

File No. 161194

Committee Item No. 7
Board Item No. 1

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date November 30, 2016

Board of Supervisors Meeting

Date December 13, 2016

Cmte Board

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
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| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
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Completed by: Linda Wong Date November 22, 2016
Completed by: Linda Wong Date December 1, 2016

[Appropriation - General Obligation Bond Proceeds - Public Health and Safety Projects - FY2016-17 - \$176,000,000]

Ordinance appropriating \$176,000,000 of the Series 2017A Health and Safety General Obligation Bond Proceeds to the Department of Public Works in FY2016-2017 for improvements and seismic strengthening of public health and safety facilities for critical community and mental health, emergency response and safety, and homeless shelter and service.

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

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

Section 1. The sources of funding outlined below are herein appropriated to reflect funding available for Fiscal Year 2016-17.

SOURCES Appropriation

Fund	Index Code / Project Code	Subobject	Description	Amount
3C XCF XXX - Public Health and Safety Bond	XXXXXXXXXX TBD	80111 Proceeds from Sale of Bonds- Face Amount	General Obligation Bond Proceeds	\$176,000,000

1 **Total SOURCES Appropriation** \$176,000,000

2

3 Section 2. The uses of funding outlined below are herein appropriated in Subobject
 4 06700 (Buildings, Structures, and Improvement Project-Budget), Subobject 081C4 (City
 5 Services Auditor Internal Audits for the General Obligation Bond Oversight Committee and the
 6 Controller's Audit Fund), Subobject 07311 (Cost of Bond Issuance, Underwriter's Discount, and
 7 Reserve Pending Bond Sale), and reflect the projected uses of funding for the necessary
 8 improvements and seismic strengthening of critical community and mental health, emergency
 9 response and safety, and homeless shelter and service facilities in Fiscal Year 2016-17.

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11 **USES Re-Appropriation**

Fund	Index Code / Project Code	Subobject	Description	Amount
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3C XCF XXX -	XXXXXXXXXX	06700	Facility	\$171,251,296
Public Health and Safety Bond	TBD	Buildings, Structures & Improvement Project-Budget	Improvements and Seismic Strengthening for Public Health and Safety Facilities	

18

3C XCF XXX -	XXXXXXXXXX	081C4	0.2% Allocation	\$342,503
Public Health and Safety Bond	TBD	Controller Internal Audits	for the Controller's Audit Fund	

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	Fund	Index Code / Project Code	Subobject	Description	Amount
3	3C XCF XXX -	XXXXXXXXXX	07311	Cost of Issuance	\$551,541
4	Public Health and	TBD	Bond Issuance		
5	Safety Bond		Cost		
7	3C XCF XXX -	XXXXXXXXXX	07311	Reserve for	\$1,940,000
8	Public Health and	TBD	Bond Issuance	Market	
9	Safety Bond		Cost	Uncertainty	
11	3C XCF XXX -	XXXXXXXXXX	07311	Underwriter's	\$1,740,600
12	Public Health and	TBD	Bond Issuance	Discount	
13	Safety Bond		Cost		
15	3C XCF XXX -	XXXXXXXXXX	081C4	0.1% allocation	\$174,060
16	Public Health and	TBD	Controller	for the General	
17	Safety Bond		Internal Audits	Obligation Bond	
18				Oversight	
19				Committee Audits	
21	Total USES Appropriation				\$176,000,000

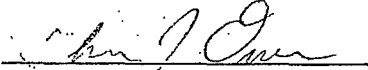
Section 3. The uses of funding outlined above for \$176,000,000 are herein placed on Controller's Reserve pending sale of the General Obligation Bonds.

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Section 4. The Controller is authorized to record transfers between funds and adjust the accounting treatment of sources and uses appropriated in this ordinance as necessary to conform with Generally Accepted Accounting Principles.

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

FUNDS AVAILABLE
BEN ROSENFELD, Controller

By: 
THOMAS OWEN
Deputy City Attorney

By: 
BEN ROSENFELD
Controller

<p>Items 5, 6 and 7 Files 16-1192, 16-1193 & 16-1194</p>	<p>Department: Department of Public Works</p>
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EXECUTIVE SUMMARY

Legislative Objectives

- **File 16-1192:** The proposed resolution would authorize the issuance and sale of not to exceed \$350,000,000 aggregate principal amount of City and County of San Francisco taxable and tax-exempt General Obligation (GO) Bonds (Public Health and Safety, 2016).
- **File 16-1193:** The proposed resolution would authorize the sale of not to exceed \$176,000,000 aggregate principal amount of City and County of San Francisco Tax Exempt General Obligation (GO) Bonds (Public Health and Safety, 2016), Series 2017A, which are the first series of the \$350,000,000 Public Health and Safety, 2016, GO Bonds.
- **File 16-1194:** The proposed ordinance would appropriate \$176,000,000 in Series 2017A bond proceeds to partially finance capital projects to renovate, expand, and seismically enhance fire safety and healthcare facilities, construct a larger and more modern City ambulance center, and to repair and modernize neighborhood fire stations, and to build, acquire, and improve facilities to better serve homeless individuals and families.

Key Points

- On June 7, 2016, voters of the City approved Proposition A, which authorizes the City and County of San Francisco to issue \$350,000,000 in GO bonds for Public Health and Safety projects. The Office of Public Finance plans to sell \$176,000,000 of the \$350,000,000 in Series 2017A GO bonds in January 2017.
- The proposed \$176,000,000 appropriation includes (a) \$146,481,926 for upgrades to San Francisco General Hospital and the City’s neighborhood health centers; (b) \$19,920,000 for the construction of a new Fire Department ambulance facility and upgrades to selected neighborhood fire stations; and (c) \$4,850,000 for supporting existing homeless shelters and the potential Homeless Outreach Team deployment facility.

