

1 [Issuance of General Obligation Bonds (Embarcadero Seawall Earthquake Safety, 2018) - Not
2 to Exceed \$425,000,000]

3 **Resolution providing for the issuance of not to exceed \$425,000,000 aggregate**
4 **principal amount of City and County of San Francisco General Obligation Bonds**
5 **(Embarcadero Seawall Earthquake Safety, 2018); authorizing the issuance and sale of**
6 **said bonds; providing for the levy of a tax to pay the principal and interest thereof;**
7 **providing for the appointment of depositories and other agents for said bonds;**
8 **providing for the establishment of accounts related thereto; adopting findings under**
9 **the California Environmental Quality Act ("CEQA"), the CEQA Guidelines, and**
10 **Administrative Code, Chapter 31; finding that the proposed project is in conformity**
11 **with the eight priority policies of Planning Code, Section 101.1(b), and with the General**
12 **Plan consistency requirement of Charter, Section 4.105, and Administrative Code,**
13 **Section 2A.53; ratifying certain actions previously taken, as defined herein; and**
14 **granting general authority to city officials to take necessary actions in connection with**
15 **the issuance and sale of said bonds, as defined herein.**

16
17 WHEREAS, By Resolution No. 183-18, adopted by the Board of Supervisors (the
18 "Board of Supervisors") of the City and County of San Francisco (the "City") on June 12, 2018,
19 and signed by the Mayor (the "Mayor") on June 20, 2018, it was determined and declared that
20 public interest and necessity demand the construction, reconstruction, acquisition,
21 improvement, demolition, seismic strengthening and repair of the Seawall and other critical
22 infrastructure, as further therein described (the "Project"); and,

23 WHEREAS, By Ordinance No. 146-18 passed by the Board of Supervisors on June 26,
24 2018, and signed by the Mayor on June 28, 2018, and Ordinance No. 178-18 passed by the
25 Board of Supervisors on July 24, 2018, and signed by the Mayor on July 26, 2018, (together,

1 the "Bond Ordinances"), the Board of Supervisors duly called a special election to be held on
2 November 6, 2018, (the "Bond Election"), for the purpose of submitting to the qualified voters
3 of the City such proposition to incur bonded indebtedness of the City in the amount of
4 \$425,000,000 to finance the Project, and such proposition was approved by two-thirds of the
5 qualified voters of the City voting on such proposition, and declaration of such Bond Election
6 results was made by the Board of Supervisors pursuant to Resolution No. 420-18 on
7 December 4, 2018, and approved by the Mayor on December 12, 2018; and

8 WHEREAS, A special election was held in the City on November 6, 2018, for the
9 purpose of submitting to the qualified voters of the City said proposition, denominated as
10 Proposition A ("Proposition A"), as follows:

11 "SAN FRANCISCO SEAWALL EARTHQUAKE SAFETY BOND, 2018. To protect the
12 waterfront, BART and Muni, buildings, historic piers, and roads from earthquakes, flooding
13 and rising seas by: repairing the 100 year old Embarcadero Seawall; strengthening the
14 Embarcadero; and fortifying transit infrastructure and utilities serving residents and
15 businesses; shall the city issue \$425,000,000 in bonds, with a duration up to 30 years from
16 the time of issuance, an estimated tax rate of \$0.013/\$100 of assessed property value, and
17 estimated annual revenues of up to \$40,000,000, with citizen oversight and regular audits?
18 The City's current debt management policy is to keep the property tax rate from City general
19 obligation bonds below the 2006 rate by issuing new bonds as older ones are retired and the
20 tax base grows, though the overall property tax rate may vary based on other factors"; and

21 WHEREAS, On December 4, 2018, by Resolution No. 420-18, the Board of Supervisors
22 declared the results of the November 6, 2018, special election finding that, as certified by the
23 Director of Elections of the City, the requisite two-thirds of all voters voting on the proposition
24 approved such proposition; and,
25

1 WHEREAS, This Board of Supervisors has determined, and does hereby declare, that
2 it is necessary and desirable that all of said bonds designated generally as "City and County
3 of San Francisco General Obligation Bonds (Embarcadero Seawall Earthquake Safety)" (the
4 "Bonds") in the aggregate principal amount not to exceed \$425,000,000 representing the total
5 amount authorized, be issued and sold in one or more series from time to time, for the
6 purposes authorized and on the conditions set forth in this Resolution; and,

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

9 WHEREAS, The Bonds are being issued pursuant to (i) this Resolution duly adopted
10 by the Board of Supervisors, (ii) Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the
11 California Government Code, (iii) the Charter of the City (the "Charter"), (iv) the Bond
12 Ordinances, and (v) a duly held election; and,

13 WHEREAS, There shall be delivered a certificate of a duly authorized officer of the
14 City, concurrently with the issuance of each series of Bonds, except for any series of Bonds
15 issued to refund any bond anticipation notes issued in anticipation of the issuance of such
16 series of Bonds, stating that the outstanding general obligation bond indebtedness of the City,
17 including all series of the Bonds issued and to be issued and outstanding on the date of
18 delivery of such series, will not exceed three percent of the assessed value of all taxable real
19 and personal property located within the City in compliance with Section 9.106 of the Charter;
20 now, therefore, be it

21 RESOLVED, By the Board of Supervisors of the City and County of San Francisco, as
22 follows:

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

24 Section 2. Conditions Precedent. All conditions, things and acts required by law to
25 exist, to happen and to be performed precedent to the adoption of this Resolution authorizing

1 the issuance of the Bonds exist, have happened and have been performed in due time, form
2 and manner in accordance with applicable law, and the City is now authorized pursuant to the
3 Charter and applicable law to incur indebtedness in the manner and form provided in this
4 Resolution.

