

File No. 200089

Committee Item No. 14

Board Item No. \_\_\_\_\_

### COMMITTEE/BOARD OF SUPERVISORS

#### AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date February 13, 2020

Board of Supervisors Meeting

Date \_\_\_\_\_

#### Cmte Board

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- Ordinance
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- Budget and Legislative Analyst Report
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- Introduction Form
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OTHER (Use back side if additional space is needed)

- Debt Policy of the City and County of San Francisco
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Completed by: Linda Wong

Date February 7, 2020

Completed by: Linda Wong

Date \_\_\_\_\_

1 [Debt Policy - Controller's Office of Public Finance]

2  
3 **Resolution approving the Controller's Office of Public Finance Debt Policy in**  
4 **accordance with California Government Code, Section 8855; and determining other**  
5 **matters in connection therewith, as defined herein.**

6  
7 WHEREAS, The Controller's Office of Public Finance ("Office of Public Finance")  
8 manages the issuance, sale, and administration of the City's general fund and certain other  
9 special tax backed bonded indebtedness; and

10 WHEREAS, The Office of Public Finance has reviewed and updated a document,  
11 entitled "Debt Policy of the City and County of San Francisco" ("Debt Policy"), on file with the  
12 Clerk of the Board of Supervisors in File No. 200089 that sets forth the debt management  
13 policies and procedures of the City to effectively manage the debt issuance process and  
14 administer the City's outstanding Office of Public Finance managed indebtedness; and

15 WHEREAS, The Debt Policy is intended to establish debt policy objectives (e.g.  
16 maintaining moderate debt and debt service levels, maintain highest practical credit ratings,  
17 improve the quality of decision-making processes, provide guidelines for appropriate debt  
18 structures, establish processes and internal controls for the observance of debt issuance and  
19 debt administration legal requirements, and demonstrate a commitment to best practices in  
20 municipal debt planning, issuance and management); and

21 WHEREAS, The Government Finance Officers Association, a non-profit entity  
22 representing public bodies to develop and recommend standards and procedures for  
23 government financial management, recommends as a best practice the formal adoption of  
24 debt policies as a sound financial management practice to guide debt issuance and  
25 administration decision making; and

1           WHEREAS, Government Code, Section 8855, requires, among other things, that local  
2 governments certify 30 days prior to the sale of any bonds that it has adopted debt policies in  
3 accordance with the requirements of Government Code, Section 8855; and

4           WHEREAS, The Board of Supervisors has previously adopted resolutions approving  
5 the Office of Public Finance Debt Policy as modified from time to time, including Resolution  
6 No. 250-17, adopted on June 13, 2017, signed by the Mayor on June 22, 2017, and  
7 Resolution No. 53-19, adopted on January 29, 2019, signed by the Mayor on February 8,  
8 2019; and

9           WHEREAS, The Office of Public Finance has recently undertaken its periodic review of  
10 the Debt Policy to, among other things, refine certain of the City's disclosure practices, and  
11 make other clarifying changes; and

12           WHEREAS, The Board of Supervisors now desires to formally adopt the Debt Policy of  
13 the City; now, therefore, be it

14           RESOLVED, That the foregoing recitals are true and correct; and, be it

15           FURTHER RESOLVED, That the Office of Public Finance's Debt Policy is hereby  
16 approved; and, be it

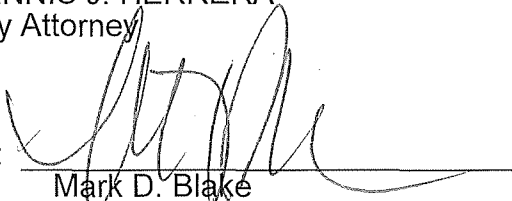
17           FURTHER RESOLVED, That the Controller or the Director of the Office of Public  
18 Finance, in consultation with the City Attorney, is hereby authorized and directed to make  
19 such changes to the Debt Policy to take into account changes in law, changes in best  
20 practices, or as otherwise recommended by the City's municipal advisors as are necessary or  
21 desirable; provided that such changes shall be filed with the Clerk of the Board within 30 days  
22 of any such change with a brief memorandum explaining the nature of the change; and, be it

23     ///  
24     ///  
25     ///

1 FURTHER RESOLVED, That this Resolution shall take effect immediately upon its  
2 adoption.

3  
4 APPROVED AS TO FORM:  
5 DENNIS J. HERRERA  
6 City Attorney

7 By:



8 Mark D. Blake  
9 Deputy City Attorney

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<p><b>Items 13 and 14</b> <b>Files 20-0088 and 20-0089</b></p>	<p><b>Department:</b> Office of Public Finance</p>
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**EXECUTIVE SUMMARY**

**Legislative Objectives**

- **File 20-0089** is a resolution approving the City’s Debt Policy, as recommended by the Controller’s Office of Public Finance.
- **File 20-0088** is a resolution authorizing the issuance of up to \$1,482,995,000 in refunding bonds to refund outstanding general obligation bonds. The refunding bonds would be sold in series, with the first series to be sold in 2020 in the amount of \$255,000,000.

**Key Points**

- File 20-0089 revises the City’s Debt Policy to conform to Security and Exchange Commission (SEC) Rule 15c2-12, regarding a municipality’s disclosure policies to bond holders and potential investors. The changes specifically pertain to the Disclosure Practice Working Group, and the City’s requirements to disclose (1) certain events that could impact credit rating, credit quality, and default probability; (2) changes in financial and economic circumstances that affect repayment capacity; and (3) any changes in the rights of bond holders that could expose owners to increased risk and financial liability.
- File 20-0088 authorizes the Office of Public Finance to issue refunding bonds of up to \$1,482,995,000 to refund outstanding general obligation bonds. The refunding bonds could be issued in multiple series through June 30, 2025; the first series authorized by the proposed resolution would be \$225,000,000 to be sold in the spring of 2020. Future issuances would be subject to Board of Supervisors approval.

**Fiscal Impact**

- Estimated debt service savings from the issuance of \$255,000,000 in refunding bonds is \$31.64 million.

**Recommendations**

- Amend Resolution 20-0089 to state: “The Controller or the Director of the Office of Public Finance, in consultation with the City Attorney, is hereby authorized and directed to take into account changes in law, ~~changes in best practices, or as otherwise recommended by the City’s municipal advisors as are necessary or desirable~~; provided that such changes shall be filed with the Clerk of the Board within 30 days of any such change with a brief memorandum explaining the nature of the change.”
- Amend File 20-0088, Section 4(c)(i) to state: “The City’s current policy, based on GFOA recommended standards, is that the present value of the savings on debt service of each series of refunding bonds will be 3 percent or greater in total than the present value of the par of the bonds to be refunded. The discount rate to calculate present value should be either (a) true interest cost of the series of the refunding bonds, or (b) the discount rate that equates future debt service costs to the series of refunding bonds to their purchase price.”
- Amend File 20-0088, Section 4(c)(ii) to add: “The Series of Bonds shall not have a true interest cost in excess of twelve percent (12%), as is mandated by Title 5, Article 4.5, Section 53508(d) of the California Government Code”.
- Approve File 20-0088 as amended and File 20-0089 as amended.

## MANDATE STATEMENT

**File 20-0089:** California Code Section 8855 requires that local governments certify 30 days prior to the sale of any bonds that it has adopted debt policies.

**File 20-0088:** City Charter Section 9.109 authorizes the Board of Supervisors to approve the refunding or general obligation bonds which are expected to result in net debt service savings.

## BACKGROUND

### The City's Debt Policy

California Senate Bill (SB) 1029 provides for the issuer of state or local government debt, no later than 30 days prior to the issuance of debt, to certify that the issuer has adopted local debt policies and that the issuance is consistent with the debt policies. The Board of Supervisors previously approved the City's Debt Policy as recommended by the Controller's Office of Public Finance in January 2019 (File 18-1227).

## DETAILS OF PROPOSED LEGISLATION

**File 20-0089:** The proposed resolution approves the City's Debt Policy, as recommended by the Controller's Office of Public Finance. The proposed changes to the City's Debt Policy include:

### *Change to Negotiated Sales Provision*

Currently, the Debt Policy authorizes the Director of Public Finance in consultation with the Controller to determine if new money and refunding bonds may be issued through a negotiated rather than a competitive sale under the following conditions: (1) deterioration in the City's credit rating or outlook; (2) market disruptions outside of the City's control, including new or proposed changes in taxation or sector risks; and (3) transactions consisting of variable rate debt, commercial paper, non-traditional debt structure, or public/private partnerships.

Under the proposed Debt Policy, the City's municipal advisor(s) would also be included in the consultation of when new or refunding bonds may be issued through a negotiated sale. In addition, "complex refunding" would be added as a transaction that may be issued through a negotiated sale.

### *Changes to Disclosure Provisions*

Appendix I of the Debt Policy details the City's Municipal Finance Disclosure Policies and Procedures. The changes to Appendix I are required to conform with recent changes to Security and Exchange Commission (SEC) Rule 15c2-12, regarding a municipality's disclosure policies to bond holders and potential investors. The changes pertain primarily to the Disclosure Practice Working Group, and outline in specific detail the City's procedures and guidelines surrounding its obligation to disclose (1) certain listed events that could impact credit rating, credit quality, and default probability; (2) changes in financial and economic circumstances that affect repayment capacity; and (3) any changes in the rights of bond holders that could expose owners to increased risk and financial liability. Such events or changes will need to be disclosed

electronically within 10 business days and made public to investors through a disclosure announcement that will be posted on the Municipal Securities Rulemaking Board Electronic Municipal Market Access system.

Other proposed changes to Appendix I include:

- Providing for the Office of Public Finance to develop additional disclosures for bonds issued by Community Facilities Districts or Infrastructure Financing Districts or Special Assessment Districts, and for Green Bonds, unrelated to federal and state security laws; and
- Provisions (1) for disclosure documents for issuers of conduit financing (such as multi-family revenue bonds) to indemnify the City against untrue statements in the disclosure documents; and (2) for offering statements to contain disclaimers that the information supplied by the City is limited.

**File 20-0088:** The proposed resolution authorizes the issuance of up to \$1,482,995,000 in refunding bonds to refund outstanding general obligation bonds. The refunding bonds would be sold in series, with the first series to be sold in 2020 in the not-to-exceed amount of \$255,000,000.

The proposed resolution approves actions and documents (including modifications) for the issuance of the refunding bonds, including:

- The form and terms of the refunding bonds; and execution, authentication, and registration of the refunding bonds;
- Appointment of depositories, verification agents, and other agents for the refunding bonds;
- The property tax levy for repayment of the refunding bonds;
- Procedures for the competitive or negotiated sales, including the forms of the Official Notice of Sale and Notice of Intention to Sale, and the selection of underwriters and the execution and delivery of bond purchase contracts;
- The execution, delivery, or distribution of continuing disclosure certificates, escrow agreements relating to the prior general obligation bonds, and Preliminary Official Statement and Official Statement for sale of refunding bonds in an amount not-to-exceed \$255 million; and
- Payment of costs of issuance.

#### *Terms of Refunding Bonds*

As noted above, the proposed resolution would authorize the sale of the first series of refunding bonds in 2020 in an amount not-to-exceed \$255 million. Future sales would be subject to Board of Supervisors approval. The terms for the sale of refunding bonds include:

- Debt service on the refunding bonds should result in present value savings of 3 percent of the outstanding principal amount on the prior general obligation bonds;

- True interest cost of the refunding bonds should not exceed 12 percent;<sup>1</sup>
- The maturity date of the refunding bonds is no later than the maturity date of the prior general obligation bonds;
- Costs of issuance of the refunding bonds does not exceed 2 percent of the principal amount of the bonds;
- The purchase price of the refunding bonds is not less than the par amount of the bonds;
- If the refunding bonds are sold through a negotiated sale, the underwriter's discount<sup>2</sup> cannot exceed 1 percent; and
- If the refunding bonds are sold using credit enhancements (such as bond insurance or letters of credit), the present value savings of using the credit enhancements must exceed the cost of the credit enhancements.

Under the proposed resolution, the Director of Public Finance determines the amount, date, and other provisions for the future sale of refunding bonds, up to the authorized amount of \$1,482,995,000. As noted above, future sales of refunding bonds would be subject to Board of Supervisors approval.

In order to clarify the intent of the proposed resolution (File 20-0088):

- Section 4(c)(i), which provides for present value savings of 3 percent of the outstanding principal amount on the prior general obligation bonds, should be revised to state: "The City's current policy, based on GFOA recommended standards, is that the present value of the savings on debt service of each series of refunding bonds will be 3 percent or greater in total than the present value of the par of the bonds to be refunded. The discount rate to calculate present value should be either (a) true interest cost of the series of the refunding bonds, or (b) the discount rate that equates future debt service costs to the series of refunding bonds to their purchase price."
- Section 4(c)(ii), which provides for the true interest cost of the refunding bonds, should be revised to add: "as is mandated by Title 5, Article 4.5, Section 53508(d) of the California Government Code."

