

File No. 210387

Committee Item No. 5

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date May 12, 2021

Board of Supervisors Meeting

Date _____

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| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
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| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
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Completed by: Linda Wong

Date May 7, 2021

Completed by: Linda Wong

Date _____

1 [Issuance of General Obligation Bonds (Health and Recovery, 2020) - Not to Exceed
2 \$487,500,000]

3 **Resolution providing for the issuance of not to exceed \$487,500,000 aggregate**
4 **principal amount of City and County of San Francisco General Obligation Bonds**
5 **(Health and Recovery, 2020); authorizing the issuance and sale of such bonds;**
6 **providing for the levy of a tax to pay the principal and interest thereof; providing for the**
7 **appointment of depositories and other agents for such bonds; providing for the**
8 **establishment of accounts related thereto; adopting findings under the California**
9 **Environmental Quality Act (“CEQA”), the CEQA Guidelines and Administrative Code,**
10 **Chapter 31; finding that the proposed projects are in conformity with the priority**
11 **policies of Planning Code, Section 101.1, and with the General Plan consistency**
12 **requirement of Charter, Section 4.105, and Administrative Code, Section 2A.53;**
13 **ratifying certain actions previously taken, as defined herein; and granting general**
14 **authority to City officials to take necessary actions in connection with the issuance and**
15 **sale of such bonds, as defined herein.**

16
17 WHEREAS, By Resolution No. 317-20, adopted by the Board of Supervisors (“Board of
18 Supervisors”) of the City and County of San Francisco (“City”) on July 14, 2020, and signed by
19 the Mayor (“Mayor”) on July 23, 2020, it was determined and declared that public interest and
20 necessity demand the acquisition or improvement of real property, including: facilities to
21 house and/or deliver services for persons experiencing mental health challenges, substance
22 use disorder, and/or homelessness; parks, open space, and recreation facilities, including
23 green and climate resilient infrastructure; and streets, curb ramps, street structures and
24 plazas, and related costs necessary or convenient therein described (“Project”); and
25

1 WHEREAS, By Ordinance No. 116-20 passed by the Board of Supervisors on July 21,
2 2020, and signed by the Mayor on July 23, 2020 (“Bond Ordinance”), the Board of
3 Supervisors duly called a special election to be held on November 3, 2020 (“Bond Election”),
4 for the purpose of submitting to the qualified voters of the City such proposition to incur
5 bonded indebtedness of the City in the amount of \$487,500,000 to finance the Project, and
6 such proposition was approved by two-thirds of the qualified voters of the City voting on such
7 proposition; and

8 WHEREAS, A special election was held in the City on November 3, 2020, for the
9 purpose of submitting to the qualified voters of the City such proposition, denominated as
10 Proposition A (“Proposition A”), as follows:

11 “HEALTH AND RECOVERY BONDS. To finance the acquisition or improvement of real
12 property, including to: stabilize, improve, and make permanent investments in
13 supportive housing facilities, shelters, and/or facilities that deliver services to persons
14 experiencing mental health challenges, substance use disorder, and/or homelessness;
15 improve the accessibility, safety and quality of parks, open spaces and recreation
16 facilities; improve the accessibility, safety and condition of the City’s streets and other
17 public right-of-way and related assets; and to pay related costs; shall the City and
18 County of San Francisco issue \$487,500,000 in general obligation bonds with a
19 duration of up to 30 years from the time of issuance, an estimated average tax rate of
20 \$0.014/\$100 of assessed property value, and projected average annual revenues of
21 \$40,000,000, subject to independent citizen oversight and regular audits?”; and

22 WHEREAS, On December 8, 2020, by Resolution No. 571-20, which was approved by
23 the Mayor on December 18, 2020, the Board of Supervisors declared the results of the
24 November 3, 2020 special election finding that, as certified by the Director of Elections of the
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1 City, the requisite two-thirds of all voters voting on the proposition approved such proposition;
2 and

3 WHEREAS, This Board of Supervisors has determined, and does hereby declare, that
4 it is necessary and desirable that all of such bonds designated generally as “City and County
5 of San Francisco General Obligation Bonds (Health and Recovery, 2020)” (collectively, the
6 “Bonds”) in the aggregate principal amount not to exceed \$487,500,000, representing the total
7 amount authorized, be issued and sold in one or more series or subseries from time to time
8 on a tax-exempt or taxable basis, for the purposes authorized and on the conditions set forth
9 in this Resolution; and

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

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

16 WHEREAS, Section 1.150-2 of the Treasury Regulations promulgated under the
17 Internal Revenue Code of 1986 (“Reimbursement Regulations”) requires the City to declare its
18 reasonable official intent to reimburse prior expenditures with the proceeds of a subsequent
19 borrowing; and

20 WHEREAS, There shall be delivered a certificate of a duly authorized officer of the
21 City, concurrently with the issuance of each series or subseries of Bonds, except for any
22 Bonds issued to refund any bond anticipation notes issued in anticipation of the issuance of
23 such Bonds, stating that the outstanding general obligation bond indebtedness of the City,
24 including all series or subseries of the Bonds issued and to be issued and outstanding on the
25 date of delivery of such series, will not exceed three percent of the assessed value of all

1 taxable real and personal property located within the City in compliance with Section 9.106 of
2 the Charter; now, therefore, be it

3 RESOLVED, By the Board of Supervisors of the City and County of San Francisco, as
4 follows:

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

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

12 Section 3. Issuance of the Bonds. The Board of Supervisors hereby authorizes the
13 issuance and sale of \$487,500,000 aggregate principal amount of Bonds, designated
14 generally as “City and County of San Francisco General Obligation Bonds (Health and
15 Recovery, 2020).” The Director of Public Finance is hereby authorized to modify the general
16 designation of the Bonds if in her sole discretion a different designation is in the best interest
17 of the City for administrative, marketing or descriptive purposes. The Bonds may be sold in
18 one or more series or subseries on a tax-exempt or taxable basis as the Board of Supervisors
19 shall determine, and shall be sold in accordance with law, as such law may from time to time
20 be amended, supplemented or revised, and on the terms and conditions approved by the
21 Board of Supervisors in this Resolution, as supplemented by such other resolution or
22 resolutions relating to such Bonds and as provided in the Resolution of the Board of
23 Supervisors authorizing and directing the sale of each series or subseries of Bonds (each, a
24 “Sale Resolution”). Each series of such Bonds may bear such additional or other designation
25 as may be necessary or appropriate to distinguish such series or subseries from every other

1 series or subseries and from other bonds issued by the City, or to identify the tax treatment of
2 interest, interest rate determination methodology or other characteristics of such Bonds, in
3 each case as set forth in the applicable Sale Resolution or as may be determined by the
4 Director of Public Finance in her sole discretion. The offering and sale of the Bonds may be
5 aggregated with the offering and sale of other general obligation bonds being issued by the
6 City, as authorized from time to time by the Board of Supervisors. The Bonds may bear
7 interest at fixed or variable rates, in each case as provided in the applicable Sale Resolution.

