6 the Board. All signatures hereinbefore referred to may be facsimile or manual. The Treasurer
7 of the City (the "City Treasurer") shall authenticate the Bonds by manual signature, and when
8 so executed and authenticated, the Clerk of the Board shall deliver the Bonds to or for the
9 account of the purchasers in exchange for the purchase price thereof.

10 In case such officers whose signatures or countersignatures appear on a Bond shall
11 cease to be such officers before the delivery of such Bond to the purchaser, such signatures
12 or countersignatures shall nevertheless be valid and sufficient for all purposes as if they had
13 remained in office until the delivery of such Bond.

14 Section 5. Transfer or Exchange and Registration of Bonds. Any Bond may be
15 transferred or exchanged in accordance with its terms and the Sale Resolution authorizing its
16 sale. Each Bond shall be registered in accordance with the Sale Resolution authorizing its
17 sale.

18 Section 6. General Redemption Provisions. The terms of redemption (whether
19 optional redemption, special optional redemption, optional redemption including a make-whole
20 provision, or mandatory redemption), if any, of any series of Bonds and the manner
21 prescribed for notice of any redemption of such series of Bonds shall be set forth in the Sale
22 Resolution authorizing the sale of the Bonds to be redeemed.

1 The Sale Resolution authorizing the sale of each series of Bonds shall provide that the
2 City Treasurer shall establish a Redemption Account for such series of Bonds and shall
3 further provide for the deposit and application of moneys in such Redemption Account.

4 Section 7. Tax Levy. For the purpose of paying the principal of and interest on the
5 Bonds, the Board at the time of fixing the general tax levy shall fix, and in the manner
6 provided for such general tax levy, levy and collect annually until the Bonds are paid, or until
7 there shall be a sum set apart for that purpose in the treasury of the City sufficient to meet all
8 sums coming due for payment of principal of and interest on the Bonds, a tax sufficient to pay
9 the annual interest on the Bonds as the same becomes due and also such part of the principal
10 thereof as shall become due before the proceeds of a tax levied at the time for making the
11 next general tax levy can be made available for the payment of such interest or principal.

12 Said tax shall be in addition to all other taxes levied for City purposes, shall be
13 collected at the time and in the same manner as other taxes of the City are collected, and
14 shall be used only for the payment of the Bonds and the interest thereon.

15 All taxes collected pursuant to this Section 7 shall be deposited forthwith in a special
16 account to be designated as the "General Obligation Bonds (Earthquake Safety and
17 Emergency Response Bonds, 2010) Bond Account" (the "Bond Account") and each and every
18 series of Bonds issued under this Resolution shall be equally and ratably secured by the taxes
19 collected pursuant to this Section 7. The Bond Account shall be administered by the City
20 Treasurer and kept separate and apart from all other accounts. Pursuant to the Sale
21 Resolution authorizing the sale of any series of the Bonds, the City Treasurer may establish
22 such additional accounts and subaccounts within the Bond Account or with any agent,
23 including but not limited to any paying agent or fiscal agent, as may be necessary or
24 convenient in connection with the administration of any series of the Bonds. The Sale
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1 Resolution authorizing the sale of any series of the Bonds shall establish subaccounts within
2 the Bond Account for each series of the Bonds to provide for the payment of principal and
3 interest on such series of Bonds.

4 The City Treasurer shall also deposit in the Bond Account from the proceeds of sale of
5 a series of the Bonds, any moneys received on account of original issue premium and interest
6 accrued on the Bonds to the date of payment of the purchase price thereof, and such other
7 moneys, if any, as may be specified in the Sale Resolution authorizing the sale of such series
8 of Bonds. So long as any of the Bonds are outstanding, moneys in the Bond Account shall be
9 used and applied by the City Treasurer solely for the purpose of paying the principal of and
10 interest on the Bonds as such principal and interest shall become due and payable, or for
11 purchase of Bonds if permitted by the Sale Resolution authorizing the sale of such series of
12 Bonds; provided, however, that when all of the principal of and interest on the Bonds have
13 been paid, any moneys then remaining in said Bond Account shall be transferred to the
14 General Fund of the City. The Board shall take such actions annually as are necessary or
15 appropriate to cause the debt service on the Bonds due in any fiscal year to be included in the
16 budget for such fiscal year and to make the necessary appropriations therefor.

17 Section 8. Administration and Disbursements From Bond Account.

18 (a) Interest. On or before June 15 and December 15 in each year that any of the
19 Bonds are outstanding, the City Treasurer shall set aside in the Bond Account and the
20 appropriate subaccounts therein relating to each series of the Bonds an amount which, when
21 added to the amount contained in the Bond Account and subaccounts therein on that date, if
22 any, will be equal to the aggregate amount of the interest becoming due and payable on each
23 series of the Bonds outstanding on such interest payment date.

1 (b) Principal. On or before June 15 in each year that any of the Bonds is outstanding, the
2 City Treasurer shall set aside in the Bond Account and the appropriate subaccounts therein
3 relating to each series of the Bonds an amount which will be equal to the principal on each series
4 of the Bonds outstanding that will become due and payable on said June 15, including those
5 Bonds subject to mandatory redemption on such date pursuant to the provisions of the Sale
6 Resolution authorizing the sale of such Bonds.