#### *Outstanding General Obligation Bonds*

The City previously issued series of general obligation bonds totaling \$3,125,290,000 between 2008 and 2018 which contain principal maturities that are currently outstanding and could be optionally redeemed before June 15, 2025, as authorized by File 20-0088, of which \$1,842,405,000 is outstanding, as shown in the Attachment. The proposed ordinance would authorize refunding of \$1,482,995,000 of the outstanding balance of \$1,842,405,000.

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<sup>1</sup> "True interest cost" is the rate that sets the present value of principal and interest payments equal to the net proceeds from the bond issuance.

<sup>2</sup> The "underwriter's discount" is the difference between the price paid to the issuer of the bonds and the price at which the bonds are offered for sale to investors.



**FISCAL IMPACT**

The Office of Public Finance has identified \$233,095,000 in outstanding general obligation bonds to be refunded by a maximum par of \$255,000,000 in refunding bonds to be sold in 2020, as shown in Exhibit 1 below.

**Exhibit 1: Series 2020-R1 General Obligation Refunding Candidates**

<b>Prior Bonds</b>	<b>Original Par Amount</b>	<b>Refundable Par Amount</b>
Refunding Series 2008-R1	\$232,075,000	\$3,480,000
Series 2010 E (Earthquake Safety and Emergency Response, 2010)	79,520,000	35,730,000
Series 2012A (Earthquake Safety and Emergency Response, 2010)	183,330,000	108,025,000
Series 2012B (Clean & Safe Neighborhood Parks, 2008)	73,355,000	42,425,000
Series 2012C (Road Repaving & Street Safety, 2011)	74,295,000	43,435,000
<b>Total</b>	<b>\$642,575,000</b>	<b>\$233,095,000</b>

Source: Office of Public Finance

The amount of the bonds to be refunded is estimated to be \$236,800,136, including the outstanding balance and accrued interest at the time of the refunding, as shown in Exhibit 2 below.

**Exhibit 2: Estimated Source & Uses of 2020 Refunding Bonds****Sources***Refunding Bond Proceeds*

Par Amount	\$198,925,000
Premium	39,099,597
<b>Total Sources</b>	<b>\$238,024,597</b>

**Uses**

Refunding Escrow	\$236,800,136
<i>Delivery Date Expenses</i>	
Cost of Issuance	905,805
Underwriter's Discount	318,656
Subtotal Delivery Date Expenses	1,224,416
<b>Total Uses</b>	<b>\$238,024,597</b>
Reserve for Market Uncertainty	16,975,403
<b>Not-to-Exceed Par Amount</b>	<b>\$255,000,000</b>

Source: Office of Public Finance, Montague DeRose and Associates, LLC

*Debt Service Savings*

According to the Office of Public Finance, based on bond market conditions as of January 24, 2020, the City could issue Series 2020-R1 tax-exempt refunding bonds in the Spring of 2020 in order to realize savings. Based on current market conditions, the Office of Public Finance

estimates that the Series 2020-R1 refunding bonds will be sold at an interest rate of 2.19 percent and result in \$31.64 million in total debt service savings.

The proposed resolution requires refunding bonds to achieve 3 percent present value savings of the par value of the refunded bonds. The net present value of the debt service savings of the proposed refunding bonds is estimated to be \$26.83 million, equal to 11.51 percent of the par value of the refunded bonds<sup>3</sup>, well above the 3 percent minimum present value savings threshold.

#### *Debt Issuance Costs*

The proposed resolution requires the costs of issuance to not exceed 2 percent, and for a negotiated sale, the underwriter's discount to not exceed 1 percent of the principal amount of the refunding bonds. The combined cost of issuance and underwriters discount is estimated at \$1,224,461, which is less than 1 percent of the principal amount, below the threshold in the proposed resolution. The Office of Public Finance proposes allowing for a negotiated sale of the refunding bonds because of the series to be refunded includes multiple separate series with different initial origination dates, and multiple interest rates payable over time on each of the refunded series.

#### *Debt Limit*

The City Charter imposes a limit on general obligation bond debt of 3 percent of the assessed value of property in the City.<sup>4</sup> As of January 1, 2020, the City has approximately \$2.39 billion in aggregate principal amount of general obligation bonds outstanding, equal to approximately 0.85 percent of the net assessed value in FY 2019-20.<sup>5</sup>

## **POLICY CONSIDERATION**

### **Board of Supervisors Approval of the City's Debt Policy**

The proposed resolution approving changes to the Debt Policy (File 20-0089) authorizes the Controller or the Director of the Office of Public Finance, in consultation with the City Attorney, to make changes to the Debt Policy to take into account changes in law or best practices, or that are recommended by the City's financial advisors. These changes would be filed with the Clerk of the Board with a brief memorandum explaining the nature of the change. The Budget and Legislative Analyst recommends amending the language of File 20-0089 to retain the Board of Supervisors practice of approving all aspects of the City's Debt Policy over which the City has local discretion, including changes in best practices or recommendations of the City's financial advisors.

<sup>3</sup> According to the Office of Public Finance's calculations, the present value of debt service savings of \$26,826,167 is equal to 11.15 percent of the refunded par amount of \$233,095,000 (Exhibit 1 above).

<sup>4</sup> Net of non-reimbursable expenses and homeowner exemptions.

<sup>5</sup> According to Table A-26 in the Preliminary Official Statement, the total outstanding general obligation bond principal is \$2,389,312,972. As noted in the Attachment to this report, of the \$2,389,312,972 in outstanding general obligation bond debt, \$1,842,405,000 could be refunded through June 30, 2025.

**RECOMMENDATIONS**

- Amend Resolution 20-0089 to state: “The Controller or the Director of the Office of Public Finance, in consultation with the City Attorney, is hereby authorized and directed to take into account changes in law, ~~changes in best practices, or as otherwise recommended by the City’s municipal advisors as are necessary or desirable~~; provided that such changes shall be filed with the Clerk of the Board within 30 days of any such change with a brief memorandum explaining the nature of the change.”
- Amend File 20-0088, Section 4(c)(i) to state: “The City’s current policy, based on GFOA recommended standards, is that the present value of the savings on debt service of each series of refunding bonds will be 3 percent or greater in total than the present value of the par of the bonds to be refunded. The discount rate to calculate present value should be either (a) true interest cost of the series of the refunding bonds, or (b) the discount rate that equates future debt service costs to the series of refunding bonds to their purchase price.”
- Amend File 20-0088, Section 4(c)(ii) to add: “The Series of Bonds shall not have a true interest cost in excess of twelve percent (12%), as is mandated by Title 5, Article 4.5, Section 53508(d) of the California Government Code”.
- Approve File 20-0088 as amended and File 20-0089 as amended.

**Attachment: Current General Obligation Refunding Candidates**

Prior Bonds	Original Par Amount	Outstanding Par Amount	Refundable Par Amount
<b>2020 GO Refunding Candidates (Callable on or before June 15, 2020)</b>			
Refunding Series 2008-R1	\$232,075,000	\$3,480,000	\$3,480,000
Series 2010E (Earthquake Safety & Emergency Response, 2010)	\$79,520,000	\$38,335,000	\$35,730,000
Series 2012A (Earthquake Safety & Emergency Response, 2010)	\$183,330,000	\$114,990,000	\$108,025,000
Series 2012B (Clean & Safe Neighborhood Parks, 2008)	\$73,355,000	\$45,285,000	\$42,425,000
Series 2012C (Road Repaving & Street Safety, 2011)	\$74,295,000	\$46,360,000	\$43,435,000
<b>Subtotal 2020 GO Refunding Candidates</b>	<b>\$642,575,000</b>	<b>\$248,450,000</b>	<b>\$233,095,000</b>
<b>2021 GO Refunding Candidates (Callable on June 15, 2021 or December 15, 2021)</b>			
Series 2013A (Clean & Safe Neighborhood Parks, 2012)	\$71,970,000	\$38,780,000	\$34,690,000
Series 2013B (Earthquake Safety & Emergency Response, 2010)	\$31,020,000	\$16,720,000	\$14,955,000
Series 2013C (Road Repaving & Street Safety, 2011)	\$129,560,000	\$69,785,000	\$62,425,000
Refunding Series 2011-R1	\$339,475,000	\$149,240,000	\$94,125,000
<b>Subtotal 2021 GO Refunding Candidates</b>	<b>\$572,025,000</b>	<b>\$274,525,000</b>	<b>\$206,195,000</b>
<b>2022 GO Refunding Candidates (Callable on June 15, 2022)</b>			
Series 2012D (SFGH & Trauma Center Earthquake Safety, 2008)	\$251,100,000	\$147,770,000	\$121,115,000
Series 2014A (SFGH & Trauma Center Earthquake Safety, 2008)	\$209,955,000	\$154,035,000	\$128,575,000
Series 2012E (Earthquake Safety & Emergency Response, 2010)	\$38,265,000	\$28,380,000	\$23,260,000
Series 2014C (Earthquake Safety & Emergency Response, 2010)	\$54,950,000	\$40,095,000	\$34,045,000
Series 2014D (Earthquake Safety & Emergency Response, 2014)	\$100,670,000	\$73,435,000	\$62,355,000
<b>Subtotal 2022 GO Refunding Candidates</b>	<b>\$654,940,000</b>	<b>\$443,715,000</b>	<b>\$369,350,000</b>
<b>2023 GO Refunding Candidates (Callable on June 15, 2023)</b>			
Series 2015B (Transportation & Road Improvement Bonds, 2014)	\$67,005,000	\$41,870,000	\$33,740,000
Refunding Series 2015-R1	\$293,910,000	\$234,310,000	\$164,190,000
Series 2016A (Clean & Safe Neighborhood Parks, 2008)	\$8,695,000	\$7,195,000	\$5,735,000
Series 2016B (Clean & Safe Neighborhood Parks, 2012)	\$43,220,000	\$23,355,000	\$18,620,000
Series 2016C (Earthquake Safety & Emergency Response, 2010)	\$25,215,000	\$21,435,000	\$17,190,000
Series 2016D (Earthquake Safety & Emergency Response, 2014)	\$109,595,000	\$72,305,000	\$58,000,000
Series 2016E (Road Repaving & Street Safety, 2011)	\$44,145,000	\$37,515,000	\$30,095,000
<b>Subtotal 2023 GO Refunding Candidates</b>	<b>\$591,785,000</b>	<b>\$437,985,000</b>	<b>\$327,570,000</b>
<b>2024 GO Refunding Candidates (Callable on June 15, 2024)</b>			
Series 2017A (Public Health & Safety, 2016)	\$173,120,000	\$116,925,000	\$90,670,000
Series 2018E (Public Health & Safety, 2016)	\$49,955,000	\$36,370,000	\$29,475,000
Series 2018A (Clean & Safe Neighborhood Parks, 2012)	\$76,710,000	\$44,855,000	\$35,400,000
Series 2018B (Transportation & Road Improvement Bonds, 2014)	\$174,445,000	\$102,010,000	\$80,505,000
Series 2018C (Earthquake Safety & Emergency Response, 2014)	\$189,735,000	\$137,570,000	\$110,735,000
<b>Subtotal 2024 GO Refunding Candidates</b>	<b>\$663,965,000</b>	<b>\$437,730,000</b>	<b>\$346,785,000</b>
<b>Total GO Refunding Candidates Callable 2020 - 2024 <sup>[1]</sup></b>	<b>\$3,125,290,000</b>	<b>\$1,842,405,000</b>	<b>\$1,482,995,000</b>

[1] Note that there are no GO Bonds callable 6/15/2025.