5 Section 3. Issuance of the Bonds. The Board of Supervisors hereby authorizes the
6 issuance and sale of \$425,000,000 aggregate principal amount of Bonds, designated
7 generally as "City and County of San Francisco General Obligation Bonds (Embarcadero
8 Seawall Earthquake Safety, 2018)". The Director of Public Finance is hereby authorized to
9 modify the general designation of the Bonds if in her sole discretion a different designation is
10 in the best interest of the City for administrative, marketing or descriptive purposes. The
11 Bonds may be sold in one or more series as the Board of Supervisors shall determine, and
12 shall 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 of
14 Supervisors in this Resolution, as supplemented by such other resolution or resolutions
15 relating to such series of Bonds and as provided in the resolution of the Board of Supervisors
16 authorizing and directing the sale of each series of Bonds (each, a "Sale Resolution"). Each
17 series of such Bonds may bear such additional or other designation as may be necessary or
18 appropriate to distinguish such series from every other series and from other bonds issued by
19 the City, or to identify the tax treatment of interest, interest rate determination methodology or
20 other characteristics of such series, in each case as set forth in the applicable Sale Resolution
21 or as may be determined by the Director of Public Finance in her sole discretion. The offering
22 and sale of the Bonds may be aggregated with the offering and sale of other general
23 obligation bonds being issued by the City, as authorized from time to time by the Board of
24 Supervisors. Each series of Bonds may bear interest at fixed or variable rates, in each case
25 as provided in the applicable Sale Resolution.

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

10 The Bonds shall be signed by the Mayor of the City (the "Mayor") and countersigned by
11 the Clerk of the Board of Supervisors. The signature of the Mayor may be facsimile or
12 manual. The signature of the Clerk of the Board of Supervisors shall be manual. The
13 Treasurer of the City (the "City Treasurer") shall authenticate the Bonds by facsimile or
14 manual signature and, when so authenticated, shall deliver the Bonds to or for the account of
15 the purchasers in exchange for the purchase price thereof.

16 In case such officer(s) whose signature(s) or countersignature(s) appear(s) on a Bond
17 shall cease to be such officer(s) before the delivery of such Bond to the purchaser, such
18 signature(s) or countersignature(s) shall nevertheless be valid and sufficient for all purposes
19 as if the officer(s) had remained in office until the delivery of such Bond.

20 Section 5. Transfer or Exchange and Registration of Bonds. Any Bond may be
21 transferred or exchanged in accordance with its terms and the applicable Sale Resolution.
22 Each Bond shall be registered in accordance with the applicable Sale Resolution.

23 Section 6. General Redemption Provisions. The terms of redemption (whether optional
24 or mandatory redemption), if any, of any series of Bonds and the manner prescribed for notice
25 of any redemption of such series of Bonds shall be set forth in the applicable Sale Resolution.

1 Each Sale Resolution shall provide that the Controller of the City (the "Controller") shall
2 establish a redemption account for such series of Bonds. The City Treasurer shall provide for
3 the deposit and application of moneys in such redemption account.

4 Section 7. Tax Levy; Pledge of Bond Account.

5 (a) Tax Levy. For the purpose of paying the principal of and interest on the Bonds,
6 the Board of Supervisors at the time of fixing the general tax levy shall fix, and in the manner
7 provided for such general tax levy, levy and collect annually until the Bonds are paid, or until
8 there shall be a sum set apart for that purpose in the treasury of the City sufficient to meet all
9 sums coming due for payment of principal of and interest on the Bonds, a tax sufficient to pay
10 the annual interest on the Bonds as the same becomes due and also such part of the principal
11 thereof as shall become due before the proceeds of a tax levied at the time for making the
12 next general tax levy can be made available for the payment of such interest or principal;
13 provided, however, that in fixing such tax levy for each fiscal year, the Board of Supervisors
14 shall take into account amounts then on deposit in the Tax Revenues Subaccount pursuant to
15 this subsection (a), if such amounts will be available to pay debt service on the Bonds.

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

19 All taxes collected pursuant to this Section 7(a) shall be deposited forthwith in a special
20 subaccount to be designated as the "Tax Revenues Subaccount," which shall be a
21 subaccount within a special account to be designated as the "General Obligation Bonds
22 (Embarcadero Seawall Earthquake Safety, 2018) Bond Account" (the "Bond Account"). The
23 Bond Account and all subaccounts therein shall be administered by the City Treasurer with all
24 disbursements of funds therefrom subject to authorization of the Controller. The Bond
25 Account shall be kept separate and apart from all other accounts, and each subaccount

1 therein shall be kept separate and apart from all other subaccounts. Pursuant to the
2 applicable Sale Resolution, the Controller may establish such additional accounts and
3 subaccounts within the Bond Account or with any agent, including but not limited to any
4 paying agent or fiscal agent, as may be necessary or convenient in connection with the
5 administration of any series of Bonds, to provide for the payment of principal and interest on
6 such series of Bonds.