7 All moneys in the Bond Account shall be used and withdrawn by the City Treasurer solely
8 for the purpose of paying the principal of and interest on each series of the Bonds as the same
9 shall become due and payable. On June 15 and December 15 in each year that any Bond is
10 outstanding, the City Treasurer shall allocate, transfer and apply to the various subaccounts in
11 the Bond Account created pursuant to the Sale Resolution authorizing the sale of a series of
12 Bonds, on such date on which payment of principal or interest on any series of Bonds is due,
13 from moneys on deposit in the Bond Account, an amount equal to the amount of principal of,
14 premium, if any, or interest due on said date with respect to each series of the Bonds then
15 outstanding. Unless other provision shall have been made pursuant to this Resolution for the
16 payment of any Bond, all amounts held in the various subaccounts of the Bond Account created
17 pursuant to the Sale Resolutions authorizing the sale of any series of Bonds shall be used and
18 applied by the City Treasurer to pay principal of, premium, if any, and interest due on the series
19 of the Bonds to which such subaccount relates, as and when due.

20 Section 9. Appointment of Depositories and Other Agents. The City Treasurer is
21 hereby authorized and directed to appoint one or more depositories as he or she may deem
22 desirable and may authorize such depository to perform, under the supervision of the City
23 Treasurer, any of the City Treasurer's duties and responsibilities under this Resolution and
24 each Sale Resolution, to the extent permitted by applicable law.

1 The City Treasurer is hereby also authorized and directed to appoint one or more
2 agents as he or she may deem necessary or desirable. To the extent permitted by applicable
3 law and under the supervision of the City Treasurer, such agents may serve as paying agent,
4 fiscal agent, escrow agent or registrar for the Bonds or may assist the City Treasurer in
5 performing any or all of such functions and such other duties as the City Treasurer shall
6 determine including such duties and responsibilities of the City Treasurer provided for in this
7 Resolution. Such agents shall serve under such terms and conditions as the City Treasurer
8 shall determine. The City Treasurer may remove or replace agents appointed pursuant to this
9 paragraph at any time.

10 Section 10. Project Account. There is hereby established a project account to be
11 designated as the "General Obligation Bonds (Earthquake Safety and Emergency Response
12 Bonds, 2010) Project Account" (the "Project Account"). The Project Account shall be
13 maintained by the City Treasurer, as a separate account, segregated and distinct from all
14 other accounts. The City Treasurer may establish such accounts and subaccounts within the
15 Project Account as may be necessary or convenient in connection with the administration of
16 the Project or the Bonds.

17 All of the proceeds of the sale of the Bonds (excluding any premium and accrued
18 interest received thereon, unless otherwise determined by the Director of Public Finance)
19 shall be deposited by the City Treasurer to the credit of the Project Account and shall be
20 applied exclusively to the objects and purposes specified in the proposition set forth in
21 Section 3 hereof. When such objects and purposes have been accomplished, any moneys
22 remaining in such account shall be transferred to the Bond Account established pursuant to
23 Section 7 hereof and applied to the payment of the principal of and interest on any series of
24 Bonds. Amounts in the Project Account may be applied to the payment of costs of issuance
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1 of the Bonds, including, without limitation, bond and financial printing expenses, mailing and
2 publication expenses, rating agency fees, and the fees and expenses of paying agents,
3 registrars, financial consultants and bond counsel.

4 Section 11. Defeasance Provisions. The Sale Resolution authorizing the sale of any
5 series of Bonds may provide for the defeasance of such series of Bonds. Any Bonds which
6 have been deemed paid in accordance with the defeasance provisions of the Sale Resolution
7 authorizing their sale shall no longer be deemed outstanding under this Resolution.

8 Section 12. Tax Covenants. The Bonds may be issued as bonds the interest on which
9 is excluded from gross income for federal or state income tax purposes or as bonds the
10 interest on which is included in gross income for federal or state income tax purposes. With
11 respect to any series of the Bonds the interest on which is excluded from gross income for
12 federal or state income tax purposes and any series of Bonds issued as Build America Bonds,
13 the City may make such covenants and representations as are necessary or convenient to
14 comply with applicable laws and regulations.

15 Section 13. Other Terms and Provisions Relating To the Bonds. The Sale Resolution
16 providing for the sale of any series of Bonds may provide for (a) the purchase of bond
17 insurance or other credit enhancement relating to such series of Bonds and to the
18 establishment of such additional terms and procedures as may be necessary to provide for
19 the application of such bond insurance or other credit enhancement for the benefit of such
20 Bondholders; (b) the investment of moneys held in any fund or account relating to such series
21 of the Bonds in specific categories or types of investments, so long as such investments are
22 legal investments for the City and in compliance with any policy or guideline of the City
23 applicable thereto; and (c) the adoption of any supplemental resolutions relating solely to such
24 series of Bonds.