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

18 The Bonds shall be signed by the Mayor and countersigned by the Clerk of the Board
19 of Supervisors. The signature of the Mayor may be facsimile or manual. The signature of the
20 Clerk of the Board of Supervisors shall be manual. The City Treasurer ("City Treasurer") shall
21 authenticate the Bonds by facsimile or manual signature and, when so authenticated, shall
22 deliver the Bonds to or for the account of the purchasers in exchange for the purchase price
23 thereof.

24 In case such officer(s) whose signature(s) or countersignature(s) appear(s) on a Bond
25 shall cease to be such officer(s) before the delivery of such Bond to the purchaser, such

1 signature(s) or countersignature(s) shall nevertheless be valid and sufficient for all purposes
2 as if the officer(s) had remained in office until the delivery of such Bond.

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

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

9 Each Sale Resolution shall provide that the City Controller ("Controller") shall establish
10 a redemption account for such series or subseries of Bonds. The City Treasurer shall provide
11 for the deposit and application of moneys in such redemption account.

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

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

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1 Such tax shall be in addition to all other taxes levied for City purposes, shall be
2 collected at the time and in the same manner as other taxes of the City are collected, and
3 shall be used only for the payment of the Bonds and the interest thereon.

4 All taxes collected pursuant to this Section 7(a) shall be deposited forthwith in a special
5 subaccount to be designated as the “Tax Revenues Subaccount,” which shall be a
6 subaccount within a special account to be designated as the “General Obligation Bonds
7 (Health and Recovery, 2020) Bond Account” (“Bond Account”). The Bond Account and all
8 subaccounts therein shall be administered by the City Treasurer with all disbursements of
9 funds therefrom subject to authorization of the Controller. The Bond Account shall be kept
10 separate and apart from all other accounts, and each subaccount therein shall be kept
11 separate and apart from all other subaccounts. Pursuant to the applicable Sale Resolution,
12 the Controller may establish such additional accounts and subaccounts within the Bond
13 Account or with any agent, including but not limited to any paying agent or fiscal agent, as
14 may be necessary or convenient in connection with the administration of any Bonds, to
15 provide for the payment of principal and interest on such Bonds.

16 The City Treasurer shall deposit in the Bond Account from the proceeds of sale of the
17 Bonds, any moneys received on account of original issue premium and interest accrued on
18 the Bonds to the date of payment of the purchase price thereof, and such other moneys, if
19 any, as may be specified in the applicable Sale Resolution. So long as any of the Bonds are
20 outstanding, moneys in the Bond Account shall be used and applied by the City Treasurer
21 solely for the purpose of paying the principal of and interest on the Bonds as such principal
22 and interest shall become due and payable, or for purchase of Bonds if permitted by the
23 applicable Sale Resolution; provided, however, that when all of the principal of and interest on
24 the Bonds have been paid, any moneys then remaining in such Bond Account shall be
25 transferred to the City for any legally permitted purpose. The Board of Supervisors shall take

1 such actions annually as are necessary or appropriate to cause the debt service on the Bonds
2 due in any fiscal year to be included in the budget for such fiscal year and to make the
3 necessary appropriations therefor.

4 (b) Pledge. The Bond Account and all subaccounts and amounts on deposit therein
5 are hereby pledged for the payment of the principal of and interest on the Bonds when and as
6 the same become due, including the principal of any term Bonds required to be paid upon the
7 mandatory sinking fund redemption thereof. In addition, the payment of such principal and
8 interest shall be secured by the statutory lien of California Government Code, Section 53515,
9 to the extent applicable to the amounts on deposit in the Bond Account. Each and every
10 Bond issued under this Resolution shall be equally and ratably secured by the pledge of this
11 subsection (c), the foregoing statutory lien, and the taxes collected pursuant to this Section 7.

12 Section 8. Administration and Disbursements From Bond Account.

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

21 (b) Principal. On or before June 15 in each year that any of the Bonds are
22 outstanding, the City Treasurer shall set aside in the Bond Account and the appropriate
23 subaccounts therein relating to each series or subseries of the Bonds an amount which will be
24 equal to the principal on each series or subseries of the Bonds outstanding that will become

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1 due and payable on such June 15, including those Bonds subject to mandatory redemption on
2 such date pursuant to the provisions of the applicable Sale Resolution.

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

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

20 The City Treasurer is hereby also authorized and directed to appoint one or more
21 agents as he or she may deem necessary or desirable. To the extent permitted by applicable
22 law and under the supervision of the City Treasurer, such agents may serve as paying agent,
23 fiscal agent, escrow agent or registrar for the Bonds or may assist the City Treasurer in
24 performing any or all of such functions and such other duties as the City Treasurer shall
25 determine including such duties and responsibilities of the City Treasurer provided for in this

1 Resolution. Such agents shall serve under such terms and conditions as the City Treasurer
2 shall determine. The City Treasurer may remove or replace agents appointed pursuant to this
3 paragraph at any time.

4 Section 10. Project Account. There is hereby established a project account to be
5 designated as the “General Obligation Bonds (Health and Recovery, 2020) Project Account”
6 (“Project Account”). The Project Account shall be maintained by the City Treasurer, as a
7 separate account, segregated and distinct from all other accounts. The City Treasurer may
8 establish such accounts and subaccounts within the Project Account as may be necessary or
9 convenient in connection with the administration of the Project or the Bonds.

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

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

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1 Section 12. Tax Covenants. The Bonds may be issued as bonds the interest on which
2 is excluded from gross income for federal or state income tax purposes or as bonds the
3 interest on which is included in gross income for federal or state income tax purposes. With
4 respect to any Bonds the interest on which is excluded from gross income for federal or state
5 income tax purposes, the City may make such covenants and representations as are
6 necessary to comply with applicable laws and regulations.