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

20 (b) Pledge. The Bond Account and all subaccounts and amounts on deposit therein
21 are hereby pledged for the payment of the principal of and interest on the Bonds when and as
22 the same become due, including the principal of any term Bonds required to be paid upon the
23 mandatory sinking fund redemption thereof. In addition, the payment of such principal and
24 interest shall be secured by the statutory lien of California Government Code Section 53515,
25 to the extent applicable to the amounts on deposit in the Bond Account. Each and every

1 series of Bonds issued under this Resolution shall be equally and ratably secured by the
2 pledge of this subsection (c), the foregoing statutory lien, and the taxes collected pursuant to
3 this Section 7.

4 Section 8. Administration and Disbursements From Bond Account.

5 (a) Interest. On or before June 15 and December 15 in each year that any of the
6 Bonds are outstanding (or, for any series of Bonds bearing interest at variable rates, on such
7 other dates as may be provided by the applicable Sale Resolution), the City Treasurer shall
8 set aside in the Bond Account and the appropriate subaccounts therein relating to each series
9 of the Bonds an amount which, when added to the amount contained in the Bond Account and
10 subaccounts therein on that date, if any, will be equal to the aggregate amount of the interest
11 becoming due and payable on each series of the Bonds outstanding on such interest payment
12 date.

13 (b) Principal. On or before June 15 in each year that any of the Bonds are
14 outstanding, the City Treasurer shall set aside in the Bond Account and the appropriate
15 subaccounts therein relating to each series of the Bonds an amount which will be equal to the
16 principal on each series of the Bonds outstanding that will become due and payable on said
17 June 15, including those Bonds subject to mandatory redemption on such date pursuant to
18 the provisions of the applicable Sale Resolution.

19 All moneys in the Bond Account shall be used and withdrawn by the City Treasurer
20 solely for the purpose of paying the principal of and interest on each series of the Bonds as
21 the same shall become due and payable. On June 15 and December 15 in each year that
22 any Bond is outstanding, the City Treasurer shall allocate, transfer and apply to the various
23 subaccounts in the Bond Account created pursuant to the applicable Sale Resolution, on such
24 date on which payment of principal or interest on any series of Bonds is due, from moneys on
25 deposit in the Bond Account, an amount equal to the amount of principal of, premium, if any,

1 or interest due on said date with respect to each series of the Bonds then outstanding.
2 Unless other provision shall have been made pursuant to this Resolution for the payment of
3 any Bond, all amounts held in the various subaccounts of the Bond Account created pursuant
4 to a Sale Resolution shall be used and applied by the City Treasurer to pay principal of,
5 premium, if any, and interest due on the series of the Bonds to which such subaccount
6 relates, as and when due.

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

12 The City Treasurer is hereby also authorized and directed to appoint one or more
13 agents as he or she may deem necessary or desirable. To the extent permitted by applicable
14 law and under the supervision of the City Treasurer, such agents may serve as paying agent,
15 fiscal agent, escrow agent or registrar for the Bonds or may assist the City Treasurer in
16 performing any or all of such functions and such other duties as the City Treasurer shall
17 determine including such duties and responsibilities of the City Treasurer provided for in this
18 Resolution. Such agents shall serve under such terms and conditions as the City Treasurer
19 shall determine. The City Treasurer may remove or replace agents appointed pursuant to this
20 paragraph at any time.

21 Section 10. Project Account. There is hereby established a project account to be
22 designated as the "General Obligation Bonds (Embarcadero Seawall Earthquake Safety,
23 2018) Project Account" (the "Project Account"). The Project Account shall be maintained by
24 the City Treasurer, as a separate account, segregated and distinct from all other accounts.
25 The City Treasurer may establish such accounts and subaccounts within the Project Account

1 as may be necessary or convenient in connection with the administration of the Project or the
2 Bonds.

3 All of the proceeds of the sale of the Bonds (excluding any premium and accrued
4 interest received thereon, unless otherwise determined by the Director of Public Finance)
5 shall be deposited by the City Treasurer to the credit of the Project Account and shall be
6 applied exclusively to the objects and purposes of the Project. When such objects and
7 purposes have been accomplished, any moneys remaining in such account shall be
8 transferred to the Bond Account established pursuant to Section 7 hereof and applied to the
9 payment of the principal of and interest on any series of Bonds. Amounts in the Project
10 Account may be applied to the payment of costs of issuance of the Bonds, including, without
11 limitation, bond and financial printing expenses, mailing and publication expenses, rating
12 agency fees, and the fees and expenses of paying agents, registrars, financial consultants,
13 bond counsel and disclosure counsel.

14 Section 11. Defeasance Provisions. A Sale Resolution may provide for the defeasance
15 of such series of Bonds authorized therein. Any Bonds which have been deemed paid in
16 accordance with the defeasance provisions of the applicable Sale Resolution shall no longer
17 be deemed outstanding under this Resolution.