1 Section 14. Supplemental Resolutions. For any one or more of the following purposes
2 and at any time or from time to time, a supplemental resolution may be adopted by the Board,
3 which, without the requirement of consent of the owners of the Bonds, shall be fully effective in
4 accordance with its terms:

5 (a) To add to the covenants and agreements of the City in this Resolution or any
6 Sale Resolution authorizing the sale of any series of Bonds, other covenants and agreements to
7 be observed by the City which are not contrary to or inconsistent with this Resolution or any Sale
8 Resolution as then in effect;

9 (b) To add to the limitations and restrictions in this Resolution or any Sale
10 Resolution authorizing the sale of any series of Bonds, other limitations and restrictions to be
11 observed by the City which are not contrary to or inconsistent with this Resolution or any Sale
12 Resolution as then in effect;

13 (c) To confirm, as further assurance, any pledge under, and the subjection to any
14 lien or pledge created or to be created by, this Resolution or any Sale Resolution as then in
15 effect, of any moneys, securities or funds, or to establish any additional funds or accounts to be
16 held under this Resolution or any Sale Resolution authorizing the sale of any series of Bonds;

17 (d) To cure any ambiguity, supply any omission, or cure or correct any defect or
18 inconsistent provision in this Resolution or any Sale Resolution as then in effect; or

19 (e) To make such additions, deletions or modifications as shall not, in the
20 determination of the Board, be materially adverse to the owners of the Bonds.

21 In addition, any modification or amendment of this Resolution or any Sale Resolution
22 authorizing the sale of any series of Bonds and of the rights and obligations of the City and of the
23 owners of the Bonds, in any particular, may be made by a supplemental resolution, with the
24 written consent of the owners of at least a majority in aggregate principal amount of the Bonds
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1 outstanding at the time such consent is given (except as provided in the succeeding paragraph).
2 No such modification or amendment shall permit a change in the terms or maturity of the
3 principal of any outstanding Bonds or of any interest payable thereon or a reduction in the
4 principal amount thereof or in the rate of interest thereon, or shall reduce the percentage of
5 Bonds the consent of the owners of which is required to effect any such modification or
6 amendment, or shall reduce the amount of moneys for the repayment of the Bonds, without the
7 consent of all the owners of such affected Bonds.

8 Section 16. Reimbursement. The City hereby declares its official intent to reimburse
9 prior expenditures of the City, incurred prior to the issuance and sale of each series of Bonds,
10 related to the Project or portions thereof to be financed by each series of Bonds. The Board
11 hereby declares the City's intent to reimburse the City with the proceeds of each series of Bonds
12 for the expenditures with respect to the Project (the "Expenditures" and each, an "Expenditure")
13 made on and after that date that is no more than 60 days prior to adoption of this Resolution.
14 The City reasonably expects on the date hereof that it will reimburse the Expenditures with the
15 proceeds of each series of Bonds.

16 Each Expenditure was and will be either (a) of a type properly chargeable to a capital
17 account under general federal income tax principles (determined in each case as of the date of
18 the Expenditure), (b) a cost of issuance with respect to a series of Bonds, (c) a nonrecurring item
19 that is not customarily payable from current revenues, or (d) a grant to a party that is not related
20 to or an agent of the City so long as such grant does not impose any obligation or condition
21 (directly or indirectly) to repay any amount to or for the benefit of the City. The maximum
22 aggregate principal amount of the Bonds expected to be issued for the Project is \$412,300,000.
23 The City shall make a reimbursement allocation, which is a written allocation by the City that
24 evidences the City's use of proceeds of the applicable series of Bonds to reimburse an
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1 Expenditure, no later than 18 months after the later of the date on which the Expenditure is paid
2 or the Project is placed in service or abandoned, but in no event more than three years after the
3 date on which the Expenditure is paid.

4 The City recognizes that exceptions are available for certain "preliminary expenditures,"
5 costs of issuance, certain de minimis amounts, expenditures by "small issuers" (based on the
6 year of issuance and not the year of expenditure) and expenditures for construction projects of at
7 least 5 years.

8 Section 17. Citizens' Oversight Committee. The Bonds are subject to, and incorporate
9 by reference, the applicable provisions of San Francisco Administrative Code Section 5.30 –
10 5.36 (the "Citizens' General Obligation Bond Oversight Committee"). Under Section 5.31 of
11 the Citizens' General Obligation Bond Oversight Committee, to the extent permitted by law,
12 one-tenth of one percent (0.1%) of the gross proceeds of each series of the Bonds shall be
13 deposited in a fund established by the Controller's Office and appropriated by the Board of
14 Supervisors at the direction of the Citizens' General Obligation Bond Oversight Committee to
15 cover the costs of such Committee.

16 Section 18. CEQA Findings. The Board hereby adopts and incorporates by reference
17 the findings required by the California Environmental Quality Act ("CEQA"), California Public
18 Resources Code Sections 21000 et seq., the CEQA Guidelines, 15 Cal. Administrative Code
19 Sections 15000 et seq., ("CEQA Guidelines"), and the San Francisco Administrative Code
20 Chapter 31 ("Chapter 31"), all as set forth in Resolution 47-10, adopted February 9, 2010;
21 provided however, except for planning and feasibility studies no bond proceeds shall be spent
22 on projects of or relating to neighborhood fire stations, Awss cisterns or Awss pipe
23 improvements, until such time as the Board has determined to proceed with such projects
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1 and the necessary CEQA findings and determinations have been made in accordance with
2 law.