7 Section 13. Other Terms and Provisions Relating To the Bonds. The Sale Resolution
8 for any series or subseries of Bonds may provide for (a) the purchase of bond insurance or
9 other credit enhancement relating to all or a portion of such Bonds and to the establishment of
10 such additional terms and procedures as may be necessary to provide for the application of
11 such bond insurance or other credit enhancement for the benefit of the bondholders; (b) the
12 investment of moneys held in any fund or account relating to the Bonds in specific categories
13 or types of investments, so long as such investments are legal investments for the City and in
14 compliance with any policy or guideline of the City applicable thereto; and (c) the adoption of
15 any supplemental resolutions relating solely to such series or subseries of Bonds.

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

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

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

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

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

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

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

20 Section 15. Reimbursement. The City declares its official intent to reimburse prior
21 expenditures of the City incurred prior to the issuance and sale of the Bonds in connection
22 with the Project or portions thereof to be financed by the Bonds. The Board of Supervisors
23 declares the City's intent to reimburse the City with the proceeds of the Bonds for the
24 expenditures with respect to the Project (the "Expenditures" and each an "Expenditure") made
25 on and after that date that is no more than 60 days prior to adoption of this Resolution. The

1 City reasonably expects on the date of adoption of this Resolution that it will reimburse the
2 Expenditures with the proceeds of the Bonds.

3 Each Expenditure was and will be either (a) of a type properly chargeable to a capital
4 account under general federal income tax principles (determined in each case as of the date
5 of the Expenditure), (b) a cost of issuance with respect to the Bonds, (c) a nonrecurring item
6 that is not customarily payable from current revenues, or (d) a grant to a party that is not
7 related to or an agent of the City so long as such grant does not impose any obligation or
8 condition (directly or indirectly) to repay any amount to or for the benefit of the City. The
9 maximum aggregate principal amount of the Bonds expected to be issued for the Project is
10 \$487,500,000. The City shall make a reimbursement allocation, which is a written allocation
11 by the City that evidences the City's use of proceeds of the Bonds to reimburse an
12 Expenditure, no later than 18 months after the later of the date on which the Expenditure is
13 paid or the Project is placed in service or abandoned, but in no event more than three years
14 after the date on which the Expenditure is paid. The City recognizes that exceptions are
15 available for certain "preliminary expenditures," costs of issuance, certain *de minimis*
16 amounts, expenditures by "small issuers" (based on the year of issuance and not the year of
17 expenditure) and expenditures for construction projects of at least 5 years.

18 Section 16. Citizens' Oversight Committee. The Bonds are subject to, and incorporate
19 by reference, the applicable provisions of San Francisco Administrative Code, Section 5.30 –
20 5.36 ("Admin. Code"). Under Section 5.31 of the Admin. Code, to the extent permitted by law,
21 one-tenth of one percent (0.1%) of the gross proceeds of each series or subseries of the
22 Bonds shall be deposited in the fund established by the Controller's Office and appropriated
23 by the Board of Supervisors at the direction of the Citizens' General Obligation Bond
24 Oversight Committee to cover the costs of such Committee.

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1 Section 17. CEQA Determinations. The Board of Supervisors hereby reaffirms and
2 incorporates by reference the CEQA findings and determinations set forth in the Bond
3 Ordinance as if set forth in full herein. The use of bond proceeds to finance any identified
4 project or portion of any identified project with bond proceeds will be subject, as necessary, to
5 approval of the Board of Supervisors upon completion of any planning and any further
6 required environmental review under CEQA for the individual facilities and projects.

7 Section 18. Conformity with City Policies. The Board of Supervisors finds and declares
8 that the proposed Bonds (a) were referred to the Planning Department in accordance with
9 Section 4.105 of the Charter and Section 2A.53(f) of the Admin. Code, (b) are in conformity
10 with the priority policies of Section 101.1(b) of the San Francisco Planning Code, and (c) are
11 consistent with the City's General Plan, and adopts the findings of the Planning Department,
12 as set forth in the General Plan Referral Report dated May 15, 2020, a copy of which is on file
13 with the Clerk of the Board in File No. 200478 and incorporates such findings by this
14 reference.

15 Section 19. Ratification. All actions heretofore taken by officials, employees and
16 agents of the City with respect to the sale and issuance of the Bonds consistent with any
17 documents presented and this Resolution are hereby approved, confirmed and ratified.

18 Section 20. General Authority. The Clerk of the Board of Supervisors, the Finance
19 Committee of the Board of Supervisors, the Mayor, the City Treasurer, the City Administrator,
20 the City Attorney, the Director of Public Finance and the Controller are each hereby
21 authorized and directed in the name and on behalf of the City to take any and all steps and to
22 issue and deliver any and all certificates, requisitions, agreements, notices, consents, and
23 other documents, including but not limited to, letters of representations to any depository or
24 depositories, which they or any of them might deem necessary or appropriate in order to
25 consummate the lawful issuance, sale and delivery of the Bonds and otherwise to give effect

1 to this Resolution. Any such actions are solely intended to further the purposes of this
2 Resolution, and are subject in all respects to the terms of this Resolution. No such actions
3 shall increase the risk to the City or require the City to spend any resources not otherwise
4 granted herein. Final versions of any such documents shall be provided to the Clerk of the
5 Board of Supervisors for inclusion in the official file within 30 days (or as soon thereafter as is
6 practicable) of execution by all parties.

7

APPROVED AS TO FORM:

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DENNIS J. HERRERA City Attorney

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By /s/ MARK D. BLAKE
MARK D. BLAKE
Deputy City Attorney

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Items 4, 5, 6, 7 & 8 Files 21-0422, 21-0387, 21-0388, 21-0389 & 21-0390	Department: Office of Public Finance
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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolutions and ordinance would authorize actions and documents associated with (1) issuance of \$487,500,000 of the 2020 Health and Recovery General Obligation Bonds; (2) sale of \$425,000,000 in 2020 Health and Recovery General Obligation Bonds; (3) sale of \$90,000,000 in 2020 Earthquake Safety and Emergency Response General Obligation Bonds; (4) sale of \$122,785,000 in 2014 Transportation and Road Improvement General Obligation Bonds; and, (5) the appropriation of the corresponding bond proceeds.