Source: Memorandum provided by the Office of Public Finance

**Debt Policy of the City and County of San Francisco  
Controller’s Office of Public Finance**

*Last Update: January 2020*

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Appendix I - Municipal Finance Disclosure Policies and Procedures

Appendix II - Use of Proceeds Designated Bonds

## Table of Acronyms

AD	– Assessment District
BANs	– Bond Anticipation Notes
CAFR	– Comprehensive Annual Financial Report
CDIAC	– California Debt and Investment Advisory Commission
CFD	– Community Facilities District
CGOBOC	– Citizens’ General Obligation Bond Oversight Committee
COPs	– Certificates of Participation
CPC	– Capital Planning Committee/Program
DPWG	– Disclosure Practices Working Group
EMMA	– Electronic Municipal Marketplace Access
GANs	– Grant Anticipation Notes
GIC	– Guaranteed Investment Contract
GOs	– General Obligation Bonds
IAs	– Investment Agreements
IBA	– Independent Budget Analyst
IFD	– Infrastructure Financing District
LRBs	– Lease Revenue Bonds
MA	– Municipal Advisor
MOHCD	– Mayor’s Office of Housing and Community Development
MSRB	– Municipal Securities Rulemaking Board
NRSRO	– Nationally Recognized Statistical Rating Organization
OPF	– Controller’s Office of Public Finance
RFP/RFQ	– Request for Proposal/Request for Qualifications
SEC	– Securities Exchange Commission
SIFMA	– Securities Industry and Financial Markets Association
TIC	– True Interest Cost
TRANS	– Tax and Revenue Anticipation Notes

### I. Scope and Application

This Debt Policy (“Policy”) establishes policies and procedures for financings managed by the Controller’s Office of Public Finance (“OPF”) and the Finance Corporation of the City and County of San Francisco (“Finance Corporation”), and pertains to obligations payable from the General Fund of the City and County of San Francisco (“City”) and such other obligations that are managed by OPF. This Policy is intended to establish debt policy objectives, improve the quality of decision-making processes, support strong internal controls, establish appropriate debt structures and demonstrate a commitment to best practices in municipal debt planning, issuance and management.

This Policy is intended to guide OPF in the issuance and management of bonds and other obligations. This Policy does not apply to other departments or enterprises of the City, including the Airport Commission, the Mayor’s Office of Housing and Community Development, the Municipal Transportation Agency, the Port Commission, or the Public Utilities Commission.

**This Policy governs the issuance and management of all bonds and other forms of indebtedness of the City, together with any credit, liquidity or other security instruments and agreements that may be executed in connection with the issuance of bonds and other forms of indebtedness (“Bonds”). The Board of Supervisors may, in its sole discretion, approve Bonds that deviate from this Policy. Notwithstanding anything in this Policy to the contrary, the failure of the City to comply with any provision of this Policy shall not affect the authorization, validity or enforceability of any Bonds or other forms of indebtedness that are otherwise issued in accordance with law.**

This Policy, and any subsequent amendments thereto, will be filed with OPF and made accessible at the City’s website. Copies of this Policy will be distributed to the City Controller, the Treasurer, the Mayor’s Budget Director, the President of the Board of Supervisors, the Chair of the Budget and Finance Committee of the Board of Supervisors, the Clerk of the Board of Supervisors and the Budget and Legislative Analyst to the Board of Supervisors.

## **II. Mission of the Office of Public Finance**

The City utilizes long term debt issuances to finance capital assets with long useful lives and seeks to finance such assets at the lowest achievable financing costs. OPF’s mission is to plan, structure and manage debt financings on behalf of the City to support the City’s capital planning goals and objectives, including the acquisition and/or construction of capital projects and capital equipment that produce social and economic benefit to the City and its residents at a low cost of capital while managing market and credit risk with appropriate bond structures and internal controls.

### **Debt Management Objectives**

- Maintain efficient access to capital markets through prudent debt management policies and practices.
- Maintain moderate debt and debt service levels with effective long-term strategic planning and coordination with City departments.
- Finance significant capital projects or improvements through long-term debt financing and, if cost effective, alternate financing mechanisms such as public/private partnerships.
- Support strong internal controls implemented by the Controller.
- Structure long-term financings to minimize transaction specific risk and total debt portfolio risk to the City.
- Maintain the highest practical credit ratings to ensure efficient access to capital markets at the lowest prevailing interest rates.
- Maintain good investor relationships through the timely dissemination of material financial information.
- Provide support for independent bond oversight committees.

- Maintain user friendly and publicly accessible electronic portal for the timely dissemination of material information concerning the financial condition of the City.

### **III. Independent Citizen Oversight – General Obligation Bond Oversight Committee**

Pursuant to Proposition F (adopted by the voters on November 2, 2002, and codified under the Administrative Code Chapter 5, Article IV), the Citizens' General Obligation Bond Oversight Committee ("Committee") provides oversight to ensure that general obligation bond proceeds are expended in accordance with the applicable ballot measure and/or authorizing legislation, and in addition, ensures that such proceeds are not used for City administrative salaries or other operating expenses. On November 4, 2003, the voters approved Proposition C, which authorized the Committee to serve as an independent Citizens Audit Review Board to advise the Controller/City Services Auditor regarding complaints of wrongdoing and waste received through the City's whistleblower complaint programs. OPF will work closely with the Committee to ensure that the Committee receives timely reports as requested, and will adopt such policy recommendations, as the Committee shall make from time to time.

### **IV. Disclosure Policies and Procedures – Disclosure Practices Working Group**

OPF will ensure that written disclosure policies and procedures are adopted and implemented to ensure City compliance with its disclosure obligations under federal securities laws. The implementation of such policies and procedures is facilitated by a Disclosure Practices Working Group ("DPWG"), as further described in Appendix I. One or more Deputy City Attorney specializing in municipal finance transactions, together with the City's outside disclosure counsel will serve as advisors to the DPWG. The DPWG will meet as frequently as necessary to discuss and review the City's disclosure practices and policies. The City's Disclosure Policies and Procedures are attached hereto as Appendix I, which should be read in conjunction with this Policy.

### **V. Types and Purposes of Debt**

#### **A. Long Term Debt**

Long term debt (debt with a term to maturity of greater than 5 years) will be issued to finance the acquisition, preservation, and/or construction of long-lived capital improvements (i.e. assets having a useful life greater than 5 years). Long-term debt financing shall not be used to fund operating costs or operating deficits of the City. The principal types of debt instruments used by OPF to finance long-term capital projects are general obligation bonds ("GOs"), lease revenue bonds ("LRBs"), certificates of participation ("COPs"), special tax bonds and capital leases. Such instruments may be refunded by the issuance of refunding obligations for economic savings and/or restructuring considerations.



1. General Obligation Bonds: GOs will be used to finance or refinance the acquisition, improvement, and/or construction of real property or real property improvements. Such facilities include but are not limited to libraries, hospitals, parks, public safety facilities, cultural, affordable housing, and educational facilities. GOs will be used to finance facilities or projects that benefit the public at large, or that achieve a particular public safety or social objective for City residents.
2. Lease Revenue Bonds: LRBs will be used to finance the acquisition, improvement, and/or construction of real property; the acquisition of capital equipment; and other capital projects that either (1) have an identified budgetary revenue stream for repayment (e.g. specified fees, tax receipts, etc.); (2) generate project revenue but rely on a broader pledge of General Fund revenues to reduce borrowing costs (e.g. parking garages); or (3) finance the acquisition and installation of equipment for the City's general governmental purposes.
3. Certificates of Participation: COPs will be used for the acquisition or improvement of existing facilities and/or construction of new facilities that result in immediate or future savings in lease payments currently made or to be made by the City's General Fund. For example, COPs may be used to provide funds to execute a lease purchase option for a facility whereby future savings accrue to the General Fund during the period for which the COPs and the lease would be outstanding. COPs also are appropriate for projects which will be matched with grant and other additional moneys, reduce operating costs to the City, address critical and urgent seismic and other public safety hazards for which no other sources are practically available, or provide for the delivery of services mandated by law.
4. Capital Leases: Capital equipment and personal property of a City department may be eligible for capital lease financing. Eligible equipment must have a per unit cost of at least \$100,000 unless it is an integral part of a system (such as a computer network) where the aggregate of the various components must total at least \$100,000. The useful life of the item must be in excess of three years and at least 120% of the financing and refinancing term.
5. Refunding Obligations: Refunding bonds will be issued typically to achieve debt service savings for the City, although other non-economic factors may support the issuance of such obligations. Pursuant to section Charter section 9.109 and section 43.8.4(b) of the City's Administrative Code, the Board of Supervisors will establish by resolution the minimum savings to be generated by the issuance of such refunding.

Absent any significant non-economic factors, it is the policy of the City that a refunding should produce minimum debt service savings of at least 3% of the par

value of the refunded bonds on a net present value basis, using the refunding issue's True Interest Cost ("TIC")<sup>1</sup> as the discount rate.

6. *Special Limited Obligations*: Special limited obligations are issued by the City, or by a joint powers authority on behalf of the City, to make proceeds available to finance the acquisition, construction, and/or improvement of capital assets and/or environmentally sustainable projects. The obligations represent special limited obligations of the City, or the joint powers authority.
  - i. Mello-Roos community facilities districts ("CFDs"), other special tax districts, and assessment districts ("ADs") (together "Land Secured Districts") provide methods to assist in the financing of public benefits, infrastructure and community facilities. The creation of Land Secured Districts may facilitate improvements to tangible or real property providing public benefits in connection with new development in the City.
  - ii. Infrastructure financing districts ("IFDs") may be formed for the purpose of financing public improvements to any real or other tangible property of localized significance. IFDs may be used where diversions of taxes from the general fund are offset by longer-term development benefits.

OPF will work with elected officials and policymakers to ensure that appropriate goals and policies are developed concerning the use of special limited obligations, including, but not limited to, the adoption of the City's *Local Goals & Policies for CFDs* and the *Guidelines for the Establishment and Use of Infrastructure Financing Districts*, as appropriate.

## B. Short Term Debt

Short-term debt (debt with a term to maturity of less than five years) may be issued to either 1) provide funds to finance operating fiscal year cash flow deficits; or 2) to acquire equipment and/or vehicles; or 3) to provide interim 'as needed' financing for long-lived capital projects, such short term obligations to be refunded by long-term debt financing described above.

1. *Tax and Revenue Anticipation Notes*: Tax and Revenue Anticipation Notes ("TRANS") may be used to fund operating cash flow deficits in a fiscal year. TRANS proceeds may be used and expended for any purpose, including current operating expenses, capital expenditure, repayment of indebtedness and investment and reinvestment. TRAN proceeds will be invested in accordance with federal tax law to minimize net interest costs.

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<sup>1</sup> A measure of the interest cost of an issue that accounts for the time value of money. The TIC is the annual discount rate (yield) which, when used to discount all debt service payments to the date of issuance, results in the aggregate present value of such debt service payments being equal to the original purchase price of the issue.

2. Commercial Paper: The City may establish a commercial paper program (“Commercial Paper Program”) for the purpose of providing interim funds to finance the acquisition, construction, and rehabilitation of capital improvements and the financing of vehicles and equipment. The Commercial Paper Program will be utilized to provide interim financing for projects, subject to the conditions that the projects and interim project financing will have prior approval from CPC, the Board of Supervisors and Mayor.

The Director of Public Finance shall provide a written report to the Board of Supervisors twelve months following the initial issuance of commercial paper notes and annually thereafter through the final maturity of the last commercial paper note outstanding describing the notes issued since the date of the last report; summarizing average cost of funds, the status of projects currently financed with commercial paper; and identifying any long term obligation to refund commercial paper notes.

3. Bond or Grant Anticipation Notes: Pursuant to Chapter 43, Article XI of the City’s Administrative Code, the City may issue bond or grant anticipation notes (“BANs/GANs”) in anticipation of the issuance of general obligation bonds or other forms of indebtedness, or in anticipation of the receipt of grant funds. The BANs/GANs will have a final maturity within a period not to exceed five years of its issuance date, may be sold at a discount not to exceed 5%, and any renewal or refunding of BANs/GANs will be payable solely from the proceeds of the sale of bonds or receipt of grant funds, as appropriate.

### **C. Conduit Financings**

From time to time, the City issues bond on behalf of local non-profit entities to assist them with the construction and/or acquisition of capital improvements. Bonds are issued by the City, and the proceeds are made available to a non-City conduit borrower in furtherance of a public purpose. Financing proceeds may be loaned to the conduit borrower (e.g., a private school) pursuant to a loan agreement between the City and the conduit borrower. The conduit borrower is responsible for the repayment obligations. No funds of the City will be pledged to or made available for the repayment of any conduit bonds.

1. Affordable Housing Nonprofits: The Mayor’s Office of Housing and Community Development (“MOHCD”), on behalf of the City, will serve as a conduit issuer and administrator for affordable housing nonprofits given the City’s significant interest in maintaining affordable housing in the City. MOHCD will manage all affordable housing conduit issuances, as applicable, pursuant to its own policies.
2. Other Private Parties Conduit Financings: The City will not generally serve as a conduit issuer for private parties given the lack of resources, lack of authority to

oversee such transactions, and availability to private parties of State and other conduit issuers.

#### **D. Other Obligations**

There may be special circumstances when other forms of financing are appropriately utilized by the City. OPF will evaluate such proposed transactions on a case-by-case basis. Such other forms include, but are not limited to, pension obligation bonds, Teeter (Property Tax) financings, long-term concession agreements, non-enterprise revenue bonds, and judgment or settlement obligation bonds.