3 Section 19. Planning Code. The Board hereby adopts and incorporates by reference
4 the findings and declarations relative to the conformance of the Bonds to (i) the priority
5 policies of Section 101.1(b) of the San Francisco Planning Code, (ii) Section 4.105 of the San
6 Francisco Charter and Section 2A.53(f) of the San Francisco Administrative Code, and (iii)
7 consistency with the City's General Plan, all as more fully set forth in Resolution No.47-10,
8 adopted by this Board on February 9, 2010.

9 Section 20. Ratification. All actions heretofore taken by officials, employees and
10 agents of the City with respect to the sale and issuance of the Bonds are hereby approved,
11 confirmed and ratified.

12 Section 21. General Authority. The Clerk of the Board, the Finance Committee of the
13 Board, the Mayor, the City Treasurer, the City Administrator, the City Attorney, the Director of
14 Public Finance of the City and the Controller are each hereby authorized and directed, in the
15 name and on behalf of the City, to take any and all steps and to issue and deliver any and all
16 certificates, requisitions, agreements, notices, consents, and other documents, including but
17 not limited to, letters of representations to any securities depository or depositories, which
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1 they or any of them might deem necessary or appropriate in order to consummate the lawful
2 issuance, sale and delivery of the Bonds and otherwise to give effect to this Resolution.

3
4 APPROVED AS TO FORM:

5 DENNIS J. HERRERA
6 City Attorney

7
8 By: _____

9 Mark D. Blake
Deputy City Attorney

Items 8, 9, and 10
Files 10-1255, 10-1256 and 10-1248

Department:
Public Utilities Commission, Department of Public Works,
Controller's Office of Public Finance

EXECUTIVE SUMMARY

Legislative Objectives

- File 10-1255: Resolution providing for the issuance of up to \$412,300,000 of Earthquake Safety and Emergency Response (ESER) General Obligation Bonds, based on San Francisco voters approval of Proposition B in June of 2010.
- File 10-1256: Resolution authorizing and directing the sale of up to \$85,000,000 in Earthquake Safety and Emergency Response General Obligation Bonds.
- File 10-1248: Ordinance appropriating \$85,000,000 of Earthquake Safety and Emergency Response Bond proceeds, including (a) \$70,223,681 to the Department of Public Works (DPW) for project costs, (b) \$8,396,929 to the Public Utilities Commission (PUC) for project costs, (c) \$1,289,390 for issuance and related costs, (d) \$5,090,000 to allow for fluctuations in market conditions, and (e) placing the entire \$85,000,000 on Controller's Reserve pending the sale of the Bonds.

Key Points

- The proposed resolution authorizes the issuance of up to \$412,300,000 in ESER General Obligation (GO) Bonds, which were approved by San Francisco voters on June 8, 2010 as Proposition B. The ESER Bonds will finance the construction, improvement, and retrofit of 19 Fire Stations, the City's Auxiliary Water Supply System (AWWS), a new Public Safety Building, and other firefighting facilities related to earthquake safety. Of the total \$412,300,000 in ESER GO Bonds, the DPW will manage projects totaling \$308,100,000, and the PUC will manage projects totaling \$104,200,000.
- The proposed resolution directing the sale of up to \$85,000,000 of ESER GO Bonds would be the first in a series of four ESER GO Bond sales under the \$412,300,000 authorized by Proposition B.
- The proposed appropriation ordinance for \$85,000,000 in ESER GO Bond funds includes \$78,620,610 for project-related costs, \$1,289,390 for bond oversight and cost of issuance, and \$5,090,000 for a reserve to allow for fluctuations in the financing market between the date when the Board of Supervisors adopts the proposed legislation and the sale date.
- Under the proposed \$85,000,000 appropriation ordinance, DPW will use (a) \$66,596,284 to initially design, develop plans and commence construction on a new Public Safety Building, and (b) \$3,627,397 for planning and feasibility studies to renovate 19 Fire Stations. The PUC will use \$8,396,929 to define the plan of pipe network repair and replacement, and conduct schematic design of the AWSS, cisterns, pipes and tunnels. \$1,289,390 will be used for bond oversight and cost of issuance. \$5,090,000 will be placed on Controller's reserve.

Fiscal Impact

- The proposed resolution authorizing the sale of up to \$85,000,000 in ESER GO Bonds will have a projected annual interest rate of 6.0 percent over approximately 25 years, with estimated total debt service payments of \$155,295,000, including \$75,385,000 in interest and \$79,910,000 in principal, with estimated average annual debt service payments of \$6,212,000. Debt service would be paid from increased Property Taxes, such that an owner of a single family residence with an assessed value of \$500,000 would pay additional Property Taxes to the City of \$11.83 per year.

Recommendation

Approve the proposed ordinance (File No. 10-1248) and the proposed resolutions (File Nos. 10-1255, 10-1256).