Fiscal Impact

- The Office of Public Finance estimates that average annual debt service over 20 years on the GO Bonds is \$13,800,000. The estimated total debt service over 20 years is \$267,270,000, of which \$93,210,000 is interest and \$174,060,000 is principal.
- If the Board of Supervisors approves the issuance of the GO Bonds, the debt ratio would increase by 0.08 percent to 1.07 percent—within the 3.00 percent legal debt limit. If all of the City’s authorized and unissued bonds were issued, the total debt would be 1.80 percent of the net assessed value of property in the City.

Recommendation

- Approve the proposed resolutions (Files 16-1192 and 16-1193) and the proposed ordinance (File 16-1194).

MANDATE STATEMENT / BACKGROUND

Mandate Statement

Section 9.105 of the City's Charter provides that the issuance and sale of General Obligation (GO) bonds is subject to Board of Supervisors approval in accordance with State law or local procedures adopted by ordinance.

City Charter Section 9.105 states that amendments to the Annual Appropriation Ordinance are subject to Board of Supervisors approval by ordinance after the Controller certifies the availability of funds.

Background

The Board of Supervisors approved a resolution in January 2016 (File 15-1275) to submit \$350,000,000 in General Obligation (GO) Bonds to the voters to upgrade and enhance seismic safety for healthcare facilities, construct a new ambulance facility and repair neighborhood fire stations, and improve homeless care facilities. On June 7, 2016, a two-thirds majority of voters of the City approved Proposition A, the San Francisco Public Health and Safety General Obligation (GO) Bond. Proposition A authorizes the City and County of San Francisco to issue \$350,000,000 in GO bonds to fund capital projects to renovate, expand, and seismically enhance fire safety and healthcare facilities, construct a larger and more modern City ambulance center, and to repair and modernize neighborhood fire stations, and to build, acquire, and improve facilities to better serve homeless individuals and families.

Proposition A approved expenditures of \$350,000,000 for the following projects:

- \$272,000,000 for the renovation, expansion, and earthquake safety enhancement for fire safety and healthcare facilities (San Francisco General Hospital and other health clinics)
- \$58,000,000 for the construction of a new ambulance facility and the repair and modernization of fire stations
- \$20,000,000 for homeless care facilities

DETAILS OF PROPOSED LEGISLATION

File 16-1192: The proposed resolution would (a) authorize the issuance and sale of not to exceed \$350,000,000 aggregate principal amount of City and County of San Francisco taxable and tax-exempt General Obligation (GO) Bonds (Public Health and Safety, 2016); (b) provide for the levy of property taxes to pay the principal and interest of the GO Bonds; (c) provide for the appointment of depositories and other agents for said bonds; (d) provide for the establishment of related accounts; declare the City's reasonable official intent to reimburse prior expenditures; (e) adopt findings under the California Environmental Quality Act (CEQA), the CEQA Guidelines and San Francisco Administrative Code Chapter 31; (f) find that the proposed project is in conformity with the priority policies of Planning Code Section 101.1(8)

and with the General Plan consistency requirement of Charter Section 4.105 and Administrative Code Section 2A.53; (g) ratify certain actions previously taken; and (h) grant general authority to City officials to take necessary actions in connection with the authorization, issuance, sale and delivery of said bonds.

File 16-1193: The proposed resolution would (a) authorize the sale of not to exceed \$176,000,000 aggregate principal amount of City and County of San Francisco Tax Exempt General Obligation (GO) Bonds (Public Health and Safety, 2016), Series 2017A, which are the first series of the \$350,000,000 Public Health and Safety, 2016, GO Bonds; (b) prescribe the form and terms of said bonds; (c) provide for the appointment of depositories and other agents for such bonds; (d) provide for the establishment of accounts related to said bonds; (e) authorize the sale of such bonds by competitive or negotiated sale f) authorize the execution, authentication, and registration of said bonds; (g) approve the forms of Official Notice of Sale and Notice of Intention to Sell Bonds; direct the publication of the Notice of Intention to Sell Bonds; (h) approve the forms of Official Notice of Sale and Notice of Intention to Sell Bonds and direct the publication of the Notice of Intention to Sell Bonds; (i) approve the form of the Purchase Contract; (j) approve the form of the Preliminary Official Statement and the execution of the Official Statement relating to the sale of such bonds; (k) approve the form of the Continuing Disclosure Certificate; (l) authorize and approve modifications to documents; (m) ratify certain actions previously taken; (n) grant general authority to City officials to take necessary actions in connection with the authorization, issuance, sale, and delivery of such bonds.

File 16-1194: The proposed ordinance would appropriate \$176,000,000 in Series 2017A bond proceeds to partially finance the following:

1. Seismic and fire safety improvements, as well as consolidation of clinical services and upgrades to the San Francisco General Hospital, Building 5, and expanding services and increasing access to the City's neighborhood health centers (\$146,481,296)
2. Construction of a new ambulance facility for the Fire Department, as well as upgrades at selected neighborhood fire stations (\$19,920,000)
3. Supporting existing homeless shelters and the potential creation of a deployment facility for the San Francisco Homeless Outreach Team to improve coordination and delivery of homeless services (\$4,850,000)

Authorization to Issue \$350,000,000 in GO Bonds and Sale of \$176,000,000 Series 2017A Bonds (Files 16-1192 and 16-1193)

The proposed resolutions would authorize (a) the issuance of \$350,000,000 in Public Health and Safety GO Bonds, to be issued in multiple series (File 16-1192), and (b) the sale of \$176,000,000 Series 2017A bonds, which is the first series of the total \$350,000,000 bond issuance (File 16-1193). According to Mr. Joe Chin, Department of Public Works (DPW) Project Manager, DPW is only anticipating two series of bond sales, of which \$176,000,000 will be sold in January 2017, and \$174,000,000 will be sold in approximately July 2018. The sale of \$174,000,000 to be sold in approximately July 2018 is subject to future Board of Supervisors approval.