### **VI. Debt Approval Procedures**

#### **A. Approval by Capital Planning Committee**

Pursuant to the City's Administrative Code, Section 3.20 et. seq., all long-term financings for proposed capital improvements shall be reviewed and approved by the City's Capital Planning Committee ("CPC") prior to being presented to the Board for approval. For purposes of this paragraph, the term "long-term financing" means any financing that creates a repayment obligation beyond one fiscal year.

The CPC consists of the City Administrator as chair, the President of the Board, the Mayor's Budget Director, the Controller, the City Planning Director, the Director of Public Works, the Airport Director, the Executive Director of the Municipal Transportation Agency, the General Manager of the Public Utilities System, the General Manager of the Recreation and Parks Department, and the Executive Director of the Port of San Francisco. Proposed long-term financings are subject to the following:

1. Board of Supervisors: The Board of Supervisors shall not place on the ballot or authorize the issuance of any long-term financing until the CPC completes its review of the proposed project and project financing and submits its recommendation to the Board of Supervisors.
2. Form of Proposal: Each proposal shall be in form and substance satisfactory to the CPC and shall be accompanied by descriptive financial, architectural, and/or engineering data, and all other pertinent material in sufficiently complete detail to permit the CPC to review all aspects of the proposal.
3. Capital Expenditure Plan: The CPC shall submit a written report to the Mayor and the Board of Supervisors analyzing the feasibility, cost, and priority of each proposal relative to the City's capital expenditure plan.

## **B. Approval by the Board of Supervisors**

All long-term financing transactions shall be adopted by ordinance or resolution (as appropriate) of the Board of Supervisors and approved by the Mayor. Bonds with prior approval for issuance by the voters will not be issued until the plan of finance has been reviewed by CPC, and approved by the Board of Supervisors.

1. General Obligation Bonds: Pursuant to the State Constitution, the California Government Code and the City's Administrative Code, the Board of Supervisors shall hold a minimum of two public hearings prior to placing a GO bond measure on the ballot. In accordance with the State constitution, GOs must be approved by 2/3rds vote of the City electorate voting on the measure. Prior to any issuance of any new money, refunding general obligation bonds, or general obligation BANs, the Board of Supervisors shall approve by majority vote, a resolution authorizing such issuance.
2. Lease Revenue Bonds: The Board of Supervisors shall hold a minimum of one public hearing to place a LRB measure on the ballot. In accordance with Section 9.017 of the City Charter, LRBs must be approved by majority vote. Subsequent to successful passage and prior to any issuance of new money, refunding lease revenue bonds, or commercial paper notes refinanced with lease revenue bonds, the Board of Supervisors shall approve by majority vote, a resolution authorizing such issuance.
3. Certificates of Participation: In accordance with Article IX of the City Charter, COPs may consist of lease financing agreements between the City and a for-profit lessor. All issuances of COPs shall be authorized by resolution or ordinance of the Board of Supervisors by majority vote and then, if necessary, validated as described in Section C below. COPs are not required to be approved by the electorate.
4. Capital Leases: Pursuant to Section 9.118 of the City Charter, all capital leases financing capital equipment with a term exceeding 10 years and requiring anticipated expenditures by the City exceeding \$10,000,000 shall be authorized by resolution of the Board of Supervisors by majority vote.
5. Refunding Obligations: Pursuant to Section 9.109 of the Charter, the Board of Supervisors is authorized to provide for the issuance of Bonds for the purpose of refunding any GO bond, lease revenue bond or COPs. No voter approval is required for the authorization, issuance and sale of refunding obligations which result in net present value savings to the City, as provided by Ordinance.
6. Special Limited Obligations: All issuances of special limited obligations shall be authorized by resolution of the Board of Supervisors by majority vote and then, if necessary, validated as described in Section C below. Mello-Roos debt requires

a two-thirds approval while assessment debt is subject to Proposition 218's "simple majority" approval provisions.

OPF will work with the Board's Independent Budget Analyst ("IBA") in its preparation of analysis of any proposed financing. OPF will promptly provide information to the IBA as it may request to complete its analysis. OPF will adopt such recommendations of the Independent Budget Analyst as approved by the Board of Supervisors.

### **C. Validation**

Upon the advice of the City Attorney (in consultation with bond counsel), OPF may seek a judicial validation of a financing as provided under Section 860 of the Civil Code. Validation may be required because of the novelty of the financing or because of ambiguity surrounding the legal basis of the law authorizing the bonds. Validation proceedings will be adjudicated in the San Francisco Superior Court, and if unchallenged take approximately 120 to 150 days.

1. A validation action is a procedure under California law (Civil Code 860 *et seq.*) which allows an issuer to have the legality of a bond financing approved, including any issue regarding constitutionality of the bond issue, and accelerates any statute of limitations. Notice of the lawsuit is given by publication in the newspaper and by posting public notices. If no interested person comes forward and challenges the financing, a default judgment is given, binding all parties who may desire to challenge the financing. Once the court issues a judgment, and the 30-day appeal period expires, the financing cannot later be challenged in court.
2. No offering statement related to any financing subject to validation will be circulated prior to the conclusion of the 30-day appeal period.

## **VII. Debt Limitations**

The Director of Public Finance shall determine whether proposed debt transactions comply with the debt limitations prescribed by the Policy. Proposed debt transactions that meet the limitations of the Policy will be subject to approval by resolution or ordinance of the Board of Supervisors and by the Mayor in accordance with State law, the City Charter and the City Administrative Code.

In the event the Director of Public Finance and the Controller determine any proposed debt transaction exceeds limits established hereunder, the Board of Supervisors may approve such transaction, subject to limits established by the City Charter. The Director of Public Finance shall indicate prominently to the Board of Supervisors that such transactions exceeds the limits established by the Policy, and provide a rationale for waiving such limits.

## **A. General Obligation Bonds**

Pursuant to Section 9.106 of the City Charter, outstanding general obligation bonded indebtedness shall not exceed three percent (3%) of the assessed valuation of taxable property within the boundaries of the City.

1. Forward Debt Capacity: OPF will maintain a 10-year forward debt capacity schedule that incorporates assumptions of growth in assessed valuation and reasonable estimates of new debt issuance and retirement. Such schedule shall be available to any interested parties in connection with the review of any GO bond measure or issuance of new GO bonds.

Bond Accountability Reports: Pursuant to Administrative Code Chapter 2 Article VIII (Section 2.70 *et seq.*), each department requesting sale of a series of voter-approved GO bonds shall file a Bond Accountability Report 60 days *prior to* the approval by the Board of Supervisors of the sale of the bonds, and within sixty (60) days after the date of all such appropriated bond proceeds have been expended. The Report shall detail original and current budget expenditure information for each project line item identified in any previous report. The Bond Accountability Report shall be filed with the Clerk of the Board of Supervisors, City Controller, City Treasurer, Director of the Office of Public Finance, Budget and Legislative Analyst of the Board of Supervisors with a copy to the Chair of the Citizens' General Obligation Bond Oversight Committee. The obligation to file such report is the responsibility of the requesting department. The Board of Supervisors may waive the 60-day deadline for a bond accountability report by resolution.

## **B. Certificates of Participation and Other Long Term Obligations**

It is the policy of the City to identify specific revenue sources within the General Fund (e.g. transient occupancy taxes, tobacco settlement receipts, etc.) as internal repayment sources for COPs, and to ensure prudent repayment schedules are placed on the General Fund.

It is the policy of the City to maintain the percentage of the General Fund spent on General Fund secured debt service at or below 3.25% of General Fund discretionary revenues. Stated differently, if the 3.25% limitation is reached, then COPs and other lease financing debt will only be used as funding sources for capital projects when existing debt is retired and/or the City's aggregate General Fund discretionary revenues grow.

## **C. Capital Equipment**

It is the policy of the City that the outstanding aggregate principal amount of lease revenue bonds financing capital equipment may not exceed \$20.0 million, such amount increasing by five percent each fiscal year starting fiscal year 1991. OPF will monitor lease revenue bonds outstanding financing capital equipment to ensure sufficient borrowing capacity.

## VIII. Methods of Sale

There are three principal methods for the initial sale of Bonds: (i) competitive, (ii) negotiated, and (iii) private placement. The City shall utilize the method of sale that (a) is reasonably expected to produce the most advantageous debt service cost with respect to the Bonds, and (b) provides the City with the flexibility necessary or desirable in connection with the structuring, timing or terms of such sale.

Except as provided in Section B, the City's GO and general fund debt will typically be issued by competitive sale in accordance with the City's competitive bid policies. It is usually not feasible to issue bonds through a competitive sale for certain types of financings, such as variable rate debt, non-traditional structures, commercial paper and specialized financings like Mello-Roos.

The underwriter or underwriters for a negotiated sale of Bonds (the "Underwriters") shall be selected from a pre-qualified pool of underwriters which will be established via a competitive process.

### A. Competitive Sale

The City may take bids in person or by electronic means. The timeliness of bids submitted in person will be determined by the Director of Public Finance, in consultation with the City Attorney.

1. Marketing: Bond sales will be advertised broadly, including advertising in an industry newspaper. The municipal advisor(s) for each transaction shall undertake to market the bonds to prospective bidders and investors as appropriate and in accordance with law.
2. Amendments: Terms of the bonds shall be amendable as late as possible and at least until 1:00 p.m. Pacific Time the day prior to the day bids are to be received.
3. Cancellation: Bond sales will be cancelable at any time prior to the time bids are to be received.
4. Award: The Bonds shall be awarded to the bidder whose conforming bid represents the lowest true interest cost to the City ("TIC"). The City may then restructure the bonds in accordance with the Official Notice of Sale.
  - i. the City, in its sole discretion, shall reserve the right to reject all bids or waive bid irregularities.
  - ii. the Controller or his/her designee shall make the award of general obligation bonds.



- iii. an officer of the Finance Corporation of the City and County of San Francisco or his/her designee shall award lease revenue bonds issued by the Finance Corporation.
  - iv. the Controller or his/her designee shall make the award of certificates of participation.
5. Premium: For each bond sale, OPF will establish maximum levels of premium that may be bid by prospective bidders, in consultation with the City's municipal advisor and bond counsel. Any premium received may be used, in accordance with legal requirements, for the construction or acquisition of the proposed project, or to pay for capitalized interest on the bonds, as determined by the Director of Public Finance.

## **B. Negotiated Sale**

The Director of Public Finance, in consultation with the Controller and the City's municipal advisor(s), may determine to issue new money and refunding Bonds on a *negotiated basis* if one of more of the following factors is present:

1. There is significant deterioration in the City's overall credit rating or outlook,
2. There are market or other disruptions that are outside of the City's control, including new or proposed changes in taxation or sector risks, and
3. The transaction consists of (a) variable rate debt or commercial paper, (b) a non-traditional debt structure (e.g. forward delivery bonds, long-dated maturities or special call features), (c) a complex refunding, or (d) a public/private partnership.

All variable rate bonds, which may include variable rate demand notes, commercial paper, etc., are expected to be issued on a negotiated basis. The City shall retain a minimum of two broker/dealers or remarketing agents for each issuance of variable rate indebtedness exceeding \$100 million. The broker/dealers or remarketing agents shall be retained for a period co-terminus with the final maturity of any variable rate bonds provided that the City may replace a broker/dealer or remarketing agent with notice at any time for any reason in its sole discretion.

## **C. Private Placement**

Any City obligations that lack an active and liquid secondary market, and / or have complex or unusual credit characteristics may be issued through a private placement pursuant to a bond purchase contract and placed with an "accredited investor" (as defined in Rule 501(a) of Regulation D under the Securities Act of 1933), subject to the Director of Public Finance finding, in consultation with the City's municipal advisor, that such a sale method would result in a lower overall cost than would be achieved by selling bonds at a public sale.

## IX. Debt Structuring Practices

### A. Standard Terms

The following terms shall be applied to the City's transactions as appropriate. Individual terms may change as dictated by the marketplace of the unique qualities of the transaction.