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

Section 9.105 of the City's Charter provides that the Board of Supervisors is authorized to approve the issuance and sale of General Obligation bonds in accordance with State law or local procedures adopted by ordinance. Section 9.105 of the City's Charter also provides that (a) amendments to the appropriation ordinance, as finally adopted, are to be adopted in the same manner as other ordinances¹ and (b) no amendment to the appropriation ordinance may be adopted unless the Controller certifies the availability of funds.

Background

On June 8, 2010, the voters of San Francisco approved Proposition B, which authorized the issuance of \$412,300,000 of Earthquake Safety and Emergency Response (ESER) General Obligation Bonds. The ESER General Obligation Bonds will finance the construction, acquisition, improvement, and retrofitting of 19 Fire Stations, the City's Auxiliary Water Supply System (AWSS), a new Public Safety Building and other firefighting infrastructure and facilities related to earthquake safety. As shown in Table 1 below, the total ESER Bond Program Budget is \$412,300,000.

Table 1: Earthquake Safety and Emergency Response General Obligation Bond Budget

Description	Total Budget
19 Fire Stations ²	\$65,100,000
Public Safety Building	243,000,000
DPW Subtotal	\$308,100,000
Auxiliary Water Supply System (AWSS)	\$35,000,000
Firefighting Cisterns	36,600,000
Firefighting Pipes and Tunnels	32,600,000
PUC Subtotal	104,200,000
Total ESER Budget	\$412,300,000
Source: San Francisco Department of Public Works	

The 19 Fire Stations and the new Public Safety Building projects totaling \$308,100,000 will be managed by the Department of Public Works (DPW). The City's AWSS, firefighting cisterns³, and firefighting projects, pipes and tunnels totaling \$104,200,000 will be managed by the Public Utilities Commission (PUC).

¹ In accordance with Section 2.105 of the San Francisco Charter, the approval of an ordinance requires two readings at separate Board of Supervisors meetings, held at least five days apart.

² Renovations are planned for Fire Stations # 2, 5, 6, 13, 15, 17, 18, 28, 38, 40, 41, 21, 22, 36, 43, 44, the Mission Bay Fire Station, Fire Boat Headquarters at the Port, and the Equipment Logistics Center.

³ The Fire Department maintains 177 underground cisterns throughout the City, which store water available for fire fighting in case the domestic water supply and the AWSS are not available.

The single largest project under the subject ESER General Obligation Bonds will be the construction of a new \$243,000,000 Public Safety Building, on Block 8 in the Mission Bay South Redevelopment Project Area, which is Redevelopment Agency-owned land in Mission Bay. This new Public Safety Building will provide (a) a new Police Headquarters, including a new Southern District Police Station, which are both currently located in the Hall of Justice, and (b) a new Mission Bay Fire Station.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution (File No. 10-1255) would authorize the issuance of up to \$412,300,000 of ESER General Obligation (GO) Bonds for all of the Earthquake Safety and Emergency Response funds approved by the voters on June 8, 2010 under Proposition B. The proposed resolution (File No. 10-1256) would authorize and direct the sale of not-to-exceed \$85,000,000 of ESER General Obligation Bonds, which would be the first of four ESER General Obligation Bond sales. The proposed ordinance (File No. 10-1248) would appropriate the entire \$85,000,000 under the first ESER General Obligation Bond sale, including (a) \$70,223,681 to the Department of Public Works, (b) \$8,396,929 to the Public Utilities Commission, (c) \$1,289,390 for issuance and related costs, (d) \$5,090,000 to allow for fluctuations in market conditions and (e) placing all \$85,000,000 on Controller's Reserve pending the sale of the ESER General Obligation Bonds.

According to a September 27, 2010 Memorandum from Ms. Nadia Sesay, Director of Public Finance in the Office of the Controller, the proposed resolution authorizing the issuance of up to \$412,300,000 of ESER General Obligation Bonds (File 10-1255) would authorize the specific parameters of the General Obligation Bonds program to finance the Earthquake Safety and Emergency Response projects, including authorizing the execution, authentication and registration of the bonds; providing for the Property Tax levy to pay the required debt service; and establishing separate accounts for each Earthquake Safety Project.

The proposed resolution authorizing the sale of the not-to-exceed \$85,000,000 in ESER General Obligation Bonds (File 10-1256) would be the first in the series of the total \$412,300,000 Bonds to be sold under Proposition B. According to Mr. Anthony Ababon, Bond Associate at the Controller's Office of Public Finance, under the proposed resolution the not-to-exceed \$85,000,000 of ESER General Obligation Bonds are expected to be sold in December 2010. Issuance and sale of the remaining \$327,300,000 (\$412,300,000 total authorized less \$85,000,000 first issuance) of General Obligation Bonds will be subject to future approval by resolution of the Board of Supervisors.