Key Points

- This is the first issuance of 2020 Health and Recovery bonds and proceeds will go toward \$169.3 million for improvements to City parks and recreation facilities; \$146.7 million for investments in housing with \$29.1 million to purchase a Navigation Center serving transition age youth, \$116.6 million to purchase up to 250 units of permanent supportive housing, and \$1 million for project management and housing acquisition due diligence; \$59.9 million for mental health facilities; and, \$41.4 million for street improvements.
- This is the second issuance of 2020 Earthquake Safety and Emergency Repairs Bonds and proceeds will go toward \$15 million for improvements to the emergency firefighting water system and \$71.5 million to Fire Station improvements and to a new Fire Training facility.
- This is the final of four issuances of the 2014 Transportation and Road Improvement bonds and proceeds will go toward \$38.6 million toward transit improvement.

Fiscal Impact

- If approved, the total projected average annual debt service would be \$39,170,000, and the total debt service is estimated at \$979,180,000.
- If the Board approves the issuance of three bonds, outstanding debt as a percentage of total assessed value would increase by approximately 0.21 percent to 1.15 percent of total assessed value, which is under the 3 percent debt limit established in the City Charter.
- If the Board approves the issuance of all three bonds, the total increase in the property tax would be \$0.1299 per \$1,000 of assessed value.

Recommendations

- Request the Department of Homelessness and Supportive Housing to work with the Office of Public Finance to revise the Bond Accountability Report for the 2020 Health and Recovery Bond to correctly state that \$1 million allocated to Program Delivery is to be used for multi-year costs for project management costs and housing acquisition due diligence costs.
- Approve the proposed resolutions and appropriations ordinance.

MANDATE STATEMENT

City Charter Section 9.106 states that the Board of Supervisors is authorized to provide for the issuance of general obligation bonds in accordance with the Constitution of the State of California. General obligation bonds may be issued and sold in accordance with state law or any local procedure adopted by ordinance. There shall be a limit on outstanding general obligation bond indebtedness of three percent of the assessed value of all taxable real and personal property, located within the City and County.

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

Transportation and Road Improvement Bonds, 2014

San Francisco voters approved \$500 million in Transportation and Road Improvement General Obligation Bonds in November 2014 (2014 Municipal Transportation Agency (MTA) Proposition A) to implement infrastructure and transportation improvements related to the longer-term plan developed by the Mayor's Transportation Task Force in 2013.

The Board of Supervisors previously approved the sale of bonds in amounts not to exceed \$67.5 million in June 2015 (File 15-0459), \$177 million in February 2018 (File 17-1253), and \$140 million in September 2020 (File 20-0582). To date, of the total bond authorization, \$377.2 million has been issued (Series 2015B: \$67 million, Series 2018B: \$174.4 million, and 2020B: \$135.8 million), leaving \$122.8 million remaining in voter approved bond authority. The first three issuances of this bond funded capital investments to upgrade the transit system, improve and enhance accessibility and pedestrian safety, complete street and traffic signal improvements, and upgrade Muni facilities.

Health and Recovery Bonds, 2020

San Francisco voters approved \$487.5 million in Health and Recovery General Obligation Bonds in November 2020 (2020 Health and Recovery Proposition A) to fund investments in supportive housing facilities, shelters, and facilities that provide services to people experiencing mental health and substance use disorders, and/or homelessness; improve accessibility and quality of parks, open spaces, and recreational facilities in the City; and, improve the accessibility, safety and conditions of the City's streets. Proceeds from these bonds are intended to help stimulate the local economy and aid in recovery following the economic downturn as a result of the COVID-19 public health emergency. The proposed issuance under consideration in this report will be the first issuance of these bonds.

Earthquake Safety and Emergency Response, 2020

San Francisco voters approved \$628.5 million in Earthquake Safety and Emergency Response General Obligation Bonds (2020 Earthquake Safety and Emergency Response Proposition B) to fund capital projects that include renovating and seismic upgrading the City's emergency firefighting water system; rehabilitating fire stations and replacing the firefighter training center; seismic improvements to district police stations; upgrading or replacing City-owned disaster response facilities; and expansion of the City's 9-1-1 Emergency Call Center.

The Board of Supervisors approved the first sale of up to \$85 million in bonds (File 20-1295) in January 2021. In March 2021 a total par amount of \$80.7 million in bonds were issued (Series 2021A), leaving \$547.8 million remaining voter-approved bond authority.

DETAILS OF PROPOSED LEGISLATION

Resolutions Approving Issuance and Sale of General Obligation Bonds

File 21-0387: The proposed resolution would authorize the issuance and sale of not-to-exceed \$487,500,000 aggregate principal amount of the 2020 Health and Recovery General Obligation Bonds. The proposed resolution also (1) provides for the levy of a tax to pay the principal and interest; (2) provides for the appointment of depositories and other agents for the bonds; (3) provides for the establishment of accounts related to the bonds; (4) adopts findings under the California Environmental Quality Act (CEQA); (5) finds the proposed projects in conformity with the priority policies of the Planning Code, Section 101.1, and with the General Plan consistency requirement of Charter, Section 4.105 and Administrative Code, Section 2A.53; (6) ratifies certain actions previously taken; and, (7) grants general authority to City officials to take necessary actions in connection with issuance and sale of these bonds.

File 21-0388: The proposed resolution would authorize the first sale of a not to exceed aggregate principal amount of \$425,000,000 of 2020 Health and Recovery General Obligation Bonds, Series 2021D. If the Board of Supervisors approves the sale of \$425,000,000, the sale of the balance of \$62,500,000 the remaining bond authority would be subject to future Board of Supervisors approval.

File 21-0389: The proposed resolution would authorize the second sale of a not to exceed aggregate principal amount of \$90,000,000 in 2020 Earthquake Safety and Emergency Response General Obligation Bonds, Series 2021E. If the Board of Supervisors approves the sale, the balance of \$457,785,000 would be subject to future Board of Supervisors approval.

File 21-0390: The proposed resolution would authorize a not to exceed aggregate principal amount of \$122,785,000 in 2014 Transportation and Road Improvement General Obligation Bonds, Series 2021C. This will be the fourth and final sale of the 2014 Transportation and Road Improvement Bonds.