Financing Parameters

Of the first series of \$176,000,000 of the total \$350,000,000, the Office of Public Finance expects to sell \$174,060,000 under conservative assumptions of market conditions prevailing at the expected time of sale. The additional authorized amount of \$1,940,000 above the expected issuance amount of \$174,060,000 allows for fluctuations in interest rate market conditions from the date of authorization by the Board of Supervisors to the time of the sale of the Bonds. Table 1 below outlines anticipated sources and uses for the bonds.

Table 1: Sources and Uses of \$176,000,000 in Bond Proceeds

Sources	
Par Amount	\$174,060,000
Reserve Proceeds for Interest Rate Fluctuations	1,940,000
Total Not-To-Exceed Amount	\$176,000,000
Uses	
<u>Project</u>	
Public Health and Safety Project Funds	\$171,251,296
Controller's Audit Fund	342,503
Projects Subtotal	171,593,799
Costs of Bond Issuance	551,541
Underwriter's Discount	1,740,600
Citizens' GO Bond Oversight Committee	174,060
Costs of Issuance Subtotal	2,466,201
Subtotal Uses	174,060,000
Reserve Pending Bond Sale for Interest Rate Fluctuations	1,940,000
Total Uses with Reserve	\$176,000,000

\$176,000,000 Appropriation (File 16-1194)

As shown in Table 2 below, the proposed ordinance would appropriate \$171,251,296 in Series 2017A GO bond proceeds for Public Health and Safety project funds to the Department of Public Works (DPW) specifically for buildings, structures and improvement projects.

Table 2: Public Health and Safety Project Funds Allocation for Series 2017A GO Bonds

	Bond Authorization	Bond Budget	Series 2017A Bond Sale (File 16-1193)	Future Bond Sale	Prior General Fund Appropriation
Public Health					
Zuckerberg San Francisco General Hospital	\$222,000,000	\$218,723,000	\$112,055,942	\$106,667,058	\$10,314,852
Southeast Health Center	30,000,000	29,700,000	18,239,644	11,460,356	2,728,524
Castro Mission, and Maxine Hall Health Clinics	20,000,000	19,800,000	16,185,710	3,614,290	3,575,000
Subtotal, Public Health	272,000,000	\$268,223,000	146,481,296	121,741,704	16,618,376
Fire					
Ambulance Facility	43,500,000	42,800,000	13,270,000	29,530,000	800,000
Neighborhood Fire Stations	14,500,000	14,290,000	6,650,000	7,640,000	
Subtotal, Fire	58,000,000	57,090,000	19,920,000	37,170,000	800,000
Homeless					
Homeless Service Sites	20,000,000	19,700,000	4,850,000	14,850,000	
Total	\$350,000,000	\$345,013,000^a	\$171,251,296	\$173,761,704	\$17,418,376^b

Source: Capital Planning Committee Presentation

^a The bond budget of \$345,013,000 and oversight and total issuance costs of \$4,987,000 equals \$350,000,000

^b The Board of Supervisors previously appropriated \$17,418,376 in General Fund monies to pay for initial project costs; this amount will be reimbursed by the Series 2017A bond proceeds.

Department of Public Health Projects: \$146,481,296 (see Table 2 above)

According to Mr. Chin, the appropriation of \$112,055,942 for San Francisco General Hospital will consist of eight projects:

1. Existing Main Hospital (Building 5) Project: Seismically upgrade existing hospital to enhance building strength
2. Urgent Care Relocation Project: Relocate urgent care services from Building 80 to Building 5, 1st floor
3. Seismic Enabling- 6H Surge Space Project: Build out Ward 6H for office and staff support surge space to enable seismic retrofit construction
4. Physical Therapy Relocation Project: Relocate physical therapy department from Building 5, ground floor to 3rd Floor to create space for the new Public Health Laboratory
5. Public Health Laboratory Project: Relocate public Health Laboratory from 101 Grove Street to Building 5, ground floor
6. Dialysis Project: Relocate Dialysis Clinic from Building 100 to Building 5, 3rd Floor

7. Tuberculosis Clinic Project: Relocate tuberculosis clinic from Building 90 to Building 5, 4th Floor

8. Other tenant and fire/life safety improvement projects

The earliest of these eight projects began in December 2015, and the last of the projects is expected to finish by July 2019.

The \$18,239,644 for the Southeast Health Center will be allocated in two phases. Phase One, which began in August 2015 and extends to August 2018, will consist of renovating the health center by modernizing the existing space, expanding patient capacity and enhancing special services such as dental and optometry services. Phase Two, which began in June 2016 and extends to April 2020, will consist of constructing a new multi-story addition adjacent to the existing structure for family health services.

The \$16,185,710 for the Castro Mission Health Clinic and Maxine Hall Health Clinic will be used to renovate the existing health centers in order to improve and expand primary care services and meet current Americans with Disabilities (ADA) standards. Designs began in October 2016, and the construction is estimated to be finished by September 2019.