The proposed ordinance (File 10-1248) would appropriate the entire \$85,000,000 from the above-noted first ESER General Obligation Bond sale. As shown in Table 2 below, of the total \$85,000,000 from the first Bond sale, (a) \$78,620,610 would be for direct project related costs, (b) \$1,289,390 would be for issuance and related costs, and (c) \$5,090,000 is a reserve to allow for fluctuations in market conditions and the resulting interest rates between the date that subject bonds are appropriated by the Board of Supervisors and December of 2010, when the bonds are anticipated to be sold. Table 2 below identifies that DPW will require \$66,596,284 to (a) initially

design, (b) develop plans and (c) begin construction on the new Public Safety Building and \$3,627,397 for planning and feasibility studies to renovate 19 Fire Stations, for a total of \$70,223,681. As shown in Table 2, PUC will use \$8,396,929 to define the plan of pipe network repair and replacement, and conduct schematic designs for the AWSS, cisterns, pipes and tunnels.

Table 2: Earthquake Safety and Emergency Response General Obligation Bond Total Budget and Proposed Request for Bond Sale and Appropriation

Description	Total Project Budget	First Bond Sale and Appropriation for Direct Project Costs	First Bond Sale and Appropriation for Cost of Issuance, Bond Oversight, and Underwriters Discount**	First Bond Sale and Appropriation Total Request	Future Bond Sales and Supplemental Requests
Department of Public Works (DPW)					
Fire Stations	\$65,100,000	\$3,627,397	\$205,555	\$3,832,952	\$61,267,048
Public Safety Building	243,000,000	66,596,284	747,472	67,343,756	175,656,244
DPW Subtotal	308,100,000	70,223,681	953,027	71,176,708	236,923,292
Public Utilities Commission (PUC)					
Auxiliary Water Supply System	35,000,000	3,990,000	112,121	4,102,121	30,897,879
Firefighting Cisterns	36,600,000	1,083,191	112,121	1,195,312	35,404,688
Firefighting Piper and Tunnels	32,600,000	3,323,738	112,121	3,435,859	29,164,141
PUC Subtotal	104,200,000	8,396,929	336,363	8,733,292	95,466,708
ESER Budget	\$412,300,000	\$78,620,610	\$1,289,390	\$79,910,000	\$332,390,000
Reserve Pending Subject \$85,000,000 Bond Sale*				5,090,000	5,090,000
Total				\$85,000,000	\$327,300,000
*The amount of the Reserve Pending Bond Sale is subject to change due to bond market conditions at the time of sale. The Controller's Office makes technical adjustments based on the sale results. If the \$5,090,000 in Reserves is not used, those funds must be re-authorized by the Board of Supervisors through subsequent sale resolutions in order to be issued.					
**Table 3 below provides a breakdown of the Cost of Issuance and Bond Oversight expenditures. Issuance and Bond Oversight expenditures associated with the project costs will be paid through the Controller's Office, as opposed to by the DPW or the PUC.					
Source: San Francisco Department of Public Works					

Table 3 below provides a breakdown of the \$1,289,390 for the cost of issuance, underwriters discount, and bond oversight of the proposed not-to-exceed \$85,000,000 ESER General Obligation Bond issuance and appropriation.

TABLE 3: Proposed Cost of Issuance and Bond Oversight

Description	Amount
Cost of Issuance ⁴	\$452,914
Underwriter's Discount ⁵	599,325
City Auditor .1% allocation for the General Obligation Bond Oversight Committee Audits	79,910
City Services Auditor .2% allocation for the Controller's Audit Fund	157,241
Total	\$1,289,390
Source: San Francisco Department of Public Works	

FISCAL IMPACTS

According to Mr. Ababon, the proposed issuance of \$412,300,000 in General Obligation Earthquake Safety and Emergency Response Bonds will be sold in four increments between December 2010 and July 2014 as shown in Table 4 below.

TABLE 4: Four Anticipated Bond Sales

Date	Direct Project Costs	Cost of Issuance and Bond Oversight	Total
December, 2010	\$78,620,610 (see Table 2 above)	\$1,289,390	\$79,910,000*
July, 2011	134,904,068	2,145,932	137,050,000
July, 2012	117,811,322	1,963,678	119,775,000
July, 2014	74,064,000	1,501,000	75,565,000
Total	\$405,400,000	\$6,900,000	\$412,300,000
*The anticipated sale amount of \$79,910,000 does not include the \$5,090,000 placed on reserve in order to provide for market fluctuations between now and the sale date. The total appropriation request of \$85,000,000 includes both the anticipated sale amount (\$79,910,000) and reserves (\$5,090,000) pending the first series of bond sales.			
Source: San Francisco Office of the Controller			

The \$85,000,000 in ESER General Obligation Bonds may be issued (a) entirely as tax-exempt bonds, (b) entirely as Federally Taxable Build America Bonds, or (c) as a combination of the two, depending on market conditions pertaining to interest rates. According to the September 27, 2010 Memorandum from Ms. Sesay, San Francisco customarily issues federally tax-exempt bonds to finance capital improvements. However, under provisions of the Federal American Recovery and Reinvestment Act of 2009, a new category of federally taxable bonds were created called Build America Bonds. In accordance with the sale of Build America Bonds, the Federal government

⁴ Cost of Issuance includes payments for bond, disclosure and tax counsel fees; financial advisory fees; rating agency fees; printing costs; and City costs for the Office of Public Finance, Treasurer, Controller, and City Attorney's Office.