#### 1. General Obligation Bonds:

- |       |                          |  |
|-------|--------------------------|--|
| i.    | Term                     | Typically 20 to 30 years but up to 40 years may be considered;   |
| ii.   | Maximum Interest Rate    | Not-to-exceed 12%;   |
| iii.  | Maximum Premium          | Case by case determination;  |
| iv.   | Maximum Discount         | Not less than par, unless market conditions dictate otherwise;   |
| v.    | Payment Dates – Fixed    | June 15 (principal redemption and interest) and December 15 (interest only); the first payment may be extended by up to 18 months to ensure that a payment is not placed on the tax roll until after the bonds are issues; |
| vi.   | Coupons                  | Fixed or variable;   |
| vii.  | Call Provisions          | All debt will be callable at the earliest possible optional call date consistent with optimal pricing;   |
| viii. | Structure of Debt        | Level debt service; or structured to meet debt capacity constraints;   |
| ix.   | Project Fund             | Gross funded;  |
| x.    | Debt Service Reserve     | None; unless market conditions dictate otherwise;  |
| xi.   | Capitalized Interest     | Case by case determination;  |
| xii.  | Reimbursement Resolution | Maximize capitalization of all appropriate costs into the cost of the asset; will adopt as appropriated; and   |
| xiii. | Budgeting Debt Service   | Debt service shall be included in the tax levy as needed to repay the bonds.   |

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2. Lease Revenue Bonds/Certificates of Participation:

- |       |                          |  |
|-------|--------------------------|--|
| i.    | Term                     | Typically 20 to 30 years but up to 35 years depending on cash flow assumptions, construction timeline, and remaining useful life of the asset being financed;  |
| ii.   | Maximum Interest Rate    | Not-to-exceed 12%;   |
| iii.  | Maximum Premium          | Case by case, as recommended by MA;  |
| iv.   | Maximum Discount         | Case by case, as recommended by MA;  |
| v.    | Payment Dates – Fixed    | March /April 1 and September/October 1; equipment lease revenue bonds pay principal in both April and October; subject to change with revenues;  |
| vi.   | Coupons                  | Fixed or variable;   |
| vii.  | Call Provisions          | All debt will be callable at the earliest possible optional call date consistent with optimal pricing;   |
| viii. | Structure of Debt        | Level debt service, unless otherwise dictated by revenues or underlying remaining useful life;   |
| ix.   | Debt Service Reserve     | Lesser of 10% of principal amount, 125% average annual debt service or 100% maximum annual debt service. Surety policies or letters of credit may be used in lieu of cash funded debt service reserve. Prior to issuance of any bonds the Controller or Director of the Office of Public Finance may recommend a lower debt service reserve requirement, provided it is economic to do so; |
| x.    | Capitalized Interest     | Sized through substantial completion plus a minimum of six months unless other assets are available; liquidated damages of construction contract should include amount of daily debt service;  |
| xi.   | Net Funding              | The project and capitalized interest funds may be net funded if investments are secured upon issuance of bonds;  |
| xii.  | Reimbursement Resolution | Maximize capitalization of all appropriate costs into the cost of the asset; will adopt as appropriated; and   |
| xiii. | Budgeting Debt Service   | Budget shall typically be for <u>gross</u> debt service.   |

3. Variable Rate Bonds: The City may elect to issue any bonds as variable rate bonds, which bonds may bear interest at daily, weekly, monthly, semi-annual or commercial paper segment rates.

- |       |                            |   |
|-------|----------------------------|---|
| i.    | Purpose                    | Reduce net borrowing costs; match of assets and liabilities;  |
| ii.   | Max. Portfolio Allocation  | No more than 25% of the City's outstanding debt portfolio shall be unhedged, variable rate short-term paper;  |
| iii.  | Term                       | Consistent with policies for underlying debt types;   |
| iv.   | Maximum Interest Rate      | Not-to-exceed 12%;  |
| v.    | Monitoring                 | OPF shall monitor all variable rate bonds on a monthly basis and shall determine, from time to time, whether to change modes, alter hedging strategies and/or replace a broker-dealer or remarketing agent;   |
| vi.   | Budgeting                  | OPF will recommend annually budgeted debt service on any variable rate bonds, taking into account ongoing fees, historic interest rates, the effect of risk mitigation products, and the availability of fund balances carried forward from previous years' savings. To protect against volatile interest rates, a cushion will be accounted for in the budgeted amount;                        |
| vii.  | Remarketing Provisions     | OPF shall endeavor to include a provision that requires the remarketing agent(s), in the event of a failed remarketing, to purchase the City's bonds, at prevailing interest rates, for up to 30 days; the purpose of such provision is to allow the City ample time to convert illiquid bonds to an alternative, marketable mode before incurring liquidity rates, if market conditions allow; |
| viii. | Call/Conversion Provisions | On any date without penalty; no more than 10 days' notice;  |
| ix.   | Credit Facility            | A credit facility shall be obtained, either externally or internally, for all short-term indebtedness containing a put feature and may be considered as an alternative to short-term borrowing options. Credit facility providers shall maintain short-term   |

- ratings from at least two nationally recognized statistical rating organizations (“NRSRO”) equal to equivalent to or better than P-1/A-1/F1, and long-term ratings from at least two NRSRO equal to or better than A2/A/A;
- x. Disclosure If required by law, the City will provide continuing disclosure in accordance with its customary practices for any short-term debt with a final, stated maturity exceeding 3 years; and
- xi. Mode All bonds issued as variable rate bonds shall be issued as “multi-modal” bonds.

**B. Capitalized Interest Policy.** The City will consider capitalizing interest during the construction period of a revenue producing asset, or alternatively for lease-lease back transactions, interest will be capitalized until the City has beneficial use and enjoyment of the asset.

**C. Call Option Policy.** For each transaction the Director of Public Finance will evaluate the appropriateness of call options. A call option gives the City the right to prepay or retire debt prior to its stated maturity. In the case of high interest debt, or debt with onerous covenants outdated provisions, the City may be able to achieve interest rate cost savings or otherwise obtain more advantageous bonding terms. Because investors would face reinvestment risk if called early, investors may seek an early call premium. Accordingly, for each transaction the Director of Public Finance will evaluate the cost of call options based on the cost of the option and market conditions, among other factors.

**D. Debt Service Reserve Policy.** The City does not establish a debt service reserve for general obligation bonds. For all other obligations, the City will determine the level of the debt service reserve in accordance with federal tax law, and other market conditions. Reserve funds are typically sized to equal the lesser of 10% of principal amount, 125% average annual debt service or 100% maximum annual debt service, although the City may seek to establish a lower funding amount, provided it is economic to do so.

## **X. Derivatives Policy**

Properly used, interest rate swaps, and related financial instruments such as swap options, can be beneficial interest rate management tools that can assist the City as part of its overall debt and investment management program. Interest rate swaps are appropriate for use when they are designed to achieve specific financial objective(s) consistent with the City’s overall financial policy and strategy. However, these products also carry with them certain risks not faced in standard debt instruments which are often difficult to quantify. If there is a compelling risk management reason to utilize derivative products, OPF will review a proposed transaction and, where appropriate, provide analysis and recommend approval by

the Board of Supervisors. Prior to making such recommendation, OPF will submit to the Board for discussion a Derivatives Policy designed to ensure that adequate internal controls are in place to manage such instruments.

## **XI. Permitted Investments**

All investments of bond proceeds and debt service reserve funds shall adhere to the Treasurer's Investment Policy overseen by the County Treasury Oversight Committee. With the exception of Investment Agreements, investments shall not allow security types or credit standards less than those of the Treasurer's Investment Policy. Investment agreements shall be selected as provided in subsection below.

### 1. Investment Agreements ("IAs"):

- |                               |  |
|-------------------------------|--|
| i. Purpose                    | a) maximize interest earnings, within the parameters permitted by law, thereby reducing net borrowing cost, b) match of assets and liabilities, and/or c) hedging; |
| ii. Counterparty              | Minimum rating of the second highest ranking from at least one major NRSRO;  |
| iii. Mandatory Termination    | Limited to credit-related events and default;  |
| iv. Cure Provisions           | Timelines on City's obligations to cure must provide for appropriate legislative action;   |
| v. City's Priority of Payment | Termination Payments - subordinate to related debt payments;   |
| vi. Procurement/Award         | Award based on best bid as defined in bid form after limited negotiation of terms; and   |
| vii. Term                     | Not in excess of the term of the bonds.  |

*[Remainder of Page Intentionally Left Blank.]*

## **XII. External Consultants**

1. *Bond, Tax and Disclosure Counsel:* The City Attorney's Office shall select bond, tax and /or disclosure counsel for each transaction. The City Attorney's Office will periodically discuss the performance of Bond Counsel, Tax or Disclosure Counsel with OPF in terms of cost, quality and timeliness of legal services.
2. *Municipal Advisors:* OPF may determine to utilize the services of independent municipal advisor(s) and feasibility consultant(s) ("MA") on debt financing when prudent. OPF shall utilize a request for qualifications ("RFQ") and/or request for proposals ("RFP") selected pool of such municipal advisors to mitigate time constraints and reduce overhead costs of the City in procuring such services. Services shall be documented by contract and compensation shall be capped. All municipal advisors shall be registered with the Municipal Securities Rulemaking Board ("MSRB") as well as the Securities and Exchange Commission ("SEC"). No municipal advisor shall also serve as an underwriter on a given transaction. OPF will select a specific firm(s) to serve as the City's Independent Registered Municipal Advisor ("IRMA"), as defined by the SEC. In order to facilitate open communication with underwriters, the City will prepare and post on its website a letter stating that the City has an IRMA. Before acting on any proposal received from underwriters in the City's pool, the City may provide the proposal to the IRMA and consider all feedback received from the IRMA.
3. *Rebate Consultant:* Rebate consultant shall be selected from an established pool through an RFQ process. All rebate consulting contracts for tax-exempt long-term obligations will be for a set term with optional 1-year extensions. Rebate analyses will be performed annually at fiscal year-end by the rebate consultant and on every fifth anniversary of the bond issue until proceeds are fully expended.
4. *Secondary Market Dissemination Agents:* OPF will serve as dissemination agent for the City's secondary market obligations. OPF will evaluate from time to time the cost effectiveness of the use of outside consultants to serve as dissemination agent for the City's secondary market disclosure obligations and may appoint such outside consultant as dissemination agent.
5. *Fiscal & Tax Consultant:* For Land Secured District financings, OPF may select a consultant to provide services in connection with formation of tax districts; annexation of property into special tax districts; issuance of special tax bonds; ongoing administration of the special tax district, including calculations and preparation of the levy and tracking of tax collection; and other related tasks.

## **XIII. Counterparty and Fiduciary Relationships**

1. *Broker-Dealers and Remarketing Agents:* For all variable rate bonds, OPF shall select by RFP broker-dealers or remarketing agents for each transaction and

monitor performance on a monthly basis. The City may replace a remarketing agent or broker-dealer with notice at any time.

2. Investment Agreement Counterparties: Selected by RFP in accordance with relevant bond documents and the Treasurer's Investment Policy.
  - a. *Collateralized Guaranteed Investment Contracts (GICs)/Full Flex Repurchase Agreements*: Investment of funds in GICs is permitted, as per Section 5922 of the Government Code, when collateralized by U.S. Government guaranteed and direct obligation securities. Collateral must be held by a third party institution, and must be marked to market on a weekly basis to a minimum of the value of the outstanding balance of the contract. The maximum maturity date on a GIC is limited to the final maturity date of the bonds being issued.
  - b. *Uncollateralized Guaranteed Investment Contracts (GICs)*: Investment of funds in GICs which are not initially collateralized is permitted, as per Section 5922 of the Government Code, only if (a) the term of the GIC does not exceed three (3) years, (b) the counterparty to the GIC is rated in the highest long-term rating category by two Nationally Recognized Statistical Rating Organizations (NRSROs) or whose payment obligations under such GIC are insured or guaranteed by an entity the unsecured obligations of which are so rated), and (c) the GIC requires that it be collateralized as described above within ten (10) of the rating agency publication of a downgrade of the counterparty's rating below the highest long-term rating category by any NRSRO.
  - c. *Repurchase and Forward Delivery Agreements*: Bond proceeds may be invested in term repurchase agreements or forward-delivery agreements with primary dealers of the Federal Reserve Bank of New York rated "A" or better by any NRSRO with which the City has entered into a Master Repurchase Agreement. This MRA will be modeled after the Securities Industry and Financial Markets Association (SIFMA)'s MRA. All collateral used to secure this type of transaction is to be delivered to a third party prior to release of funds. The third party will have an account in the name of the City. The market value of securities used as collateral for repurchase agreements shall be monitored on a daily basis by the Treasurer and will not be permitted to fall below 102 percent of the value of the repurchase agreement. Collateral shall not include strips, zero-coupon instruments or instruments with maturities in excess of five years. The right of substitution will be granted, provided that permissible collateral is maintained. In order to conform with provisions of the Federal Bankruptcy Code which provides for the liquidation of securities held as collateral for repurchase agreements, the only securities acceptable as collateral shall be securities that are direct obligations of and guaranteed by the U.S. Government and Agency securities as permitted under this policy. The City will maintain a first



perfected security interest in the securities subject to the repurchase agreement and shall have a contractual right to liquidation of purchased securities upon the bankruptcy, insolvency or other default of the counterparty.

3. Credit Enhancement Providers:

- a. *Bond Insurance* – All or any portion of an issue of Bonds may be credit enhanced by bond insurance provided by municipal bond insurers (“Bond Insurers”) if it is economically advantageous to do so, or if it is otherwise deemed necessary or desirable in connection with a particular issue of Bonds. The relative cost or benefit of bond insurance may be determined by comparing the amount of the bond insurance premium to the present value of the estimated interest savings to be derived as a result of the insurance.