San Francisco Fire Department: \$19,920,000 (see Table 2 above)

The \$13,270,000 for the new ambulance facility will be used to construct a new ambulance deployment facility to increase efficiency, improve ambulance turnaround time and address seismic deficiency of the current building. The design process began in August 2016, and the project is scheduled to be completed by May 2020.

The \$6,650,000 for the Neighborhood Fire Stations is in order to rehabilitate or upgrade fire stations to provide improved safety and a healthy work environment for the fire fighters. The funds will be used to initiate studies in January 2017 to develop a better scope definition for capital improvements based on fire station priority locations. The selected fire station locations will be determined according to their importance of delivering fire suppression and emergency medical services to the city. Construction is estimated to be completed in May 2021.

Homeless Services: \$4,850,000 (see Table 2 above)

The \$4,850,000 for Homelessness Service Sites will repair and improve existing City-owned shelter facilities in order to allow the existing City's homeless shelter network to continue to function. The funds will also go towards creating a centralized deployment facility for the SF Homeless Outreach Team to improve the coordination and delivery of services to chronically homeless persons living on the streets. Designs will commence in January 2017, and bidding and construction is estimated for October 2017. The project is estimated to be completed in 2022.

As noted above, the Department of Public Works has already appropriated General Fund monies of \$17,418,376 to the projects in the form of pre-bond funding, which will be reimbursed from the Series 2017A bond proceeds.

FISCAL IMPACT**Annual Debt Service**

As noted above, the Office of Public Finance expects to sell \$174,060,000 (see Table 1 above) in par value Series 2017A bonds. Based on a conservative estimate of 3.9 percent interest rate, the Office of Public Finance estimates that average annual debt service over 20 years on the GO Bonds is \$13,800,000. The anticipated total par value of \$174,060,000 is estimated to result in approximately \$93,210,000 in interest payments over the 20-year life of the GO Bonds. The estimated total principal and interest payment over the approximate 20-year life of the GO Bonds is \$267,270,000, of which \$93,210,000 is interest and \$174,060,000 is principal.

The Office of Public Finance intends to sell the GO Bonds through a competitive sale process, but in the case of significant change in market conditions, reserves the option to seek a negotiated sale with underwriter(s) selected competitively.

Debt Limit

Section 9.106 of the City Charter limits the amount of GO Bonds the City can have outstanding at any given time to three percent of the total assessed value of property in San Francisco. 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 Gross General obligation debt limit for FY 2016-17 is approximately \$6.35 billion, based on a net assessed valuation of approximately \$211.5 billion. This net assessed valuation is dated as of August 1, 2016, which is the date of the Controller's Certificate of Assessed Valuation for the fiscal year. As of November 1, 2016, the City had outstanding approximately \$2.09 billion in aggregate principal amount of General Obligation bonds,¹ which equals approximately 0.99 percent of the net assessed valuation for FY 2016-17. If the Board of Supervisors approves the issuance of the GO Bonds, the debt ratio would increase by 0.08 percent to 1.07 percent—within the 3.00 percent legal debt limit. If all of the City's authorized and unissued bonds were issued, the total debt would be 1.80 percent of the net assessed value of property in the City.

Property Tax Rates

For Series 2017A, 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 be \$0.00652 per \$100 or \$6.52 per \$100,000 of assessed valuation over the anticipated 20-year term of the bonds based on current valuations. 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 \$38.69 per year if the \$174,060,000 Series 2017A Bonds are sold. However, it is anticipated that as existing outstanding bond debt is retired, this would offset the increase in property taxes.

¹ This number reflects the sale of the Series 2016F Housing Bonds totaling \$75.13 million in October of this year.

Capital Plan:

Under financial constraints adopted by the City's Capital Planning Committee, debt service on approved and issued GO bonds may not increase property owners' long-term property tax rates above FY 2005-06 levels. The FY 2005-06 property tax rate for the GO bond fund was \$0.1201 per \$100 of assessed value. If the Board of Supervisors approves the issuance of the GO Bonds, the property tax rate for GO bonds for FY 2016-17 would be maintained below the fiscal year 2006 rate and within the Capital Planning Committee's approved financial constraint.

RECOMMENDATION

Approve the proposed resolutions (Files 16-1192 and 16-1193) and the proposed ordinance (File 16-1194).



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 *NSS*

SUBJECT: City and County of San Francisco General Obligation Bonds, (Public Health and Safety, 2016), Series 2017A

DATE: November 1, 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 Public Health and Safety program at its meeting on Tuesday, November 1, 2016.

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 November 16, 2016 meeting of the Budget and Finance Committee.

Background:

On June 7, 2016, a two-thirds majority of voters of the City approved Proposition A, the San Francisco Public Health and Safety General Obligation Bond. Proposition A authorizes the City and County of San Francisco to issue \$350,000,000 in General Obligation Bonds to fund capital projects to renovate, expand, and seismically enhance fire safety and healthcare facilities, construct a larger and more modern City ambulance center, and to repair and modernize neighborhood fire stations, and to build, acquire, and improve facilities to better serve homeless individuals and families (the "2016 Proposition A"). The projects to be funded through the proposed bond sale include: seismic improvements and upgrades to fire safety systems to Building 5 on the campus of Zuckerberg San Francisco General Hospital, renovation and expansion of the Southeast Health Center and other neighborhood health clinics, a higher-capacity and seismically safer ambulance facility to improve emergency medical response,

capital improvements to City fire stations facilities, and the acquisition and construction of homeless services facilities (the “Project”).