18 Section 12. Tax Covenants. The Bonds may be issued as bonds the interest on which
19 is excluded from gross income for federal or state income tax purposes or as bonds the
20 interest on which is included in gross income for federal or state income tax purposes. With
21 respect to any series of the Bonds the interest on which is excluded from gross income for
22 federal or state income tax purposes, the City may make such covenants and representations
23 as are necessary to comply with applicable laws and regulations.

24 Section 13. Other Terms and Provisions Relating to the Bonds. The Sale Resolution
25 for any series of Bonds may provide for (a) the purchase of bond insurance or other credit

1 enhancement relating to such series of Bonds and to the establishment of such additional
2 terms and procedures as may be necessary to provide for the application of such bond
3 insurance or other credit enhancement for the benefit of the bondholders; (b) the investment
4 of moneys held in any fund or account relating to the Bonds in specific categories or types of
5 investments, so long as such investments are legal investments for the City and in compliance
6 with any policy or guideline of the City applicable thereto; and (c) the adoption of any
7 supplemental resolutions relating solely to such series of Bonds.

8 Section 14. Supplemental Resolutions. For any one or more of the following purposes
9 and at any time or from time to time, a supplemental resolution of the City may be adopted,
10 which, without the requirement of consent of the owners of the Bonds, shall be fully effective
11 in accordance with its terms:

12 (a) To add to the covenants and agreements of the City in this Resolution or any
13 Sale Resolution, other covenants and agreements to be observed by the City which are not
14 contrary to or inconsistent with this Resolution or any Sale Resolution as theretofore in effect;

15 (b) To add to the limitations and restrictions in this Resolution or any Sale
16 Resolution, other limitations and restrictions to be observed by the City which are not contrary
17 to or inconsistent with this Resolution or any Sale Resolution as theretofore in effect;

18 (c) To confirm, as further assurance, any pledge under, and the subjection to any
19 lien or pledge created or to be created by this Resolution or any Sale Resolution as then in
20 effect, of any moneys, securities or funds, or to establish any additional funds or accounts to
21 be held under this Resolution or any Sale Resolution;

22 (d) To cure any ambiguity, supply any omission, or cure or correct any defect or
23 inconsistent provision in this Resolution or any Sale Resolution; or

24 (e) To make such additions, deletions or modifications as shall not be materially
25 adverse to the owners of the Bonds.

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

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

19 Section 16. CEQA Determinations. The Board of Supervisors hereby reaffirms and
20 incorporates by reference the CEQA findings and determinations set forth in the Bond
21 Ordinances as if set forth in full herein. The use of bond proceeds to finance any identified
22 project or portion of any identified project with bond proceeds will be subject, as necessary, to
23 approval of the Board of Supervisors upon completion of any planning and any further
24 required environmental review under CEQA for the individual facilities and projects.

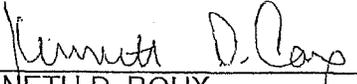
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1 Section 18. Ratification. All actions heretofore taken by officials, employees and
2 agents of the City with respect to the sale and issuance of the Bonds consistent with any
3 documents presented and this Resolution are hereby approved, confirmed and ratified.

4 Section 19. General Authority. The Clerk of the Board of Supervisors, the Finance
5 Committee of the Board of Supervisors, the Mayor, the City Treasurer, the City Administrator,
6 the City Attorney, the Director of Public Finance and the Controller are each hereby
7 authorized and directed in the name and on behalf of the City to take any and all steps and to
8 issue and deliver any and all certificates, requisitions, agreements, notices, consents, and
9 other documents, including but not limited to, letters of representations to any depository or
10 depositories, which they or any of them might deem necessary or appropriate in order to
11 consummate the lawful issuance, sale and delivery of the Bonds and otherwise to give effect
12 to this Resolution. Any such actions are solely intended to further the purposes of this
13 Resolution, and are subject in all respects to the terms of this Resolution. No such actions
14 shall increase the risk to the City or require the City to spend any resources not otherwise
15 granted herein. Final versions of any such documents shall be provided to the Clerk of the
16 Board of Supervisors for inclusion in the official file within 30 days (or as soon thereafter as
17 final documents are available) of execution by all parties.

18 APPROVED AS TO FORM:
19 DENNIS J. HERRERA City Attorney

20
21
22 By: _____


KENNETH D. ROUX
Deputy City Attorney

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OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller
Todd Rydstrom
Deputy Controller
Anna Van Degna
Director of Public Finance

MEMORANDUM

TO: Honorable Members, Board of Supervisors

FROM: Anna Van Degna, Director of the Office of Public Finance
Vishal Trivedi, Office of Public Finance

DATE: Friday, March 29, 2018 *ADD*

SUBJECT: Master Resolution Authorizing the Issuance of General Obligation Bonds (Proposition A, 2018) – Not to Exceed \$425,000,000;

Resolution Authorizing the Sale of General Obligation Bonds (Embarcadero Seawall Earthquake Safety, 2018) Series 2019B – Not to Exceed \$50,000,000;

Ordinance Appropriating Proceeds of General Obligation Bonds, Series 2019B

We respectfully request that the Board of Supervisors (the "Board") consider for review and adoption the resolutions authorizing the issuance of general obligation bonds for the Embarcadero Seawall Earthquake Safety Program in an aggregate amount of \$425,000,000 and the sale of a not-to-exceed par amount of \$50,000,000 in City and County of San Francisco Taxable General Obligation Bonds (Embarcadero Seawall Earthquake Safety, 2018), Series 2019B (the "Bonds"), which will be used to finance planning, design, and some initial construction projects to inform the first phase of needed seismic improvements to the Embarcadero Seawall.