⁵ The Underwriters Discount refers to the fact that the original purchaser of the bonds that submitted the most competitive bid for the bonds includes a compensation component for underwriting the bonds and associated risks. This compensation component is included in the bid price submitted for the bonds. Thus, the award of the bonds based on the most competitive bid takes into consideration the amount of Underwriter's Discount.

pays the City an amount equal to the Federal Income Taxes payable by the bond investors for received interest income. Ms. Sesay stated that there are some unique risks associated with the sale of the Build America Bonds, such as (a) whether the Build America Bond program might be altered or repealed in the future by Congress and (b) the timeliness of payments by the Federal government to the City of the Federal Income Taxes which the Federal Government received from the bondholder. Therefore, the proposed resolution provides the Director of Public Finance with the discretionary authority to issue the proposed ESER General Obligation Bonds as Federally Taxable Build America Bonds if such a sale is considered to be in the best interests of the City.

Mr. Ababon advised that the not-to-exceed \$85,000,000 of ESER General Obligation Bonds are projected to have an annual interest rate of 6.0 percent over approximately 25 years. Mr. Ababon notes that based on market conditions existing at the time of the sale, coupled with policies associated with setting the Property Tax rate, the proposed \$85,000,000 in ESER General Obligation Bonds could be structured with a 20-year life. However, assuming a 25-year term, these bonds will result in estimated total debt service payments of \$155,295,000, including \$75,385,000 in interest and \$79,910,000 in principal, with average annual debt service payments of an estimated \$6,212,000.

Repayment of such annual debt service will be recovered through increases to the annual Property Tax rate which, according to the Controller's Office, average \$0.0024 per \$100 of assessed valuation over the anticipated 25-year term of the Bonds. A single family residence with an assessed value of \$500,000, assuming a homeowners exemption of \$7,000, would pay average annual additional Property Taxes to the City of \$11.83 per year ($\$500,000 - \$7,000 / \$100 \times \0.0024) if the proposed \$85,000,000 ESER General Obligation Bond is issued and appropriated.

RECOMMENDATIONS

Approved the proposed ordinance (File 10-1248) and resolutions (Files 10-1255 and 10-1256).



Harvey M. Rose

cc: Supervisor Avalos	Supervisor Mar
Supervisor Mirkarimi	Supervisor Maxwell
Supervisor Elsbernd	Clerk of the Board
President Chiu	Cheryl Adams
Supervisor Alioto-Picci	Controller
Supervisor Campos	Greg Wagner
Supervisor Chu	
Supervisor Daly	
Supervisor Dufty	



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 *NS*

SUBJECT: Resolution Providing for the Issuance of Not to Exceed \$412,300,000 in City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010)

Resolution Authorizing the Sale of Not to Exceed \$85,000,000 in City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010), Series 2010E

DATE: September 27, 2010

Background:

A two-thirds majority of voters of the City approved Proposition B in June 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”). We respectfully request that the items below be heard at the Budget and Finance Committee at its Wednesday, October 13, 2010 meeting.

For your review and consideration are two resolutions and related supporting documents:

- 1) Resolution providing for the issuance (the “Issuance Resolution”) of City and County of San Francisco general obligation bonds (Earthquake Safety and Emergency Response Bonds, 2010) in an aggregate principal amount not to exceed \$412,300,000 of City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010); and
- 2) Resolution Authorizing the Sale (the “Sale Resolution”) of Not to Exceed \$85,000,000 in City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010), Series 2010E (the “2010 Bonds”)

The Issuance Resolution approves the general parameters of the general obligation bonds program financing the Earthquake Safety Projects, including authorizing the execution, authentication and registration of the bonds; appointing depositories and agents; providing for the property tax levy to pay debt service; establishing accounts for the Earthquake Safety Projects.

The 2010 Bonds will be the first series of bonds to be issued under Proposition B financing the Earthquake Safety Projects. The Sale Resolution authorizes the sale of the 2010 Bonds in an amount not to exceed \$85 million to abate advanced expenditures eligible to be reimbursed and incurred by the General Fund for preliminary expenditures related to the Earthquake Safety Projects and to finance the study, planning, design, permitting and related expenditures for neighborhood fire stations; the schematic and design phase and construction administration of the proposed public safety building; and the study, planning, design, permitting and related expenditures of the proposed auxiliary water supply system improvements. The remaining authorization under Proposition B will be issued subject to the adoption by the Board of Supervisors and approval by the Mayor of subsequent sale resolutions.

A portion of the 2010 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"). The 2010 Bonds are expected to be sold in November 2010.

Financing Parameters:

The proposed Sale Resolution authorizes the issuance of not to exceed par amount of \$85,000,000. Based on current Project cost estimates and schedules, the Office of Public Finance expects to issue \$79,750,000 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 2010 Bonds.

The Certificates are anticipated to contribute approximately \$78,778,000 to the Earthquake Safety Projects. Table 1 outlines anticipated sources and uses for the 2010 Bonds.