A surety bond, a form of insurance provided by Bond Insurers, can be purchased to meet the debt service reserve fund requirement on an issue of Bonds. Under this arrangement, instead of depositing Bond proceeds in the debt service reserve fund, the City buys a surety policy by paying a one-time premium equal to a percentage of the face amount of the policy. The City may use a surety policy in lieu of a debt service reserve fund when available and economically feasible.

- b. *Credit Facilities* – The issuance of certain types of Bonds may require a letter of credit or liquidity facility or a revolving line of credit for short-term borrowings may be considered from a qualified financial institution to provide liquidity and / or credit support (each a “Credit Facility”). A Credit Facility may be necessary for credit support on commercial paper and variable rate bonds with a tender option, , as an alternative to other short-term borrowing options, and Bonds that could not receive an investment grade credit rating in the absence of such Credit Facility.

The Director of Public Finance shall consider the likely remedial strategies in the event of a material decline in the Credit Facility provider’s credit quality.

The criteria for selection of a Credit Facility provider shall include the following:

- i. Long-term ratings from at least two NRSROs equal to or better than A2/A/A or equivalent;
- ii. Short-term ratings from at least two NRSROs equal to or better than P-1 / A-1 / F1;
- iii. Experience providing such facilities to state and local government issuers;

- iv. Fees, including without limitation initial and ongoing costs of the Credit Facility; draw, transfer, and related fees; counsel fees; termination fees and any trading differential; and
  - v. Willingness and ability to agree to the terms and conditions required by the City.
- c. *Selection* – Credit Facility providers will be selected by RFP issued by OPF or its agent and subject to negotiation of terms. To the extent necessary or desirable, and in accordance with City’s debt approval procedures, the Director of Public Finance may elect to extend the term of an existing Credit Facility on or before the expiration date. The decision to extend such Credit Facility shall be supported by a review of the Credit Facility market and available alternatives.
- d. *Replacement* – In the event that a Credit Facility provider experiences financial or other distress, such as a material credit rating downgrade below the thresholds detailed in this Section XIII., the Director of Public Finance, to the extent necessary or desirable, shall seek to replace the related provider subject to any required approvals by the Board of Supervisors. The Director of Public Finance shall take into consideration:
- i. The impact on the City’s own credit rating;
  - ii. The remaining value of the existing Credit Facility;
  - iii. The financial impact of any replacement; and
  - iv. Any other material financial or other consideration.
4. *Trustees*: The Trustee shall have a combined capital and surplus of at least \$50,000,000 and be subject to supervision or examination by federal or state authority.
5. *Underwriters*: OPF may determine to retain underwriters for negotiated and private placement bond transactions. OPF will utilize an RFP-selected pool of such underwriters advisors to mitigate time constraints and reduce overhead costs of the City in procuring such services. Services shall be documented by contract and compensation shall be capped. Underwriters may be required to execute confidentiality agreements with the City prior to the commencement of work.

#### **XIV. Post Issuance Debt Administration and Secondary Market Disclosure**

1. *Secondary Market Disclosure; Annual Report; Material Event Notices; Voluntary Event Disclosure*: OPF shall comply with all contractual obligations with respect to the provision of annual operating data and financial information in order to comply with federal securities disclosure laws. OPF will also strive to maintain good investor relations through the timely filing with the Electronic Municipal Marketplace Access (EMMA) of material financial information. The City will covenant to provide annual disclosure in accordance with SEC Rule

15c2-12. The City will also covenant to provide its annual disclosure report (the “Annual Report”) no later than 270 days following the end of the fiscal year, but the City will strive to issue the Annual Report as soon as practical following the issuance of the City’s Comprehensive Annual Financial Report (“CAFR”). The Annual Report shall include CUSIPs, trustee and City contacts, and applicable project status as required, for all transactions subject to annual reporting.

OPF will also timely file with EMMA:

- Event Notices: The City will, or cause its dissemination agent to, disseminate timely event notices with EMMA in accordance with the provisions of SEC Rule 15c2-12, as further described in Appendix I.
  - Voluntary Event Disclosure: The City shall, or cause its dissemination agent to, submit its 6-month Budget Report, 9-month Budget Report, and 5-year Financial Plan to EMMA or the Controller’s website as soon as practical.
2. OPF Website: OPF will maintain its website to include information on the 1) City’s GO ratings, 2) debt issuance statistics, 3) official statements when available, 4) notices for upcoming bond sales; and 5) other miscellaneous reports, notices, and disclosures required by law.
  3. State Reporting Requirements: The City will submit or cause to be submitted timely reports to the California Debt and Investment Advisory Commission (CDIAC) or California Controller’s Office pursuant to State law, including SB 1029 and AB 1666. These include submission of 1) Report of Proposed Issuance; 2) Report of Final Sale; and 3) any annual reports required for compliance with SB 1029, as well as any Mello-Roos district reports required by AB 1666. In accordance with SB 1029, OPF will work with the Controller’s office to ensure that appropriate internal controls have been adopted and implemented by the City.
  4. Insurance Certifications: The City (through its Risk Manager) will agree to provide annual insurance certification to the Trustee and Bond Insurer on lease revenue bonds and COP financings as and when required.
  5. Annual Budgetary Certifications: The City will agree to covenant to provide annual budgetary certifications to interested parties, if requested, no less than 60 days following the adoption of the City’s budget. Pursuant to the City Charter, the Board must adopt the annual budget by each July 31<sup>st</sup> and the Mayor must sign it 10 days thereafter.
  6. Ratings: OPF’s current practice is to secure underlying ratings on all newly issued obligations from at least two major nationally recognized statistical rating organizations, provided it is economical to do so. OPF may pursue additional

ratings as circumstances warrant. OPF will promptly provide financial information to such rating agencies in order to maintain the rating on the bonds.

7. Rating Agency Coordination; Annual Rating Agency Meeting: It is the policy of the City to maintain the highest practical credit ratings without compromising other City policy objectives. By maintaining the highest practical credit ratings, the City can issue debt at the lowest possible interest costs. The Director of Public Finance will be the point of contact with the rating agencies and will promptly provide financial and operating data to the rating agencies as requested. The Director of Public Finance will offer to meet with each rating agency which maintains a rating on the City's bonds at least annually.
8. Citywide Ratings Notification: OPF will promptly provide notice of any changes in City general fund ratings or outlook to the Mayor, the Mayor's Budget Director and Press Secretary, City Controller, City Treasurer, Chief Investment Officer, President of the Board of Supervisors, Chair of the Budget and Finance Committee of the Board of Supervisors, Budget Analyst to the Board of Supervisors and the DPWG. OPF will work with the City Attorney and Disclosure Counsel to ensure that material event notices regarding such rating action is timely filed with EMMA.
9. Training: OPF will work with the City Attorney's office to ensure that training is conducted for City officials and staff regarding the disclosure obligations of City officials in connection with the issuance of bonds. The purpose of the training is to ensure that City officials and staff are aware of their respective legal obligations under the federal securities laws in connection with the issuance of bonds. City officials or employees will be required to attend disclosure training sessions as provided in the City's Disclosure Controls and Procedures attached hereto as Appendix I.
10. Relationship with Other City Entities: The Director of Public Finance will maintain communications with the City's related issuers of long-term obligations, including through periodic meetings, conference calls and status reports, and may consult with such issuers regarding the proposed issuance of Bonds, the use of derivatives, credit and rating strategies, and other related matters.
11. Bi-Annual Review of Policy: OPF will conduct a bi-annual review and evaluation of this Policy. As appropriate, OPF shall amend the Policy to be consistent with changes in the federal and state securities laws, pronouncements of the Securities and Exchange Commission and such other matters as the Director of Public Finance deems necessary or desirable, in consultation with the City Attorney (as necessary).

## **XV. Post Issuance Arbitrage Rebate Tax Compliance**

OPF will manage post issuance tax compliance matters relating to the obligations issued by the City. The person(s) who hold the following title(s) shall be responsible for monitoring ongoing tax compliance matters relating to the Bonds, including compliance with the arbitrage rebate requirements of Section 148 of the Code, as set forth in these Procedures, which are intended to satisfy Section 7.2.3.4.4 of the Internal Revenue Manual: Director of Public Finance of the City and County of San Francisco.

#### **A. External Advisors / Documentation**

The Director of Public Finance, to the extent necessary, will consult with the City Attorney, bond counsel and other legal counsel and advisors following issuance of the Bonds to ensure that all applicable post-issuance requirements in fact are met. Such consultation will include, without limitation, questions about future contracts with respect to the use of Bond-financed or refinanced assets.

The Director of Public Finance, will from time to time engage expert advisors (each a “Rebate Service Provider”) to assist in the calculation of arbitrage rebate payable in respect of the investment of Bond proceeds as required under the Code.

The Director of Public Finance will prepare (or cause to be prepared) regular, periodic statements regarding the investments and transactions involving Bond proceeds and such statements shall be delivered to the Rebate Service Provider if it so requests.

#### **B. Arbitrage Rebate and Yield**

In connection with Bonds subject to this Debt Policy, the Director of Public Finance shall be responsible for:

- engaging the services of a Rebate Service Provider and, prior to each rebate calculation date, causing the trustee or other account holder to deliver periodic statements concerning the investment of Bond proceeds to the Rebate Service Provider;
- providing to the Rebate Service Provider additional documents and information reasonably requested by the Rebate Service Provider;
- monitoring efforts of the Rebate Service Provider;
- assuring payment of required rebate amounts, if any, no later than 60 days after each 5-year anniversary of the issue date of the Bonds, and no later than 60 days after the last Bond of each issue is redeemed;
- during the construction period of each capital project financed in whole or in part by Bonds, monitoring the investment and expenditure of Bond proceeds and consult with the Rebate Service Provider to determine compliance with any applicable exceptions from the arbitrage rebate requirements during each 6-

month spending period up to 6 months, 18 months or 24 months, as applicable, following the issue date of the Bonds; and

- retaining copies of all arbitrage reports and account statements.

### **C. Use of Bond Proceeds and Bond-Financed or Refinanced Assets**

The Director of Public Finance, together with the Controller's Office and applicable City departments, shall be responsible for:

- monitoring the expenditure of Bond proceeds and the use of Bond-financed or refinanced assets (e.g., facilities, furnishings or equipment) throughout the term of the Bonds to ensure compliance with covenants and restrictions set forth in any tax agreement relating to the Bonds;
- maintaining records identifying the assets or portion of assets that are financed or refinanced with proceeds of each issue of Bonds, including a final allocation of Bond proceeds as described below under "Record Keeping Requirements";
- consulting with the City Attorney, bond counsel or other legal counsel and advisers in the review of any contracts or arrangements involving use of Bond-financed or refinanced assets to ensure compliance with all covenants and restrictions set forth in the Tax Agreement relating to the Bonds;
- maintaining records for any contracts or arrangements involving the use of Bond-financed or refinanced assets as described below under "Record Keeping Requirements";
- conferring at least annually with personnel responsible for Bond-financed or refinanced assets to identify and discussing any existing or planned use of Bond-financed or refinanced assets, to ensure that those uses are consistent with all covenants and restrictions set forth in the Tax Agreement relating to the Bonds; and
- to the extent that OPF, or any City department, discovers that any applicable tax restrictions regarding use of Bond proceeds and Bond-financed or refinanced assets will or may be violated, consult promptly with the City Attorney, bond counsel and other legal counsel and advisers to determine a course of action to remediate all nonqualified bonds, if such counsel advises that a remedial action is necessary.

### **D. Record Keeping**

The Director of Public Finance will keep and maintain the following documents for the term of each issue of Bonds (including refunding Bonds, if any) plus at least six years:

- a copy of the Bond closing transcript(s) and other relevant documentation delivered to the City at or in connection with closing of the issue of Bonds, including any elections made by the City in connection therewith;
- a copy of all material documents relating to capital expenditures financed or refinanced by Bond proceeds, including (without limitation) construction contracts, purchase orders, invoices, trustee requisitions and payment records, draw requests for Bond proceeds and evidence as to the amount and date for each draw down of Bond proceeds, as well as documents relating to costs paid or reimbursed with Bond proceeds and records identifying the assets or portion of assets that are financed or refinanced with Bond proceeds, including a final allocation of Bond proceeds;
- a copy of all contracts and arrangements involving the use of Bond-financed or refinanced assets; and
- a copy of all trustee statements, including record of investments, investment agreements, arbitrage reports and underlying documents in connection with any investment agreements, and copies of all bidding documents, if any.