In connection with this request, legislation authorizing the issuance of the bonds, a resolution approving the sale, a supplemental appropriation ordinance to appropriate the bond proceeds, and related supporting documents are expected to be introduced at the Board of Supervisors meeting on Tuesday, April 2, 2019. We respectfully request that the items be heard at the scheduled May 8, 2019 meeting of the Budget and Finance Committee.

Background:

Proposition A, 2018: Approved by San Francisco voters on November 6, 2018, the Embarcadero Seawall Earthquake Safety program authorized the sale of up to \$425,000,000 of general obligation bonds intended to finance the construction, reconstruction, acquisition, improvement, demolition, seismic strengthening and repair of the Embarcadero Seawall and other critical infrastructure. The purpose of the program was to protect the waterfront, BART and Muni, buildings, historic piers, and roads from earthquakes, flooding,

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PHONE 415-554-7500 • FAX 415-554-7466

and rising seas by: repairing the 100-year-old Embarcadero Seawall; strengthening the Embarcadero; and fortifying transit infrastructure and utilities serving residents and businesses.

Proceeds from the bonds will partially reimburse planning funds already expended for the initial scoping and development of the seawall improvements, continued planning and design work for the larger seawall improvement program, as well as some pilot projects intended to guide the subsequent phases of the project.

Financing Parameters

The proposed legislation will authorize the issuance of bonds for the purposes allowed under the November 2018 Proposition A, approve the sale of the first series of bonds under the program, and approve the appropriation of bond proceeds from that sale. Table 1 below outlines the not-to-exceed sources and uses for the Bonds, based on an estimate provided by Urban Futures Inc., a municipal advisory firm registered with the Municipal Securities Rulemaking Board (MSRB). The information below is intended to advise the Board of Supervisors regarding the proposed financing in accordance with Section 5852.1 of the California Government Code.

Table 1: Estimated Sources and Uses from the Bonds

Estimated Sources:	
Par Amount	\$47,010,000
Total Estimated Sources:	\$47,010,000
Estimated Uses:	
Project Fund Deposits:	
Project Fund	\$45,800,000
CSA Audit Fee	91,600
Total Project Fund Deposits:	\$45,891,600
Delivery Expenses:	
Costs of Issuance	\$601,290
GOBOC Fee	47,010
Underwriter's Discount	470,100
Total Delivery Expenses	\$1,118,400
 Total Estimated Uses	 \$47,010,000
 Reserve for Market Uncertainty	 \$2,990,000
 Maximum Not-to-Exceed Par Amount	 \$50,000,000

Source: Urban Futures, Inc.

Based upon an estimated market interest rate of 3.94% for tax exempt general obligation bonds, the Office of Public Finance estimates an average annual debt service of approximately \$3,400,000. The estimated

3 | Resolutions Authorizing Issuance and Sale of General Obligation Bonds, Embarcadero Seawall Earthquake Safety) & Ordinance Appropriating the Proceeds

par amount of \$47,010,000 is estimated to generate approximately \$21,700,000 in interest payments and approximately \$68,300,000 in total debt service over the anticipated 20-year term of the Bonds. The Bonds are expected to mature on or before June 15, 2039.

In addition, a portion of the Bonds will pay certain expenses incurred in connection with their issue and delivery, and the periodic oversight and review of the Projects by City Services Auditor (“CSA Audit”) the Citizens’ General Obligation Bond Oversight Committee (“CGOBOC”). Detailed descriptions of the Projects financed with proceeds of the Bonds are included in the Bond Reports to be prepared by the Port of San Francisco.

Property Tax Impact

For Series 2019B, repayment of annual debt service on the Bonds will be recovered through increases in the annual property tax rate, which is estimated to average \$0.00132 per \$100 of assessed value or \$1.32 per \$100,000 of assessed value over the anticipated 20-year term of the bonds. The owner of a residence with an assessed value of \$600,000, assuming a homeowner’s exemption of \$7,000, would pay average additional property taxes to the City of approximately \$7.81 per year if the anticipated \$47,010,000 Bonds are sold.

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 2018-19 is approximately \$7.78 billion, based on a net assessed valuation of approximately \$259.3 billion. As of March 1, 2019, the City had outstanding approximately \$2.53 billion in aggregate principal amount of general obligation bonds, which equals approximately 0.97% of the net assessed valuation for fiscal year 2018-19. If all of the City’s voter-authorized and unissued general obligation bonds were issued, the total debt burden would be 1.40% of the net assessed value of property in the City. If the Board of Supervisors approves the issuance of the Bonds, the debt ratio would increase by approximately 0.02% to 0.99%— 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. If the Board of Supervisors approves the issuance of the Bonds, the property tax rate for general obligation bonds for fiscal year 2018-19 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, April 2, 2019. The forms of 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 announces the date and time for a competitive bond sale, including the terms relating to sale of the Bonds; form of bids, and delivery of bids; and closing procedures

4 | Resolutions Authorizing Issuance and Sale of General Obligation Bonds (Embarcadero Seawall Earthquake Safety) & Ordinance Appropriating the Proceeds.

and documents.