The proposed resolutions authorize the issuance of not-to-exceed \$350,000,000 aggregate principal amount of City and County of San Francisco General Obligation Bonds, as well as the sale of not-to-exceed \$176,000,000 of City and County of San Francisco General Obligation Bonds (Public Health and Safety Bonds, 2016), Series 2017A (the “Bonds”). The Bonds will be the first series of bonds to be issued under the 2016 Proposition A.

Proceeds from the Bonds will partially finance the following:

- Zuckerberg San Francisco General, Building 5 – Bond funding would allow for seismic improvements to the hospital structure; fire and life safety improvements throughout the building including an upgraded fire alarm system, sprinklers, and associated electrical and mechanical work; consolidation of clinical services, ADA improvements, and upgrades to the City’s only existing 24-hour psychiatric emergency facility.
- Community Health Centers – Proceeds from the bond sale will allow the Department of Public Health to expand services and increase access at the City’s neighborhood health centers, including Southeast Health Center, Castro Mission Health Center, Maxine Hall Health Center, and Chinatown Public Clinic.
- San Francisco Fire Department Ambulance Deployment Facility and Neighborhood Fire Stations – The bond will allow for the construction of a new ambulance deployment center at 2245 Jerrold Ave., next to Fire Station 9. The new, seismically safe facility will improve the City’s capacity to meet current and future demands for emergency medical services. Bond fund will also be used to improve selected neighborhood fire stations to provide improved safety and a healthy work environment for firefighters.
- Homelessness Services – Funding will go toward supporting existing shelter sites at 1001 Polk St. and 525 5th St., which represent 57 percent of the City’s permanent shelter capacity, as well as a family shelter at 260 Golden Gate Ave. Examples of work to be completed at these shelters include sanitation and plumbing replacement, modernization of life safety systems, ADA improvements, kitchen capacity expansion, HVAC work, electrical and seismic upgrades, and roof repairs. Funding may also be used to create a deployment facility for the San Francisco Outreach Team to improve coordination and delivery of homeless services.

The remaining authorization under the 2016 Proposition A will be issued subject to review by the Capital Planning Committee, the consideration and adoption by the Board of Supervisors, and approval by the Mayor of subsequent authorizing resolutions. The resolutions will also authorize the reimbursement of eligible City funds expended on these projects in anticipation of bond proceeds.

Financing Parameters:

The proposed resolution authorizes the sale of not-to-exceed par amount of \$176,000,000. Based on current project cost estimates and schedules, the Office of Public Finance expects to issue \$174,060,000 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 \$171,250,000 to public health and safety projects. Table 1 outlines anticipated sources and uses for the Bonds.

Table 1: Anticipated Sources and Uses for the Bonds.

Sources	
Par Amount	\$174,060,000
Reserve Proceeds	\$1,940,000
Total Not-To-Exceed Amount	\$176,000,000
Uses	
<u>Projects</u>	
Public Health and Safety Project Funds	171,251,296
Controller's Audit Fund	342,503
Projects Subtotal	171,593,799
<u>Other Costs of Issuance</u>	
Costs of Issuance	551,541
Underwriter's Discount	1,740,600
Citizens' General Obligation Bond Oversight Committee	174,060
Costs of Issuance Subtotal	2,466,201
Total Uses	\$174,060,000
Reserve Pending Bond Sale ¹	1,940,000
Total Uses with Reserve	\$176,000,000

Based upon a conservative estimate of 3.90% interest rate, OPF estimates that average fiscal year debt service on the Bonds is approximately \$13,800,000. The anticipated total par value of \$174,060,000 is estimated to result in approximately \$93,210,000 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 \$267,270,000. Based on market conditions expected to exist at the time of the sale, the Bonds may be structured with a 30-year life. The City intends to

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

sell the Bonds through a competitive sale process, but in the case of a dramatic change in market conditions, reserves the option to seek a negotiated sale with underwriter(s) selected competitively.

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 Project by the Citizens' General Obligation Bond Oversight Committee ("CGOBOC"). Detailed descriptions of the Project financed with proceeds of the Bonds are included in the Bond Report prepared by San Francisco Public Works and the Department of Public Health.

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 2016-17 is approximately \$6.35 billion, based on a net assessed valuation of approximately \$211.5 billion. As of August 1, 2016, the City had outstanding approximately \$2.09 billion in aggregate principal amount of general obligation bonds, which equals approximately 0.99% of the net assessed valuation for fiscal year 2016-17. If the Board of Supervisors approves the issuance of the Bonds, the debt ratio would increase by 0.08% to 1.07% — within the 3.00% legal debt limit. If all of the City's authorized and unissued bonds were issued, the total debt burden would be 1.80% of the net assessed value of property in the City.

Property Tax Impact

For Series 2017A, 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 be \$0.00652 per \$100 or \$6.52 per \$100,000 of assessed valuation over the anticipated 20-year term of the bonds based on current valuations. 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 \$38.69 per year if the anticipated \$174,060,000 Bonds are sold.