Files 21-0388, 21-0389, and 21-0390 also:

- Prescribe the form and terms of the bonds;

- Provide for the appointment of depositories and other agents for the bonds;
- Provide for the establishment of accounts related to the bonds;
- Authorize the sale of the bonds by competitive or negotiated sale;
- Approve the forms of Official Notice of Sale and Intention to Sell Bonds;
- Direct the publication of the Notice of Intention to Sell Bonds;
- Approve the form of the Bond Purchase Contract;
- Approve the form of the Preliminary Official Statement and the form and execution of the Official Statement relating to the sale of the bonds;
- Approve the form of the Continuing Disclosure Certificate;
- Authorize and approves modifications to documents;
- Ratify certain actions previously taken; and
- Grant authority to City officials to take necessary actions for the authorization, issuance, sale, and delivery of the bonds.

Together the issuance of and sale of Series 2021C (2014 Transportation and Road Improvement General Obligation Bonds), Series 2021D (2020 Health and Recovery General Obligation Bonds), and Series 2021E (2020 Earthquake Safety and Emergency Response General Obligation Bonds) are referred to as the Series 2021CDE Bonds.

Ordinance Approving Bond Appropriations

File 21-0422: The proposed ordinance appropriates the following bond proceeds and places these funds on Controller's Reserve pending receipt of bond funds.

- \$122,785,000 in proceeds from the 2021C Transportation and Road Improvement General Obligation Bond to the MTA for transit and street improvements.
- \$425,000,000 of proceeds from the Series 2021D Health and Recovery General Obligation Bonds to the Recreation and Park Department, Department of Homelessness and Supportive Housing, Department of Public Health, and Department of Public Works for improvement to parks, recreation and open spaces; investments in permanent supportive and transitional housing, mental and behavioral health facilities; and street resurfacing and right-of-way projects.
- \$90,000,000 from Series 2021E Earthquake Safety and Emergency Response General Obligation Bonds to the Department of Public Works and Public Utilities Commission for improvements to the Fire Department facilities and emergency firefighting water systems.

Taxable and Tax-Exempt Bonds

The Series 2021CDE Bonds are structured as tax-exempt bonds; however, a portion of the total bond issuance may be sold as taxable depending on bond counsel tax determination and marketing conditions.

Competitive or Negotiated Sale

The Office of Public Finance intends to pursue a competitive sale of the 2021CDE Bonds. However, a negotiated sale may be pursued if the bond structure or market conditions make a negotiated sale preferable.

Proposed Uses of Bond Funds

Table 1 below summarizes the appropriation of the Series 2021CDE Bond proceeds.

Table 1: Sources and Uses of Bond Proceeds

	Series 2021C Transportation & Road Improvement	Series 2021D Health and Recovery (H&R)	Series 2021E Earthquake Safety & Emergency Response
Sources			
Par Amount	\$122,785,000	\$421,310,000	\$87,345,000
Reserve for Market Uncertainty		3,690,000	2,655,000
Total Sources (Bond Proceeds)	\$122,785,000	\$425,000,000	\$90,000,000
Uses			
Transit Improvements (MTA)	38,567,200		
Safer Streets (MTA)	83,547,015		
MTA Subtotal	\$122,114,215		
<i>Recreation and Parks H&R Uses</i>			
Neighborhood Parks Contingency		5,000,000	
Gene Friend Recreation Center		30,000,000	
India Basin		29,000,000	
Buchanan Street Mall		2,000,000	
Japantown Plaza		25,000,000	
Herz Playground Recreation Center		10,000,000	
Portsmouth Square		54,000,000	
Twin Peaks Trails		1,000,000	
Planning & Design for Rec. and Park Programs		13,320,000	
Recreation & Parks H&R Subtotal		169,320,000	
<i>Homelessness & Supportive Housing H&R Uses</i>			
TAY Navigation Center at 888 Post Street		29,100,000	
Housing Acquisition		116,606,587	
Program Delivery ^a		1,000,000	
HSH H&R Subtotal		146,706,587	
<i>Department of Public Health H&R Uses</i>			
SFGH Building 5 Psychiatric Emergency Services		11,377,246	
Mental Health Facilities		48,502,994	
DPH H&R Subtotal		59,880,240	
<i>Department of Public Works H&R Uses</i>			
Street Paving		31,417,166	
Curb Ramps		5,000,000	
Street Structures		5,000,000	
DPW H&R Subtotal		41,417,166	
Fire Stations & Support Facilities (DPW)			71,516,188
Emergency Firefighting Water System (PUC)			15,000,000
DPW ESER Subtotal			\$86,516,188
Subtotal Bond Projects	\$122,114,215	\$417,323,993	\$86,516,188

	Series 2021C Transportation & Road Improvement	Series 2021D Health and Recovery (H&R)	Series 2021E Earthquake Safety & Emergency Response
City Services Auditor	244,228	834,647	173,032
General Obligation Bond Oversight Committee	122,785	421,310	87,345
Costs of Issuance ^b	180,987	623,500	131,710
Underwriters Discount ^c	122,785	2,106,550	436,725
Reserve for Market Uncertainty		3,690,000	2,655,000
Subtotal Oversight & Financing	\$670,785	\$7,676,007	\$3,483,812
Total Uses	\$122,785,000	\$425,000,000	\$90,000,000

Source: Appropriation Ordinance (File 21-0422) under Board of Supervisors consideration

^a Program delivery is for multi-year costs for project delivery including project management costs and housing acquisition due diligence costs (such as physical needs assessment, inspections, environmental assessments, etc.)

^b Costs of issuance include bond counsel, municipal advisory, ratings, oversight and other transaction costs.

^c Underwriters discount is the difference in the price paid to the issuer and the prices at which the bonds are initially offered to investors.

Transportation and Road Improvement Bond Projects

This final bond issuance of \$122.8 million will allocate \$38.6 million toward transit improvement projects and \$83.5 million toward safer streets projects. The \$38.6 million in transit projects will fund Muni Forward Rapid Network improvements, including \$11.3 million in L-Taraval improvements and \$27.3 million in Better Market Street improvements. The \$83.5 million for safer streets projects will fund \$27 million in accessibility improvements, \$2.6 million in pedestrian safety improvements, \$37.2 million in Complete Streets improvements, and \$15.9 million in traffic signal improvements; the balance of funding is allocated to issuance costs and contingencies.

At the April 19, 2021 Capital Planning Committee meeting, the Committee reviewed and recommended the Board of Supervisors approve the resolution and related appropriation authorizing the sale of the 2014 Transportation and Road Improvement General Obligation Bonds Series 2021C, in accordance with Section 3.21 of the Administrative Code.