Table 1: Anticipated Sources and Uses from the 2010 Bonds.

Estimated Sources			
<u>Par Amount</u>		\$	79,910,000
Total Estimated Sources		\$	79,910,000
Estimated Uses			
Project Fund Deposit		\$	78,777,851
Other Costs of Issuance			1,132,149
Other Underwriter's Discount	599,325		
Other Cost of Issuance	452,914		
<u>CGOBOC</u>	<u>79,910</u>		
Total Estimated Uses		\$	79,910,000

Based upon a conservative estimate of 6.0% interest rate, OPF estimates that average fiscal year

debt service on the 2010 Bonds is approximately \$6.21 million. The anticipated total par value of \$79.91 million is estimated to result in approximately \$75.39 million in interest payments over the life of the 2010 Bonds. The total principal and interest payment over the approximate 25 year life of the 2010 Bonds is approximately \$155.30 million. Based on market conditions then existing at the time of the sale coupled with the Capital Planning Committee constraints, the 2010 Bonds could be structured with a 20 year life.

Official Statement

The Official Statement provides information for prospective bidders and investors in connection with the public offering by the City of its 2010 Bonds. The Official Statement describes the 2010 Bonds, including sources and uses of funds; security for the 2010 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 2010 Bonds.

A *Preliminary Official Statement* is distributed to prospective bidders prior to the sale of the 2010 Bonds and within seven days of the public offering of the 2010 Bonds, 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 2010 Bonds.

The Board of Supervisors and the Mayor, in adopting and approving the Sale Resolution, approve and authorize the use and distribution of the Official Statement by the co-financial advisors with respect to the 2010 Bonds. 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.

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. The Official Statement is attached for your approval prior to its publication.

Build America Bonds: The City customarily issues federally tax-exempt bonds to finance its various capital improvements. Under the provisions of the American Recovery and Reinvestment Act of 2009 (the "Act"), a new category of taxable bonds was created to finance certain governmental purposes called Build America Bonds ("BABs"). BABs are a type of long-term taxable obligation that would otherwise qualify for tax exemption. Under the Act or under any other provision of the Internal Revenue Code that creates a substantially similar direct-pay subsidy program in the future, the City may elect to issue the 2010 Bonds as taxable obligations where the interest portion of payments made by the City to investors for the 2010 Bonds is taxable. On each interest payment date, the City will elect to receive payments from the federal government based upon the payments made by the City for the 2010 Bonds allocable to interest.

The City is considering the BABs in connection with the issuance of the 2010 Bonds. There are, however, legal issues/risks associated with BABs, including 1) whether the federal payments may be reduced or repealed in the future by Congress; 2) the timeliness of federal payments vis-

à-vis the City's periodic debt service obligations; 3) ensuring that the Project partially financed with proceeds of the 2010 Bonds are appropriate within the narrowly defined criteria of the Act and that 100% of project expenditures are capital expenditures; and 4) the ability of the Internal Revenue Service to set off the federal payments in connection with Direct Payment BABs against other unrelated claims on the City by the federal government. Based on market conditions then existing at the time of sale and consultation with the City Attorney and bond counsel of the risks identified above, the 2010 Bonds will be structured to provide the lowest cost of borrowing to the City.

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	September 28, 2010
Consideration by the Capital Planning Committee	October 4, 2010
Issuance and delivery of 2010 Bonds	November 24, 2010

*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 August 31, 2010, there were \$1.39 billion in general obligation bonds outstanding or approximately 0.88% 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 1.68% of the net assessed value of property in the City. If the Board of Supervisors approves the issuance of the 2010 Bonds, the debt ratio would increase by 0.05% to 0.93%— 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 2011, the property tax rate for the general obligation bond fund is \$0.1121 per \$100 of assessed value. If the Board of Supervisors approves the issuance of the 2010 Bonds, the overall property tax rate would be maintained at \$0.1121 per \$100 of assessed value for fiscal year 2011—within the Capital Planning Committee's approved financial constraint.

Additional Information:

The Resolutions will be introduced at the Board of Supervisors meeting on Tuesday, September 28, 2010. 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 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 (Earthquake Safety and Emergency Response Bonds, 2010), Series 2010E and (ii) General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010), Series 2010F (Federally Taxable Build America 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 2010 Bonds announces the date and time of the competitive bond sale, including the terms relating to the 2010 Bonds; the terms of sale, form of bids, and delivery of bids; and closing procedures and documents. Exhibit A-1 to the Official Notice of Sale is the form of the official bid for the purchase of the Series 2010E Bonds, and Exhibit A-2 to the Official Notice of Sale is the form of the official bid for the purchase of the Series 2010F Bonds. Pursuant to the Sale Resolution, the Controller is authorized to award the 2010 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.

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.

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 2010 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.

cc: Angela Calvillo, Clerk of the Board
Charles Higuera, Dept. of Public Works – Project Manager
Ed Reiskin, Director of Public Works
Harvey Rose, Budget Analyst
Ben Rosenfield, Controller
Starr Terrell, Mayor's Office
Greg Wagner, Mayor's Budget Director
Mark Blake, Deputy City Attorney