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 2016-17 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, November 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 2017A 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:

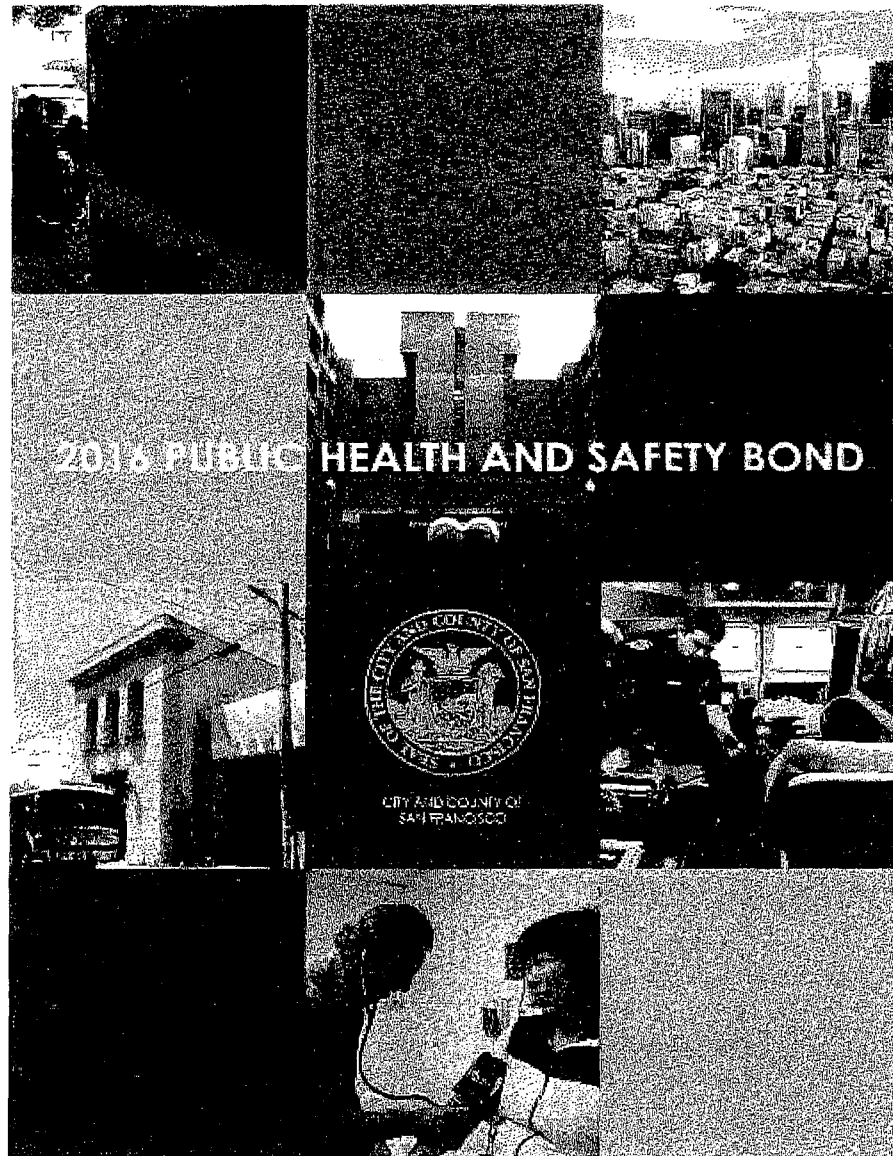
The Bonds are expected to be issued and delivered in January 2017. Schedule milestones in connection with the financing may be summarized as follows:

Milestone	Date*
Consideration by the Capital Planning Committee	October 17, 2016
Introduction of authorizing legislation and supporting materials to the Board	November 1, 2016
Issuance and delivery of the Bonds	January 2017

*Please note that dates are estimated unless otherwise noted.

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

File # 161192, 161193, 161194
Received in Committee
11/30/16
Jan



2016 Public Health and Safety Bond

Presented to Board of Supervisors
Budget and Finance Committee

First General Obligation Bond
Authorization Series 2017A

November 30, 2016



Agenda

- Overall Program Budget/Components
- Program Budget
- First Bond Sale Sources and Uses of Funds
- First Bond Sale Budget and Allocation
- Pre-Bond Funding Accomplishments
- Upcoming Planned Activities

Program Budget/Components

The City and County of San Francisco approved in June 2016 a \$350 million bond for improvements to vital City facilities to protect public health and safety.

The bond will improve community medical and mental health care services, modernize and upgrade homeless service sites, and improve earthquake safety, fire, and emergency medical response.

Projects	Budget
Zuckerberg San Francisco General, Existing Main Hospital, Building 5	\$222 M
DPH Community Health Centers	\$50 M
Ambulance Deployment Facility and Neighborhood Fire Stations	\$58 M
Homeless Service Sites Program	\$20 M
Total:	\$350 M

First Bond Sale Sources and Uses*

Maximum Not to Exceed Amount:	\$176,000,000
<i>Reserve Proceeds</i>	<i>\$1,940,000</i>
Sources:	
Par Amount	\$174,060,000
Total Sources:	\$174,060,000
Uses:	
Project Fund Deposits:	
Project Fund	\$171,251,296
CSA Audit Fee	\$342,503
Total Project Fund Deposits:	\$171,593,799
Cost of Issuance	\$551,541
Underwriter's Discount	\$1,740,600
CGOBOC Fee	\$174,060
Total Delivery Expense:	\$2,466,201
Total Uses:	\$174,060,000
<i>Reserve for Market Uncertainty</i>	<i>\$1,940,000</i>
Maximum Not to Exceed Amount:	\$176,000,000