Health and Recovery Bond Projects

Through the Series 2021D bond issuance, the Recreation and Parks Department will receive \$169.3 million for improvements to City parks and recreation facilities; the Department of Homelessness and Supportive Housing will receive \$146.7 million for investments in housing with \$29.1 million to purchase 888 Post Street for a 75 bed Navigation Center serving transition age youth, \$116.6 million to purchase up to 250 units of permanent supportive housing, and \$1 million for project management and acquisition due diligence; the Department of Public Health will receive \$59.9 million for mental health facilities, including \$48.5 million to fund 145-175 beds, both new placements and stabilizing existing bed capacity, and \$11.4 million to renovate and expand the Psychiatric Emergency Services Facility at SFGH; and, the Department of Public Works will receive \$41.4 million for street improvements.

The 2020 Health and Recovery Bond Accountability report states that \$1 million of the bond will be allocated to costs related to Department of Homelessness and Supportive Housing's Coordinated Entry program, although, as noted above, \$1 million in bond proceeds allocated to

Program Delivery will be used for project management and housing acquisition due diligence costs. We recommend the Board of Supervisors request that the Department of Homelessness and Supportive Housing work with the Office of Public Finance to update the 2020 Health and Recovery Bond Accountability Report to correctly state the intended uses of these bond proceeds.

At the April 26, 2021 Capital Planning Committee meeting, the Committee reviewed and recommended the Board of Supervisors approve the resolution authorizing the issuance of the 2020 Health and Recovery General Obligation Bonds as well as the resolution authorizing and directing the sale of the Series 2021D bonds in accordance with Section 3.21 of the Administrative Code.

Earthquake Safety and Emergency Response Projects

The Series 2021E proceeds will provide the SF Public Utilities Commission with \$15 million for improvements to the emergency firefighting water system and the Department of Public Works with \$71.5 million for repairs to Fire Department facilities. The Fire Department projects includes \$67 million for a new Fire Department training facility, including costs for land acquisition, programming, site due diligence, environmental review and agency approvals, design, and pre-construction efforts.¹ The line-item also includes \$4.5 million for Fire Station 7 Replacement project planning, programming, site due diligence, environmental review.

At the April 26, 2021 Capital Planning Committee meeting, the Committee reviewed and recommended the Board of Supervisors approve the resolution and related appropriation authorizing the sale of the 2020 Earthquake Safety and Emergency Response General Obligation Bonds Series 2021E, in accordance with Section 3.21 of the Administrative Code.

FISCAL IMPACT

Annual Debt Service

The Office of Public Finance reports that the combined par value of the Series 2021CDE bonds is approximately \$631,440,000. The proposed resolutions authorize 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 Series 2021CDE bonds shall have a final maturity date no later than 30 years after the date of issuance.

Based on an estimated market interest rate of 3.75 percent for the Series 2021CDE general obligation bonds, the Office of Public Finance estimates that this would result in an average annual debt service cost of approximately \$39,170,000. Over the anticipated 25-year life of the bonds, the total debt service is estimated at \$979,180,000. Of the total debt service,

¹ The Mayor's Office introduced legislation on May 4, 2021 to approve a Purchase Option Agreement for 1236 Carroll Avenue for use as a Fire Training Facility (File 21-0509).

approximately \$347,740,000 is in interest payments and the remainder is the par value of the 2021 CDE Bonds (\$641,440,000).

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 general obligation debt limit for FY 2020-21 is approximately \$9.04 billion, based on a net assessed valuation of approximately \$301.4 billion.

According to the Controller's Office of Public Finance, as of April 1, 2021, the City had outstanding debt of approximately \$2.84 billion in aggregate principal amount of general obligation bonds, which equals approximately 0.94 percent of the net assessed valuation for FY 2020-21. If the Board of Supervisors approves the issuance of three bonds, the debt ratio would increase by approximately 0.21 percent to 1.15 percent, which is under the 3 percent debt limit. If all of the City's voter-authorized and unissued general obligation bonds were issued, the total debt burden would be 1.59 percent of the net assessed value of property in the City.

Property Tax Rates

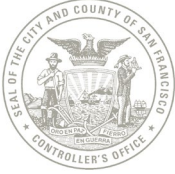
Repayment of general obligation bonds is recovered through an increase in the annual Property Tax rate. According to the Controller's Office of Public Finance, if the Board of Supervisors approves the issuance of all three bonds, the total increase in the Property Tax rate is estimated to average \$0.1299 per \$1,000 of assessed value over the anticipated 25-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 \$77.06 per year if the anticipated amount of \$631,440,000 of 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 FY 2005-06 levels. The FY 2005-06 property tax rate for the GO bond fund was \$0.1201 per \$100 of assessed value. According to the Controller's Office of Public Finance, if the Board of Supervisors approves the issuance of the Series 2021CDE general obligation bonds, the property tax rate for FY 2020-21 would be maintained at or below the FY 2005-06 rate and within the Capital Planning Committee's approved financial constraint.

RECOMMENDATIONS

1. Request the Department of Homelessness and Supportive Housing to work with the Office of Public Finance to revise the Bond Accountability Report for the 2020 Health and Recovery Bond to correctly state that \$1 million allocated to Program Delivery is to be used for multi-year costs for project management costs and housing acquisition due diligence costs.
2. Approve the proposed resolutions (Files 21-0387, 21-0388, 21-0389, and 21-0390) and the proposed appropriations ordinance (File 21-0422).



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
Marisa Pereira Tully, Office of Public Finance

DATE: Tuesday, April 13, 2021

SUBJECT: Ordinance Appropriating \$637,785,000 of the Series 2021CDE General Obligation Bond Proceeds

Resolution Authorizing the Issuance and Sale of General Obligation Bonds (Transportation and Road Improvement, 2014) Series 2021C in an amount not to exceed \$122,785,000

Resolution Authorizing the Issuance and Sale of General Obligation Bonds (Health and Recovery, 2020) Series 2021D in an amount not to exceed \$425,000,000

Resolution Providing for the Issuance of General Obligation Bonds (Health and Recovery, 2020) in an amount not to exceed \$487,500,000

Resolution Authorizing the Issuance and Sale of General Obligation Bonds (Earthquake Safety and Emergency Response, 2020) Series 2021E in an amount not to exceed \$90,000,000

We respectfully request that the Board of Supervisors (the "Board") consider for review and adoption the resolutions authorizing the issuance and approving the sale of general obligation bonds for the following bond programs: 1) For the 2014 Transportation and Road Improvement bond program, a fourth and final issuance in an amount not to exceed \$122,785,000 (the "2021C Bonds"); 2) For the 2020 Health and Recovery bond program, a total bond authorization in an amount of \$487,500,000 and a first issuance in an amount not to exceed \$425,000,000 (the "2021D Bonds"); and 3) For the 2020 Earthquake Safety and Emergency Response (ESER) bond program, a second issuance in an amount not to exceed \$90,000,000 (the "2021E Bonds").