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, in a competitive sale 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 2019B Bonds. Such Notice of Intention to Sell would be published once in "The Bond Buyer" or another financial publication generally circulated throughout the State of California.

Bond Purchase Agreement: The City intends to pursue a competitive sale of the 2019B Bonds; but if market conditions should necessitate a negotiated sale with an underwriter, the Purchase Contract details the terms, covenants, and conditions for the sale of the Bonds through selected underwriter(s), as well as agreements regarding expenses, closing and disclosure documents.

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 municipal 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).

5 | Resolutions Authorizing Issuance and Sale of General Obligation Bonds (Embarcadero Seawall Earthquake Safety) & Ordinance Appropriating the Proceeds

Financing Timeline:

Milestones:

Capital Planning Committee
Board of Supervisors Introduction
Budget & Finance Committee Hearing
Board Approval of Resolutions, 1st Reading of Appropriation Ordinance
Final Board Approval of Appropriation Ordinance (2nd Reading)
Estimated Sale & Closing

Dates*:

March 25
April 2
May 8
May 14
May 21
June 2019

*Please note that dates are preliminary and may change.

Your consideration of this matter is greatly appreciated. Please contact Anna Van Degna at 415-554-5956 (anna.vandegna@sfgov.org), Vishal Trivedi at 415-554-4862 (vishal.trivedi@sfgov.org) or Bridget Katz at 415-554-6240 (bridget.katz@sfgov.org) if you have any questions.

CC: Ben Rosenfield, Controller
Angela Calvillo, Clerk of the Board
Harvey Rose, Budget Analyst
Ken Roux, City Attorney
Kelly Kirkpatrick, Mayor's Budget Office
Andres Power, Mayor's Office
Katharine Petrucione, Port of San Francisco
Meghan Wallace, Port of San Francisco
Brad Benson, Port of San Francisco

OFFICE OF THE MAYOR
SAN FRANCISCO



LONDON N. BREED
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Sophia Kittler
RE: Issuance of General Obligation Bonds (Embarcadero Seawall Earthquake Safety, 2018) - Not to Exceed \$425,000,000
DATE: April 2, 2019

SL

Resolution providing for the issuance of not to exceed \$425,000,000 aggregate principal amount of City and County of San Francisco General Obligation Bonds (Embarcadero Seawall Earthquake Safety, 2018); authorizing the issuance and sale of said bonds; providing for the levy of a tax to pay the principal and interest thereof; providing for the appointment of depositories and other agents for said bonds; providing for the establishment of accounts related thereto; adopting findings under the California Environmental Quality Act ("CEQA"), the CEQA Guidelines and San Francisco Administrative Code Chapter 31; finding 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; ratifying certain actions previously taken; and granting general authority to city officials to take necessary actions in connection with the issuance and sale of said bonds.

Please note that Supervisor Peskin is a co-sponsor of this legislation.

Should you have any questions, please contact Sophia Kittler at 415-554-6153.

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2019 APR -2 PM 4:14
BY _____

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200
SAN FRANCISCO, CALIFORNIA 94102-4681
TELEPHONE: (415) 554-6141

<p>Items 1, 2 and 3 Files 19-0356, 19-0357, 19-0358</p>	<p>Department: Port and Office of Public Finance</p>
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EXECUTIVE SUMMARY

Legislative Objectives

- **File 19-0357:** The proposed resolution would provide for the issuance of \$425,000,000 in Embarcadero Seawall Earthquake Safety General Obligation bonds to fund the first phase of reconstruction of the seawall.
- **File 19-0358:** The proposed resolution would authorize the sale of \$50,000,000 in General Obligations Bonds Series 2019B, and declare the City’s intent to reimburse expenditures incurred prior to the issuance and sale of the Series 2019B Bonds.
- **File 19-0356:** The proposed ordinance would appropriate \$50,000,000 of the Series 2019B Embarcadero Seawall Earthquake Safety General Obligation Bond proceeds to the Port for planning, geotechnical, and other pre-development work, and place these funds on Controller’s Reserve pending the sale of bonds.

Key Points

- In November 2018, San Francisco voters approved Proposition A, authorizing the City and County of San Francisco to issue up to \$425 million in to fund repairs and improvements to the Embarcadero Seawall and Embarcadero infrastructure and utilities for earthquake and flood safety. Phase 1 of the Embarcadero Seawall Program will be for immediate seismic and flood protection upgrades. The Phase 1 budget, including the \$425 million in General Obligation Bonds, is \$500 million.

Fiscal Impact

- Average annual debt service over 20 years on the Series 2019B GO Bonds is expected to be \$3,400,000. The estimated total principal and interest payment over the approximate 20-year life of the GO Bonds is \$68,300,000.
- If the Series 2019B GO Bonds are approved, the debt ratio would increase by 0.02 percentage points to 0.99 percent – within the 3 percent legal limit.
- Debt service payments will be recovered through increases in the annual Property Tax rate, which, according to the Controller’s Office, would \$1.32 per \$100,000 of assessed value. The owner of a residence with an assessed value of \$600,000, assuming a homeowner’s exemption of \$7,000, would pay average additional property taxes to the City of approximately \$7.81 per year.