*Source is from Controller's Office of Public Finance



First Bond Sale Budget and Allocation

	Public Health and Safety Components/Projects	Bond Authorization	Bond Budget	Current Appropriation*	1st Bond Sale
1	ZSFG Building 5 Seismic Upgrade and Outpatient Improvements Program	\$222,000,000	\$218,723,000	\$10,314,852	\$112,055,942
2	Southeast Health Center Renovation (Phase 1) and New Addition (Phase 2) Program	\$30,000,000	\$29,700,000	\$2,728,524	\$18,239,644
3	Community Health Centers Improvement Program (Various Locations)	\$20,000,000	\$19,800,000	\$3,575,000	\$16,190,000
4	Ambulance Deployment Facility (ADF) and Emergency Medical Services (EMS) Project	\$43,500,000	\$42,800,000	\$800,000	\$13,270,000
5	Neighborhood Fire Stations (NFS) Improvements Program (Various Locations)	\$14,500,000	\$14,290,000	\$0	\$6,650,000
6	Homeless Service Sites	\$20,000,000	\$19,700,000	\$0	\$4,850,000
	Oversight, Accountability, and Cost of Issuance	\$0	\$4,987,500	\$0	\$2,808,704
	Reserve for Market Uncertainty	\$0	\$0	\$0	\$1,940,000
	Total	\$350,000,000	\$350,000,000	\$17,420,000	\$176,000,000

* \$17.4M pre-bond funding appropriation from General Funds will be reimbursed out of the First Bond Sale

35



ZSFG, Existing Main Hospital, Building 5

Existing Main Hospital, Building 5

Start construction for seismic work	June 2017
Start construction for fire/life safety, other renovations	June 2018
Construction for fire/life safety, other renovations complete	Dec. 2019
Total Budget	\$222 M



1st Bond Sale Allocation: \$112.1M

Pre-Bond Funding Accomplishments

- **Completion of programming phase and starting design for six projects**
 - **Seismic Enabling Project, Seismic Retrofit Project, Public Health Laboratory Project, Physical Therapy Relocation Project, Dialysis Project, and Urgent Care Project**

Planned Activities

- **Completion of design and start of construction of these six projects.**
- **Initiate planning/programming and design for other tenant and fire/life safety improvement projects**
- **Includes only partial funding for construction**

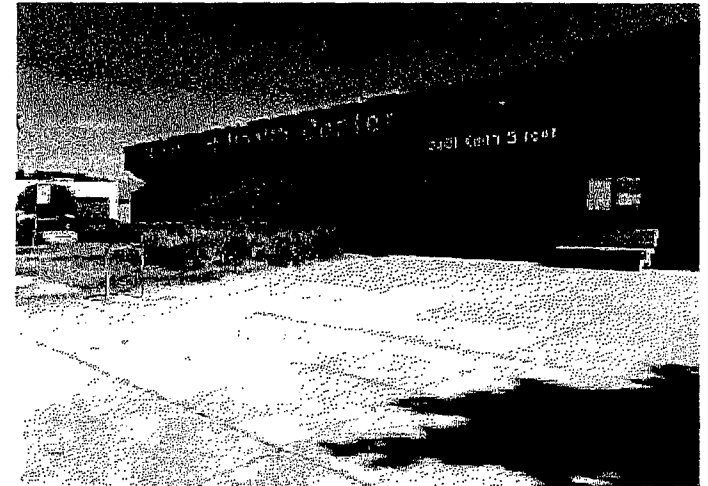
DPH Community Health Centers

Southeast Health Center

Start construction for renovation	Jan 2017
Construction for renovation complete; move in	May 2018
Start construction for addition	June 2018
Construction for addition complete; move in	June 2020

Total Budget **\$30 M**

1st Bond Sale Allocation: \$18.2M



Pre-Bond Funding Accomplishments

- **Phase 1 (Renovation) - Completion of design and Building Permit received. Bidding started with construction to start Jan 2017.**
- **Phase 2 (Addition) – Programming phase initiated to finalize scope.**

Planned Activities

- **Complete Phase 1 construction and complete design for Phase 2 and start construction.**
- **Includes only partial funding for construction**

DPH Community Health Centers

Other Health Clinics	
Start planning and design	Nov. 2016
Start construction	May 2017
Complete construction*; move-in	Nov. 2019 –
<i>*phase construction occurs at multiple sites</i>	May 2020
Total Budget	\$20 M

1st Bond Sale Allocation: \$16.2M



Pre-Bond Funding Accomplishments

- Completed planning and programming and initiated design phase for Castro Mission and Maxine Hall HCs
- Initiated programming phase for Chinatown Public HC

Planned Activities

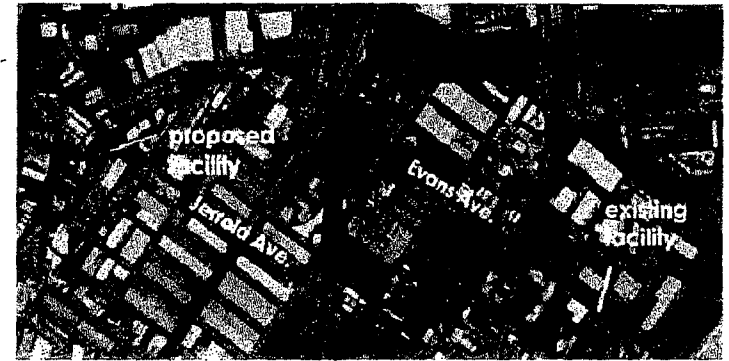
- Complete design and start construction for Castro Mission, Maxine Hall, and Chinatown Public HCs
- Includes full construction costs on three clinics
- Initiate planning/programming for building renewals and infrastructure improvements

56

SFFD Ambulance Deployment Facility

San Francisco Fire Department Ambulance Deployment Facility

Start construction	Jan. 2018
Construction complete	Feb 2020
Move in	May 2020
Total Budget	\$43.5 M



1st Bond Sale Allocation: \$13.3M

Pre-Bond Funding Accomplishments

- Complete schematic design
- Initiated RFQ and selection of Architectural/Engineering Team

Planned Activities

- Complete design and selection of CM/GC Contractor.
- Initiation of pre-construction services and development of trade packages.
- Includes partial funding for construction.