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**APPENDIX I**  
**Municipal Finance Disclosure Policies and Procedures**

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Article I  
*General*

Section 1.1. Purpose. The purpose of the City and County of San Francisco Disclosure Policies and Procedures (these “Procedures”) is to establish processes and controls (i) so that the financial disclosures that the City and County of San Francisco (the “City”) makes are accurate and comply with all applicable federal and state securities laws, and (ii) to promote best practices regarding disclosures relating to bonds, certificates of participation, or other financial obligations of the City (“Obligations”).

These Procedures apply to Obligations issued under the supervision of the City’s Office of Public Finance (“OPF”). These Procedures do not apply to obligations issued by other departments or enterprises of the City, including the Airport Commission, the Mayor’s Office of Housing and Community Development, the Municipal Transportation Agency, the Port Commission, or the Public Utilities Commission. Further, certain types of transactions, such as bonds issued for Community Facilities Districts, Infrastructure Financing Districts, Assessment Districts or Green Bond financings, may require additional disclosures that are unrelated to the requirements of federal and state securities laws. OPF may develop additional procedures from time to time for those types of disclosures.

The City’s policy for when the City serves as a conduit issuer is to require the conduit borrower to enter into any required continuing disclosure agreement to provide for the continuing disclosure of information relating to such issuance, the borrower and other matters as specifically provided therein. The conduit borrower shall also indemnify the City against any untrue statement made in relation to a disclosure document for such issuance. The offering documents for conduit issuances shall also contain appropriate disclaimers specifying the limited information supplied by the City.

These Procedures should be read in conjunction with Article XIV of the Debt Policy of the City and County of San Francisco (the “Debt Policy”).

**The failure of OPF to comply with any provision of these Procedures shall not affect the authorization or the validity or enforceability of any Obligations that are otherwise issued by the City in accordance with law.**

Section 1.2. Disclosure Practices Working Group. To better carry out the purposes set forth in Section 1.1 of these Procedures, a Disclosure Practices Working Group (the “DPWG”) is established. Membership of the DPWG shall consist of: (1) the Director of Public Finance, (2) the Mayor’s Budget Director (or the Director’s designee), (3) the Controller (or the Controller’s designee), and (4) the Treasurer (or the Treasurer’s designee). The City Attorney (or the City Attorney’s designee, who shall be a Deputy City Attorney specializing in public finance), together with Disclosure Counsel, shall advise the DPWG on requirements of the federal securities laws. Even though the members of the DPWG may meet and discuss disclosure-related matters from time to time, such meetings

shall not constitute a meeting of the DPWG unless the City Attorney (or Deputy City Attorney) and Disclosure Counsel also participate in the meeting.

Section 1.3. Definitions. Unless otherwise defined in this document, initially capitalized terms used in these Procedures shall have the meanings set forth below:

“*CAFR*” means the City’s Comprehensive Annual Financial Report.

“*CDA*” means a Continuing Disclosure Agreement of the City entered into pursuant to SEC Rule 15c2-12.

“*City*” means the City and County of San Francisco, California.

“*City Financial Statements*” means that portion of the CAFR that are the audited financial statements, including the notes and management letter relating thereto.

“*Contributor*” means each person contacted by the Disclosure Coordinator or the Disclosure Practices Working Group to assist with the review or preparation of a Disclosure Document as described in Section 4.1, or such person’s designee.

“*Debt Policy*” means the Debt Policy of the City and County of San Francisco.

“*Disclosure Counsel*” means the law firm or law firms engaged by the City Attorney to advise the City with respect to disclosure obligations and requirements under federal securities laws.

“*Disclosure Coordinator*” means the Director of Public Finance, or such other City official designated by the Controller from time to time.

“*Disclosure Documents*” means those documents defined as such in Section 2.1.

“*Disclosure Practices Working Group*” or “*DPWG*” means the Disclosure Practices Working Group as identified under Section 1.2 of these Procedures.

“*Dissemination Agent*” means the dissemination agent appointed by the City to disseminate reports and post notices on EMMA pursuant to the City’s secondary market obligations. The Dissemination Agent may be an employee of the OPF or a third-party dissemination agent.

“*EMMA*” means the Electronic Municipal Market Access system of the MSRB.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive filings pursuant to Rule 15c2-12 under the federal Securities Exchange Act of 1934, as the same may be amended and modified from time to time.

“*Obligations*” means bonds, certificates of participation, or other financial obligations of the City.

“*OPF*” means the City’s Office of Public Finance.

“*Preparer*” means those persons defined as such in Section 4.2.

“*Procedures*” means these Municipal Finance Disclosure Policies and Procedures, as the same may be supplemented and amended from time to time.

“*SEC*” shall mean the United States Securities and Exchange Commission.

Section 1.4. Meetings of the Disclosure Practices Working Group. The DPWG shall meet as often as necessary to fulfill its obligations, and generally shall meet at least once every two years to discuss matters related to these Procedures. Meetings of the DPWG are intended to be internal meetings of City staff and shall not be deemed to be public meetings for purposes of the Brown Act or the City’s Sunshine Ordinance.

Any member of the DPWG may request a meeting of the DPWG to discuss any topic within the scope of these Procedures. If requested, the Disclosure Coordinator will endeavor to convene a meeting of the DPWG. Members of the DPWG may participate in meetings by telephone. The Disclosure Coordinator shall keep a record of DPWG meetings and a brief summary of the matters discussed.

## Article II

### *Disclosure Documents*

Section 2.1. Disclosure Documents. For purposes of these Procedures, the term “Disclosure Documents” shall mean (i) the City’s documents and materials prepared or distributed in connection with the City’s disclosure obligations under applicable federal and state securities laws relating to its securities and (ii) other disclosure that the DPWG shall determine to review and approve. Disclosure Documents shall include, but not be limited to, the following:

- (A) Preliminary and final Official Statements and Private Placement Memoranda relating to the City’s Obligations or containing City financial information, together with any supplements; and
- (B) any disclosure filing made by the City with the MSRB through EMMA, whether made under a continuing disclosure agreement to which the City is a party or made voluntarily.

The term “Disclosure Documents” shall also include any other disclosure that the DPWG designates as such pursuant to Section 4.2(A) below.

Article III  
*Continuing Disclosure*

In connection with each public offering of Obligations, the City enters into a Continuing Disclosure Agreement (“CDA”) in order to assist underwriters in complying with their obligations under SEC Rule 15c2-12(b)(5). The provisions of the CDAs relate to 1) the City’s provision of annual reports to MSRB, specifying the contents and timeliness of those reports; and 2) the City’s timely disclosure of certain categories of so-called “significant events”.

Section 3.1 Annual Reports.

The CDAs provide that the City shall, or shall cause its Dissemination Agent to, not later than 270 days after the end of the City’s fiscal year (which is June 30), provide the MSRB through filing with EMMA an Annual Report, which shall contain or incorporate by reference the information required by SEC Rule 15c2-12 and each of the City’s CDAs.

Before any Annual Report is filed with EMMA:

1. Disclosure Counsel and City Attorney’s office shall have confirmed in writing to the Disclosure Coordinator that each has reviewed the Annual Report; and
2. The members of the DPWG shall have confirmed, in writing or verbally at a DPWG or due diligence meeting, to the Disclosure Coordinator that they have reviewed the Annual Report and that they are not aware of any material inaccuracies or omissions in the Annual Report.

The Annual Report is required to include a copy of the City Financial Statements. The Controller shall determine which City officials will play a role in preparing and reviewing the City Financial Statements and shall implement such internal procedures for this review as the Controller deems appropriate, if any.

Section 3.2 Significant Events.

SEC Rule 15c2-12 provides that the City shall give, or cause to be given, in an electronic format as prescribed by the MSRB, notice of the occurrence of any of the following events not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the I.R.S. of proposed or final determinations of taxability, Notices of Proposed Issue, or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the obligated person;
13. Consummation of a merger, consolidation, or acquisition, acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

SEC Rule 15c2-12 defines the term *financial obligation* to mean a:

- (A) Debt obligation;
- (B) Derivative instrument entered in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or
- (C) Guarantee of paragraph (A) or (B).

The term “financial obligation” under SEC Rule 15c2-12 does not include municipal securities for which a final official statement has been provided to the MSRB consistent with SEC Rule 15c2-12.

Financial obligations can take various forms. With respect to leases, a lease only constitutes a financial obligation if it operates as a vehicle to borrow money, *i.e.*, where both (1) the City is the lessee and (2) the lease rentals represent obligations (whether by the City or the lessor) to repay money over time. All other leases, whether real property or equipment, entered in the ordinary course of business shall **not** constitute financial obligations.

Commercial paper notes are financial obligations, but an event notice is only filed when a major legal document associated with the commercial paper note program is entered into, amended or extended. The major legal documents include any bank reimbursement agreement, any letter of credit, or any other notes credit facility. An event notice need **not** be filed when the outstanding amount of commercial paper increases or decreases, or the utilized or unutilized portion of a related credit facility changes, because notes are issued or repaid.

Any debt obligation, or guarantee of a debt obligation, that has an aggregate principal amount of \$25,000,000 or greater, shall be evaluated as potentially being material.

Each member of the DPWG shall notify the Disclosure Coordinator if such member becomes aware of any of the events listed above. The DPWG shall meet to discuss the event or correspond via email, as appropriate, and determine in consultation with Disclosure Counsel and the City Attorney's office whether a filing is required or is otherwise desirable.

If any member of the DPWG has reason to believe that the City is experiencing financial difficulty, such member shall inform the Controller of the relevant circumstances, and the Controller shall determine, in consultation with the City Attorney's office and Disclosure Counsel, as appropriate, whether a financial difficulty exists. If the Controller determines that a financial difficulty does exist, the Disclosure Coordinator shall convene a meeting or email discussion of the DPWG to determine what enhanced procedures might be appropriate to identify events of the type described in numbered paragraph 16 above.

If a DPWG member or the chief financial officer of a City department has reason to believe that a City department is experiencing financial difficulty that is resulting or may result in an event of the type described in numbered paragraph 16 above, such official shall notify the Disclosure Coordinator who shall consult with the Director of Public Finance and the City Attorney's office and decide whether to convene the DPWG to consider whether a material event filing may be warranted.

#### Article IV *Review Process*

Section 4.1. Review of Form and Content of Disclosure Documents. The DPWG shall review each Disclosure Document described in Section 2.1(A) and (B). This DPWG review may occur at a meeting or via e-mail. The DPWG may require the attendance of all persons involved in the preparation or review of the Disclosure Document.

In addition, the following procedures shall apply to Official Statements, Remarketing Memoranda and Private Placement Memoranda:

When applicable, a draft offering document shall be submitted to the Board of Supervisors together with each resolution or ordinance authorizing an Obligation. Such resolution or ordinance shall include a provision for Board approval of the draft offering document together with a delegation to the Controller or the Director of Public Finance to finalize the offering document to, among other things, include the most recent City financial information or other material information relevant to investors, and to otherwise make corrections and clarifications needed so that such offering document complies with federal securities laws.

(A) Disclosure Coordinator. The Disclosure Coordinator shall work with the bond financing team (*i.e.*, bond counsel, underwriter(s), underwriter's counsel, municipal advisors, and appropriate City staff), Disclosure Counsel, and such other individuals as appropriate given the nature of the financing, to confirm that these Procedures are followed with respect to the preparation and/or dissemination of any Disclosure Document.

(1) The Disclosure Coordinator shall be responsible for soliciting material information from appropriate City departments in a timely manner and shall identify Contributors who may have information necessary to prepare or who should review portions of the Disclosure Document. These Contributors should be timely contacted and informed that their assistance will be needed for the preparation of the Disclosure Document. See Exhibit A for the form of Request for Information from Contributors. Each Contributor shall determine which individuals or groups shall participate in the preparation of the Disclosure Document (or relevant portion) and the sources from which to derive the information the Contributor is asked to summarize or update in the Disclosure Document.

(2) The Disclosure Coordinator shall confirm to the DPWG that each section of and all financial and operating information contained in the Disclosure Document has been provided for review by departments and Contributors as described above and that the Disclosure Coordinator has received a response from each Contributor. The Disclosure Coordinator shall also confirm that "Appendix A" and other information concerning the City's financial condition has been compared for accuracy against the City Financial Statements, including the notes of said financial statements, and the other financial reports prepared and released by the Controller and the Mayor's Office.

(3) The Disclosure Coordinator shall coordinate an internal City due diligence session in connection with any substantial update to the City's "Appendix A" disclosure, such as an update reflecting a new CAFR.

(4) The Disclosure Coordinator or another member of the DPWG shall report any significant disclosure issues, if any, and concerns to the DPWG. The



DPWG shall consider whether such disclosure issues or concerns are material or otherwise warrant changes to the draft Disclosure Document.