Policy Consideration

- On June 19, 2019, the Superior Court dismissed litigation regarding the Embarcadero Seawall Earthquake Safety General Obligation Bonds. However, because the 60-day period to file an appeal does not end until August 19, 2019, the Office of Public Finance does not plan to sell the bonds until after that date.

Recommendations

- Request the Office of Public Finance to submit a memorandum to the Board of Supervisors on the status of the potential appeal after the close of the 60-day period to appeal.
- Approve the proposed ordinance and resolutions.

MANDATE STATEMENT

City Charter Section 9.105 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 Embarcadero Seawall, which is over 100 years old, supports San Francisco's piers, wharves, businesses, tourist destinations, recreational amenities, and key infrastructure, including Bay Area Rapid Transit, Muni Metro, and ferry networks. The Embarcadero Seawall is the foundation of three miles of the city's waterfront, stretching from Mission Creek to Fisherman's Wharf. The Seawall also provides flood protection to downtown San Francisco.

In November 2018, San Francisco voters approved Proposition A, authorizing the City and County of San Francisco to issue up to \$425 million in bonds at an estimated tax rate of \$0.013 per \$100 of assessed value to fund repairs and improvements to the Embarcadero Seawall and Embarcadero infrastructure and utilities for earthquake and flood safety.

The first bond sale is expected to occur in June 2019 upon approval of File 19-0358. Table 1 below shows the proposed timeline for the total \$425,000,000 in bond sales.

Table 1: Embarcadero Seawall and Infrastructure GO Bond Sale Schedule

	Date	Amount	Series
Proposed First Bond Issuance	FY 2018-19	50,000,000	Series 2019B
Future Second Bond Issuance	FY 2021-22	250,000,000	
Future Third Bond Issuance	FY 2023-24	125,000,000	
Total Bond Issuances		425,000,000	

DETAILS OF PROPOSED LEGISLATION

File 19-0357: The proposed resolution would (a) provide for the issuance of not to exceed \$425,000,000 aggregate principal amount of City and County of San Francisco General Obligation Bonds; (b) authorize the issuance and sale of the bonds; (c) provide for the levy of a tax to pay the principal and interest of the bonds; (d) provide for the appointment of depositories and other agents; (e) adopt findings under the California Environmental Quality Act (CEQA), 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 2A.53; (g) ratify certain actions previously taken; and (h) grant general authority to City officials to take necessary actions in connection with the issuance and sale of said bonds.

File 19-0358: The proposed resolution would (a) authorize the issuance and sale of not to exceed \$50,000,000 aggregate principal amount of City and County of San Francisco General Obligations Bonds Series 2019B, (b) prescribe the form and term of such bonds; (c) provide for the appointment of depositories and other agents for the bonds; (d) provide for the establishment of accounts related to the bonds, (e) authorize the sale of the bonds by competitive or negotiated sale, (f) approve the forms of the Official Notice of Sale and Intention to Sell Bonds, (g) approve the purchase contract, (h) approve the form of Preliminary Official Statement and the execution of the Continuing Disclosure Certificate, (i) approve the form of the continuing disclosure certificate, (j) authorize and approve modifications to such documents, (k) ratify actions taken previously, and (l) grant general authority to City officials to take necessary actions in connection with the authorization, issuance, sale and delivery of bonds.

In addition, the proposed resolution would declare the City's intent to reimburse expenditures incurred prior to the issuance and sale of the Series 2019B Bonds in connection with the project or portions thereof.

File 19-0356: The proposed ordinance would appropriate \$50,000,000 of the Series 2019B Embarcadero Sewall Earthquake Safety General Obligation Bond Proceeds to the Port of San Francisco in FY 2018-19 for planning, site, and geotechnical investigations, risk assessment, and other pre-development work, and placing these funds on Controller's Reserve pending the sale of bonds.

The proposed resolution (File 19-0358) ratifies all actions previously taken for the \$50 million in Series 2019B Embarcadero Sewall Earthquake Safety General Obligation Bond Proceeds. According to Mr. Mark Blake at the City Attorney's office, these actions include engaging bond counsel, the hiring of municipal advisors by the Controller's Office, and Port staff work.

Table 2 below outlines anticipated sources and uses for the bonds.

Table 2: Sources and Uses of Series 2019B Bond Proceeds

Sources	
Par Amount	\$47,010,000
Reserve Proceeds	2,990,000
Total Sources	\$50,000,000
Uses	
<i>Administrative Costs*</i>	
Costs of Issuance	\$601,290
Underwriter's Discount	470,100
Controller's Audit Fund (0.2%)	91,600
Citizens' GO Bond Oversight Committee	47,010
Reserve for Market Uncertainty	2,990,000
Administrative Costs Subtotal	\$4,200,000
<i>Projects</i>	
United States Corp of Engineers Flood Study	\$8,875,000
Planning	14,965,000
Preliminary Design and Approvals, Phase 1	15,070,000
Regulatory Approvals	983,000
Program Management	5,907,000
Projects Subtotal	\$45,800,000
Total Uses	\$50,000,000

*Numbers are based on estimate provided by Urban Future Inc., a municipal advisory firm registered with the municipal Securities Rulemaking Board (MSRB)

According to Mr. Trivedi, the Port has not yet allocated the \$375 million remaining bond proceeds. The first bond issuance will go towards planning, geotechnical investigations, and preliminary design and approvals. The Port plans to allocate the remaining bond proceeds based on the results from the initial planning, investigation, and preliminary design.