2 | Resolutions Authorizing the Issuance and Sale of General Obligation Bonds (Transportation and Road Improvement, 2014, Health and Recovery 2020, Earthquake Safety and Emergency Response 2020) and Supplemental Appropriation of Bond Proceeds

In connection with this request, 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 13, 2021. We respectfully request that the items be heard at the scheduled Budget and Finance Committee meeting on May 19, 2021.

Background

On November 4, 2014, a two-thirds majority of voters of the City & County of San Francisco (the “City”) approved Proposition A (“2014 MTA Proposition A”), a San Francisco Transportation and Road Improvement General Obligation Bond. 2014 MTA Proposition A authorizes the City to issue \$500,000,000 in general obligation bonds to implement many of the infrastructure repairs and improvements identified by the late Mayor Ed Lee’s Transportation 2030 Task Force. The projects to be funded through the proposed bond authorization include: (i) pedestrian safety improvements, (ii) BART station entrance canopies, (iii) accessibility improvements, (iv) traffic signal improvements, (v) Muni Forward Rapid Network improvements, and (vi) Caltrain electrification, streetscape and other transit corridor improvements (the “Project”). Of the total 2014 Proposition A authorization, \$377,215,000 has been issued to date, leaving \$122,785,000 remaining from the 2014 MTA Proposition A bond program.

On November 3, 2020, a two-thirds majority of voters of the City approved Proposition A (“2020 H&R Proposition A”), a San Francisco Health and Recovery General Obligation Bond. 2020 Proposition A authorizes the City to issue \$487,500,000 in general obligation bonds to (i) stabilize, improve, and make permanent investments in supportive housing facilities, shelters, and/or facilities that deliver services to persons experiencing mental health challenges, substance use disorder, and/or homelessness; (ii) improve the accessibility, safety and quality of parks, open spaces and recreation facilities; and (iii) improve the accessibility, safety and condition of the City’s streets and other public right-of-way and related assets. This proposed first issuance of bonds would account for up to \$425,000,000 of the total \$487,500,000 2020 H&R Proposition A authorization.

On March 3, 2020, a two-thirds majority of voters of the City approved Proposition B (“2020 ESER Proposition B”), the San Francisco Earthquake Safety and Response General Obligation Bond. 2020 ESER Proposition B authorizes the City to issue \$628,500,000 in general obligation bonds to fund capital projects including: (i) renovation, expansion and seismic upgrading of the City’s Emergency Firefighting Water System; (ii) improvement and rehabilitation of neighborhood fire stations and replacement of the firefighter training facility currently located on Treasure Island; (iii) seismic, safety and operations improvements to district police stations and City-owned Police Department support facilities; (iv) upgrading or replacement of critical City-owned disaster response facilities; and (v) expansion of the City’s 9-1-1 Emergency Call Center. The first series of bonds under this proposition were issued in March 2021 in a total par amount of \$80,715,000. This proposed second issuance of bonds would account for up to \$90,000,000 of the remaining \$547,785,000 2020 ESER Proposition B authorization.

Financing Parameters

The proposed legislation will approve the issuance and sale of the Series 2021C, 2021D, and 2021E bonds (together the “Series 2021CDE Bonds”) under 2014 MTA Proposition A, 2020 H&R Proposition A, and 2020 ESER Proposition B, and appropriation of the bond proceeds from the sale. Table 1 below outlines the sources and uses for the Bonds, based on an estimate provided by Fieldman, Rolapp & Associates, 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.

3 | Resolutions Authorizing the Issuance and Sale of General Obligation Bonds (Transportation and Road Improvement, 2014, Health and Recovery 2020, Earthquake Safety and Emergency Response 2020) and Supplemental Appropriation of Bond Proceeds

Table 1: Estimated Sources and Uses from the Bonds

	<u>2021C</u>	<u>2021D</u>	<u>2021E</u>	<u>Total</u>
Maximum Not to Exceed Amount:	\$122,785,000	\$425,000,000	\$90,000,000	\$637,785,000
Estimated Sources:				
Par Amount	\$122,785,000	\$421,310,000	\$87,345,000	\$631,440,000
Total Estimated Sources:	\$122,785,000	\$421,310,000	\$87,345,000	\$631,440,000
Estimated Uses:				
Project Fund Deposits:				
Project Fund	\$122,114,215	\$417,323,993	\$86,516,188	\$625,954,396
CSA Audit Fee	\$224,228	\$834,647	\$173,032	\$1,231,907
Total Project Fund Deposits:	\$122,338,443	\$418,158,640	\$86,689,220	\$627,186,303
Cost of Issuance	\$180,987	\$623,500	\$131,710	\$936,197
Underwriter's Discount	\$122,785	\$2,106,550	\$436,725	\$2,666,060
CGOBOC Fee	\$122,785	\$421,310	\$87,345	\$631,440
Total Delivery Expense:	\$426,557	\$3,151,360	\$655,780	\$4,233,697
Reserve for Market Uncertainty:	N/A	\$3,690,000	\$2,655,000	\$6,345,000
Total Estimated Uses:	\$122,765,000	\$425,000,000	\$90,000,000	\$637,765,000

Source: Fieldman, Rolapp & Associates, Inc.

Based upon an estimated market interest rate of 3.75% for the general obligation bonds, the Office of Public Finance estimates that this would result in an average annual debt service cost of about \$39,170,000. The anticipated par amount of \$631,440,000 is estimated to generate about \$347,740,000 in interest payments, resulting in approximately \$979,180,000 in total debt service over the anticipated 25-year term of the bonds.

Detailed descriptions of the projects to be financed with proceeds of the Bonds are included in the Bond Accountability Reports to be prepared by the Department of Public Works. In addition, a portion of the Bond proceeds will be used to pay certain expenses incurred in connection with the issuance and delivery of the Bonds, and the periodic oversight and review of the Projects by City Services Auditor ("CSA Audit") and the Citizens' General Obligation Bond Oversight Committee ("CGOBOC").