Neighborhood Fire Stations

San Francisco Fire Department Neighborhood Fire Stations

Start planning and design	Jan 2017
Start construction	Oct 2017
Complete construction	May 2021
Total Budget	\$14.5 M



1st Bond Sale Allocation: \$6.7M

Planned Activities

- **Initiate studies to develop scope definition for capital improvements related to neighborhood fire stations based on pre-established priority of needs**
- **Build on the work started by the Earthquake Safety and Emergency Response (ESER) 2010 and 2014 bond programs**
- **Complete design and start construction**

Homeless Service Sites

Homeless Service Sites Budget	
Start planning and design	Jan 2017
Start construction	Oct 2017
Complete construction	Nov. 2022
Total Budget	\$20 M



1st Bond Sale Allocation: \$4.9M

- Planned Activities**
- **Initiate studies to develop scope definition for improvement of existing City-owned shelters or buildings.**
 - **Start programming/planning, complete design, and start construction**

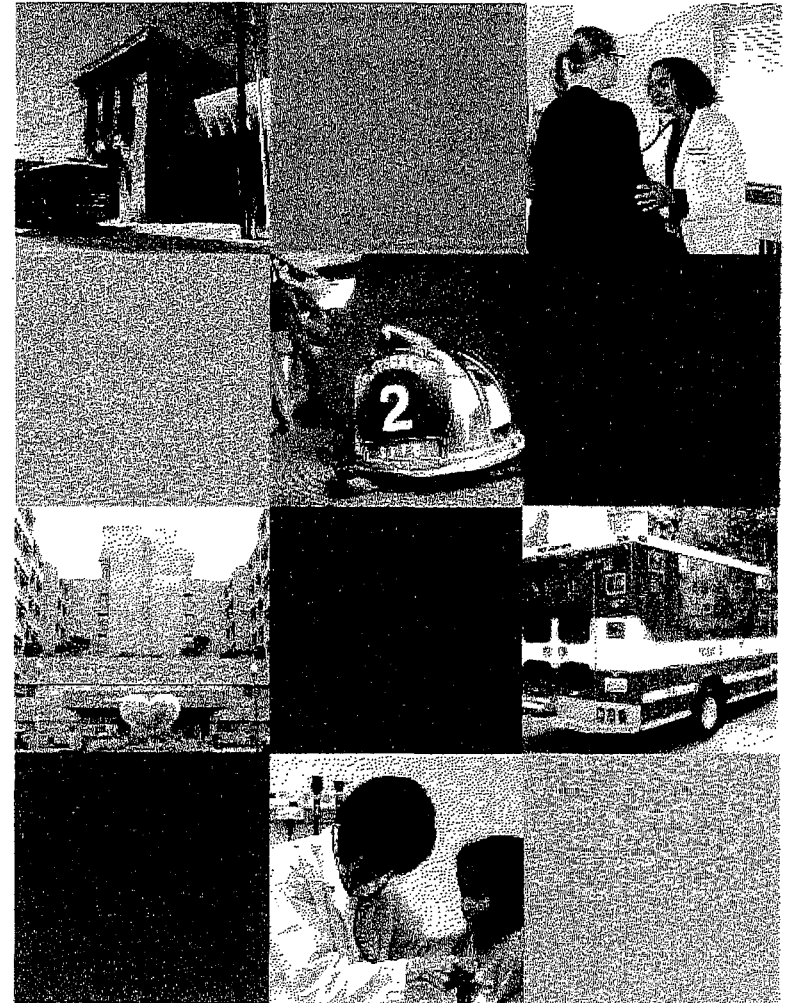
59

2016 Public Health and Safety Bond

Webpage

sfpublicworks.org/publichealthbond

Questions?



60



San Francisco
Department of Public Health



San Francisco
Human Services Agency

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *for* Mayor Edwin M. Lee *NE*
RE: 2016 Public Health and Safety General Obligation Bonds
DATE: November 1, 2016

Attached for introduction to the Board of Supervisors are three pieces of legislation:

1. Issuance of Taxable and Tax-Exempt General Obligation Bonds (Public Health and Safety, 2016) - Not to Exceed \$350,000,000
2. Sale of Tax-Exempt General Obligation Bonds (Public Health and Safety, 2016), Series 2017A – Not to Exceed \$176,000,000
3. Appropriation - General Obligation Bond Proceeds of \$176,000,000 for Public Health and Safety Projects in FY 2016-17

Please note that this legislation is co-sponsored by Supervisors Breed, Farrell, Cohen and Peskin.

I respectfully request that this item be calendared in Budget & Finance Committee on November 16, 2016.

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

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BY *[Signature]*

President, District 5
BOARD of SUPERVISORS



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B+F Leg. Reg.
City Hall Dep. CAJ Mayor's
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
Office

London Breed

PRESIDENTIAL ACTION

Date: 11/10/16

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. 161194 Mayor
(Primary Sponsor)

Title. Ordinance appropriating \$176,000,000 of the Series 2017A Health and Safety General Obligation Bond Proceeds to Public Works

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)

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2016 NOV 14 PM 2:08

London Breed, President
Board of Supervisors