Phase 1 Project Costs

Phase 1 of the Embarcadero Seawall Program will be for immediate seismic and flood protection upgrades. The original budget for Phase 1, including the \$425 million in General Obligation Bonds, is \$500 million. As of April 18, 2019, the Port has secured \$446 million of the \$500 million, as shown in Table 3 below.

Table 3: Phase 1 Funding Sources

Funding Sources	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2021-22	FYs 2023-27	Total
Port Capital	\$2,900,000		\$1,100,000			10,000,000	\$14,000,000
City Revolving Fund	1,000,000	3,000,000	5,000,000	(6,000,000)	(3,000,000)		\$0
SFMTA Contribution	500,000	500,000					\$1,000,000
Planning Department	500,000	250,000	250,000				\$1,000,000
State Sources			5,000,000				\$5,000,000
2018 GO Bond (File 19-0356-8)			50,000,000		250,000,000	125,000,000	\$425,000,000
Gap						54,000,000	\$54,000,000
Total Planned Sources	\$4,900,000	\$3,750,000	\$61,350,000	(\$6,000,000)	\$247,000,000	\$189,000,000	\$500,000,000

The Port plans to fund the gap of \$54 million through a combination of State Resilience Bonds, state cap and trade revenue, state general fund budget requests, and development of a Mello-Roos District¹ along the waterfront. Phase 1 is expected to be completed by 2026.

The entire project consists of three phases, and will cost approximately \$5 billion in total.

FISCAL IMPACT

Annual Debt Service

As shown above in Table 2, the Office of Public Finance expects to sell \$47,010,000 in par value Series 2019B bonds.

The proposed resolution authorizes the Director of Public Finance to determine the sale date, interest rates, principal amount, and maturity dates of the bonds, subject to the following conditions: (1) the true interest cost shall not exceed 12 percent; and (2) the maturity date shall not be after thirty years of their date of issuance, approximately June 15, 2039.

The Office of Public Finance estimates that, based on a conservative estimate of 3.94 percent interest rate, that the average annual debt service over 20 years on the Series 2019B GO Bonds is \$3,400,000. The anticipated par value of \$47,010,000 is estimated to result in approximately \$21,700,000 in interest payments over the 20 year life of the bond. The estimated total principal and interest payment over the approximate 20-year life of the GO Bonds is \$68,300,000, of which \$21,700,000 is interest and \$47,010,000 is principal.

¹ Mello-Roos is a form of financing that can be used by cities, counties, and special districts (such as school districts). Mello-Roos Community Facilities Districts (CFDs) raise money through special taxes that must be approved by 2/3rds of the voters within the district. A CFD is formed to finance major improvements and services within the district which might include schools, roads, libraries, police and fire protection services, or ambulance services. The taxes are secured by a continuing lien and are levied annually against property within the district.

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 3 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 2018-19 is approximately \$7.78 billion, based on a net assessed valuation of approximately \$259.3 billion.

As of March 1, 2019, the City had outstanding approximately \$2.53 billion in aggregate principal amount of GO bonds, which equals approximately 0.97 percent of the net assessed valuation for FY 2018-19. If the Board of Supervisors approves the issuance of the Series 2019B GO Bonds, the debt ratio would increase by 0.02 percentage points to 0.99 percent – within the 3 percent legal limit. If all of the City's authorized and unissued bonds were issued, the total debt burden would be 1.40 percent of the net assessed value of property in the City.

Property Taxes

For Series 2019B, 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 \$0.00132 per \$100 of assessed value or \$1.32 per \$100,000 of assessed value over the anticipated 20-year term of the bonds. The owner of a residence with an assessed value of \$600,000, assuming a homeowner's exemption of \$7,000, would pay average additional property taxes to the City of approximately \$7.81 per year if the anticipated \$47,010,000 Bonds are sold.

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 Series 2019B GO Bonds, the property tax rate for GO bonds for FY 2018-19 would remain below the FY 2005-06 rate and within the Capital Planning Committee's approved financial constraint.

POLICY CONSIDERATION

According to Mr. Vishal Trivedi, Financial Analyst in the Office of Public Finance, there has been a delay in hearing this legislation due to a court case challenging the validity of the bond measure. On June 19, 2019, the Superior Court of the State of California ruled in favor of the City and dismissed the suit. However, because the 60-day period to file an appeal does not end until August 19, 2019, the Office of Public Finance does not plan to sell the bonds until after that date.

RECOMMENDATIONS

1. Request the Office of Public Finance to submit a memorandum to the Board of Supervisors on the status of the potential appeal after the close of the 60-day period to appeal.
2. Approve the proposed ordinance and resolutions.