Property Tax Impact

Repayment of annual debt service on the 2021CDE Bonds will be recovered through increases in the annual property tax rate, which is estimated to average \$0.01299 per \$100 of assessed value or \$12.99 per \$100,000 of assessed value over the anticipated 25-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 \$77.06 per year if the proposed amount of \$631,440,000 of 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 2020-21 is approximately \$9.04 billion, based on a net assessed valuation of approximately \$301.4

4 | *Resolutions Authorizing the Issuance and Sale of General Obligation Bonds (Transportation and Road Improvement, 2014, Health and Recovery 2020, Earthquake Safety and Emergency Response 2020) and Supplemental Appropriation of Bond Proceeds*

billion. As of April 1, 2021, the City had outstanding approximately \$2.84 billion in aggregate principal amount of general obligation bonds, which equals approximately 0.94% of the net assessed valuation for fiscal year 2020-21. If all of the City's voter-authorized and unissued general obligation bonds were issued, the total debt burden would be 1.59% 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 0.21%, to 1.15% — 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 2021-22 would be maintained below the fiscal year 2006 rate and within the Capital Planning Committee's approved financial constraint.

Additional Information

The appropriation ordinance and resolutions are expected to be introduced at the Board of Supervisors meeting on Tuesday, April 13, 2021. The forms of the related financing documents — including the Bond Purchase Agreement, Preliminary Official Statement, Appendix A, the Continuing Disclosure Certificate and related documents — will also be submitted at that time.

Bond Purchase Agreement: The City intends to pursue a competitive sale of the 2021CDE Bonds; however, should bond structure or market conditions indicate the preferability of a negotiated transaction, the Bond 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 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 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's Office 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 2021CDE 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.

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

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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.

Prior to the distribution of the Preliminary and Final Official Statements, the documents will be thoroughly and critically reviewed by City staff (in consultation with the City’s professional advisors, including the City’s co-disclosure counsel) to provide the most current material financial and other material information available.

Board members have a responsibility under federal securities laws to ensure that staff is aware of information that Board members may have unique in their capacity as board members that would have a material bearing of the capacity of the City to repay the bonds. Board members cannot approve a Preliminary Official Statement if they are aware that it contains material misstatements or omissions. 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 financial advisor 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, constitutional and statutory limitations on taxes and expenditures, and litigation and risk management. Pursuant to the Resolutions, 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

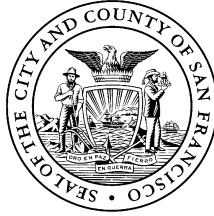
<u>Milestones:</u>	<u>Dates*:</u>
Board of Supervisors (BoS) Introduction	April 13
Capital Planning Committee Hearing of Resolutions	April 19 & April 26
Budget & Finance Committee Hearing	May 19
BoS Consideration of Resolutions and First Reading of Ordinance	May 25
BoS Second Reading of Ordinance	June 1
Estimated Sale & Closing	June 2021

**Please note that dates are preliminary and may change.*

Your consideration of this matter is greatly appreciated. Please contact Anna Van Degna (anna.vandegna@sfgov.org), Vishal Trivedi (vishal.trivedi@sfgov.org) or Marisa Pereira Tully at (marisa.pereira.tully@sfgov.org) if you have any questions.

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CC: Angela Calvillo, Clerk of the Board
Harvey Rose, Budget and Legislative Analyst's Office
Severin Campbell, Budget and Legislative Analyst Office
Ben Rosenfield, Controller
Ashley Groffenberger, Mayor's Office
Sophia Kittler, Mayor's Office
Adrian Liu, Mayor's Office
Charles Higuera, San Francisco Public Works
Edmund Lee, San Francisco Public Works
David Myerson, San Francisco Public Utilities Commission
Antonio Guerra, Recreation and Parks Department
Jonathan Rewers, Municipal Transportation Agency
Andrico Penick, Real Estate Division
Gigi Whitley, Homelessness and Supportive Housing
Greg Wagner, Department of Public Health
Mark Blake, City Attorney's Office



MEMORANDUM

April 29, 2021

To: Members of the Board of Supervisors *C Chu*
From: Carmen Chu, City Administrator & Capital Planning Committee Chair
Copy: Angela Calvillo, Clerk of the Board
Capital Planning Committee
Regarding: (1) General Obligation Bonds (Earthquake Safety and Emergency Response, 2020); (2) General Obligation Bonds (Health and Recovery, 2020)

In accordance with Section 3.21 of the Administrative Code, on April 26, 2021, the Capital Planning Committee (CPC) approved the following action items to be considered by the Board of Supervisors. The CPC's recommendations are set forth below.

- 1. Board File Number: TBD** Approval of the resolution authorizing and directing the sale of General Obligation Bonds (Earthquake Safety and Emergency Response, 2020) in an amount not to exceed \$90,000,000; and approval of the related supplemental request
- Recommendation: Recommend the Board of Supervisors approve the resolution and related supplemental request
- Comments: The CPC recommends approval of this item by a vote of 9-0.
- Committee members or representatives in favor:
- Carmen Chu, City Administrator; Adrian Liu, Mayor's Budget Office; Alaric Degrafinried, Acting Director, Public Works; Anna Van Degna, Controller's Office; Jonathan Rewers, SFMTA; Kevin Kone, Airport; Elaine Forbes, Executive Director, Port of San Francisco; Thomas DiSanto, Planning; Phil Ginsburg, General Manager, Recreation and Parks Department.
- 2. Board File Number: TBD** Approval of the master resolution authorizing the issuance of General Obligation Bonds (Health and Recovery, 2020) in an amount not to exceed \$487,500,000; and approval of the related supplemental request;

Approval of the resolution authorizing and directing the sale of General Obligation Bonds (Health and Recovery, 2020) in an amount not to exceed \$425,000,000; and approval of the related supplemental request;

Recommendation:

Recommend the Board of Supervisors approve the resolutions above

Comments:

The CPC recommends approval of this item by a vote of 9-0.

Committee members or representatives in favor:

Carmen Chu, City Administrator; Adrian Liu, Mayor's Budget Office; Alaric Degrafinried, Acting Director, Public Works; Anna Van Degna, Controller's Office; Jonathan Rewers, SFMTA; Kevin Kone, Airport; Elaine Forbes, Executive Director, Port of San Francisco; Thomas DiSanto, Planning; Phil Ginsburg, General Manager, Recreation and Parks Department.