(5) Prior to posting a preliminary Official Statement, the Disclosure Coordinator shall have received written signoff on the Official Statement from the Controller (or the Controller's designee), the Director of Public Finance (or the Director's designee), the City Attorney or one or more Deputy City Attorneys, and Disclosure Counsel for the transaction. For purposes of this policy, the Controller's execution of a certificate deeming a Preliminary Official Statement final shall also serve as the Controller's written signoff on the contents of the Preliminary Official Statement.

(B) Responsibilities of Contributors. Contributors shall assist in reviewing and preparing the Disclosure Document using their knowledge of the City and by discussing the Disclosure Document with other members of their department to validate the accuracy of the information and to determine whether any other information should be discussed or disclosed. Once Contributors are notified of their need to participate in preparing a Disclosure Document, each of the Contributors shall cooperate with DPWG requests. Each Contributor shall represent to the Controller (in a form satisfactory to the Controller) the accuracy and completeness of the section or sections for which the Contributor is responsible. See Exhibit B herein.

Section 4.2. Review of Other Types of Disclosure Documents. The following procedures shall apply to those Disclosure Documents that are not addressed in Section 4.1:

(A) Determination of Disclosure Document. Public documents and communications determined by the DPWG to be both (1) reasonably likely to reach investors or the securities markets, and (2) material to investors, shall be treated as Disclosure Documents under these Procedures. This could include material press releases, material web site postings, and other communications required to be certified by the Controller or the Director of Public Finance as representations of the City's financial condition to investors or the securities markets. Any City employee preparing (the "Preparer") any information intended for release to the investing marketplace that could be considered a Disclosure Document, shall notify the DPWG (via the Disclosure Coordinator) of such information. Once contacted by a Preparer, the DPWG shall determine whether such document or other communication is a Disclosure Document and whether such document should be filed as a material event or voluntarily with the MSRB (as provided in Section 2.1(B) above). Any member of the DPWG may request that the Disclosure Coordinator convene the DPWG to determine whether any document should be treated as a Disclosure Document. For the avoidance of doubt, provided that the City is in compliance with its CDAs, "Disclosure Document" is not intended to include routine press releases, website or social media postings, speeches, budget reports or other public pronouncements commonly issued by the City or other municipal entities in the ordinary course of business.

(B) Notify Disclosure Practices Working Group. If the DPWG determines that a document is a Disclosure Document, the Preparer shall inform the DPWG of the (i) expected completion date of the Disclosure Document and (ii) the expected dissemination date of the Disclosure Document. The DPWG shall be provided with a reasonable opportunity to review such Disclosure Document.

(C) Involvement of Deputy City Attorney. The Deputy City Attorney specializing in municipal finance whom the City Attorney assigns to work on the matter, in consultation with Disclosure Counsel, shall assist the Preparer to:

- (1) identify material information that should be disclosed; and
- (2) identify other persons that may have material information or knowledge of any information omitted from such Disclosure Document.

(D) Dissemination of Disclosure Document. If the DPWG determines that dissemination of the Disclosure Document on EMMA is appropriate, the Disclosure Coordinator shall cause the Dissemination Agent to timely file the Disclosure Document on EMMA, as described in Article XIV of the Debt Policy.

## Article V *Training Policy*

### Section 5.1. Training Sessions.

(A) City officials or employees with responsibility for providing, collecting or analyzing information that may be material to the preparation of a Disclosure Document shall attend disclosure training sessions as conducted from time to time. The Controller and/or the Director of Public Finance shall, through Contributors or directly, cause training material to be distributed to employees of the City who will participate in the preparation of Disclosure Documents for the first time. Such training materials shall include information on the City's disclosure obligations under applicable federal and state securities laws and such individual's responsibilities and potential liability regarding such obligations. Such training sessions may be conducted by automated online training, in person, or by video, if available.

(B) If there is a question as to whether a class of employees shall receive such training, the determination shall be made by the Controller, in consultation (if necessary) with the City Attorney. The DPWG may also require training for a particular employee not otherwise specified.

(C) At the request of the DPWG, the City Attorney's office shall organize separate training sessions for the members of the Board of Supervisors; provided however such training should be undertaken no less than once every three years.

(D) The Director of Public Finance and the City Attorney's office will discuss and develop training material for new developments under federal securities laws, or

otherwise, with the objective that the City maintains the best practices regarding its disclosure obligations.

*Article VI*  
*Document Retention Policies*

Section 6.1. Official Statements.

(A) Materials retained. For a Disclosure Document that is an Official Statement or similar document as referenced in Section 2.1(A), the OPF, on behalf of the DPWG, shall maintain a transcript for the relevant financing, for a period of at least five years from the date of delivery of the securities referenced in such Disclosure Document. Such transcript shall include, at a minimum:

- (1) the printed copy of the preliminary and final Official Statement (or preliminary and final Offering Memoranda);
- (2) the “deemed final” certification provided by a City official to the underwriter of the securities in accordance with paragraph (b)(1) of Rule 15c2-12;
- (3) the bond purchase agreement or official notice of sale, as applicable;  
and
- (4) any written certification or opinions executed by a City official or another financing party relating to disclosure matters, delivered at the time of delivery of the related securities.

(B) Materials not retained. These Procedures shall not require the DPWG to retain after the date of delivery of the related securities the drafts of any of the materials referenced in subsection (A) above.

Section 6.2. Disclosure Documents other than Official Statements. For Disclosure Documents other than those described in Section 5.1(A) above, the OPF, on behalf of the DPWG, shall maintain a central depository with the following materials, for a period of five years from the date the respective Disclosure Document is published, posted, or otherwise made publicly available:

- (1) the final version of the Disclosure Document, and
- (2) if the Disclosure Document is posted on EMMA, a copy of the receipt of filing generated by EMMA.

The DPWG shall not retain the drafts of any such materials.

*Article VII*  
*Confidential Submissions*

Section 7.1. Whistle Blower Complaint Program. The City shall encourage City employees to contact the Controller's Whistle Blower Complaint program with any significant disclosure questions or concerns. The Controller's office shall contact the DPWG as soon as practical for any matter which would have a serious impact on the City's Disclosure Documents.

*Article VIII*  
*Miscellaneous*

Section 8.1. Bi-Annual Review. The DPWG shall conduct a bi-annual review and evaluation of these Procedures. As appropriate, the DPWG shall amend these Procedures to be consistent with changes in the federal and state securities laws, pronouncements of the SEC, and such other matters as the DPWG deems necessary or desirable.

Section 8.2. Suspension of Requirements by Disclosure Practices Working Group. The DPWG may waive or suspend any of the procedures set forth in these Procedures for a particular transaction or type of transaction, or for all transactions, should the DPWG determine that compliance with such procedure is not practical or necessary to confirm the accuracy and completeness of the related Disclosure Document(s).

Section 8.3 Periodic Review and Update of Investor Relations Website. The Disclosure Coordinator shall review the City's investor relations website at least annually to confirm that it is up to date and shall maintain a written record of the dates such review has been completed. The Disclosure Coordinator shall request and confirm the posting or removal of information identified as necessary and appropriate as a result of such review.

**Table of Exhibits**

- A. Form of Request for Information from Contributors
- B. Form of Transmittal by Contributor to Disclosure Coordinator

**Form of Request for Information from Contributors**

The Office of Public Finance is requesting information from [department or division name] to be included in a detailed disclosure of the City's financial and operating data for an [official statement] [annual report] to be issued by the City in connection with [the sale of bonds or other securities] [federal annual reporting requirements for municipal securities]. This information will be disseminated publicly to the investing public, including bondholders, rating agencies, municipal advisors and other members of the investment community.

Federal securities laws require that the information be complete, accurate, and in no way misleading. Please review carefully and critically the information you are providing to be certain, to the best of your knowledge after reasonable inquiry of the appropriate persons, that it is accurate, complete and not misleading. Please be certain that the source documentation is reliable and auditable, should any future inquiry arise. Please provide a copy of all source documentation. Please describe any exceptions or other caveats to the information you are providing.

Please review the information in its entirety, rather than simply updating that which has already been provided, to determine whether any material changes have occurred or if any new or additional information should be included to make the information you are providing not misleading and as complete and accurate as possible.

Please provide the information by no later than [X date], and please advise of any subsequent changes to such information through [Y date].

If you require additional information regarding this request for information, please contact \_\_\_\_\_, at x \_\_\_\_\_. Thank you for your assistance.

**Form of Transmittal by Contributor**

**to Disclosure Coordinator**

I am the individual responsible for reviewing the portion of the Disclosure Document that is attached [on behalf of [Department]]. I have reviewed this disclosure [and have made certain that the following individuals also reviewed the disclosure: [list additional reviewers]]. [In addition, the attached disclosure was discussed at a meeting of the \_\_\_\_\_ department on [date].] I have also attached copies of any materials that were a source for all or a portion of this disclosure. In the event of any material change to the attached disclosure between the date of this letter and the scheduled delivery date for the bonds (X date), I shall promptly advise the Disclosure Coordinator.

\_\_\_\_\_  
[Name and Title]

Attachments

- reviewed disclosure
- source materials





## APPENDIX II Use of Proceeds Designated Bonds

For bond funded projects with qualifying use of proceeds (“UoP Designated Bonds”), the Office of Public Finance shall consider, as appropriate, designating such bonds as “Green Bonds,” “Social Bonds” or “Sustainable Bonds.” In considering the designation of such bonds, OPF shall evaluate the associated costs and benefits, as well as generally accepted market best practices, around such designation.

### *UoP Designated Bond Considerations:*

Proceeds from UoP Designated Bonds, as defined below, are typically earmarked for sustainably oriented social and/or green projects (such as Green Bonds issued to fund environmentally beneficial projects). OPF may consider UoP Designation Bonds to aid investors in identifying City-issued bonds that may align with their Environmental Social Governance (ESG) goals.

For such financings, OPF will periodically update its internal policies and procedures and strive to:

- a) Make a per issuance (or program) determination whether to self-certify the bonds or retain an independent consultant to certify the Bonds.
- b) Report on the status of spending of such UoP Designated Bond proceeds during the construction period of the funded projects.
- c) Conform with established UoP international standards as they develop, such as the recently-established Green Bond Principles.
- d) Refrain from assigning a UoP designation to Bonds if, during the life of the Bonds, such designation is likely to impede or restrict the ability of the City to use the projects for other future civic purposes that may not fall under the latest International Capital Markets Association (or other generally accepted market standard).

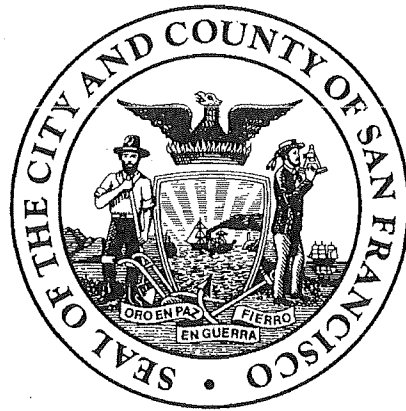
### *UoP Designated Bond Definitions:*

**Social Bonds** – Bonds designated as such, whereby project proceeds are used to finance or refinance projects considered to be “Social Projects.” Social Projects, as defined more broadly by the June 2018 Social Bond Principles published by the International Capital Market Association (or other such generally accepted market guidelines), directly aim to address or mitigate a special social issue and/or seek to achieve positive social outcomes especially but not exclusively for a target population(s). More specifically, for Social Bonds designated as such under this Policy, “Social Projects” are limited to projects that provide and/or promote affordable housing.

**Green Bonds (or Climate Bonds)** – Bonds designated as such, whereby project proceeds are used to finance or refinance qualified projects that have environmental and/or climate

change mitigation or adaptation benefits. These may or may not include projects certified by the Climate Bonds Initiative or in alignment with the International Capital Markets Association Green Bond Principles, as adopted by San Francisco in September 2018.

**Sustainable Bonds** – Bonds designated as such, whereby project proceeds are used to finance or refinance projects that OPF would consider for designation as both “Social Bonds” and “Green Bonds.”





**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 Controller's Office of Public Finance  
Luke Brewer, Controller's Office of Public Finance *LB*

**DATE:** Monday, January 27, 2020

**SUBJECT:** Resolution authorizing the issuance of City & County of San Francisco General Obligation Refunding Bonds, from time to time, in an amount not to exceed \$1,482,995,000

Resolution approving the Controller's Office of Public Finance Debt Policy in accordance with California Government Code Section 8855 and determining other matters in connection therewith

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### Recommended Actions

#### Refunding Resolution

We respectfully request that the Board of Supervisors (the "Board") consider for review and approval the resolution (the "Refunding Resolution") which (1) authorizes the issuance from time to time, in one or more series, of not to exceed \$1,482,995,000 aggregate principal amount of the City and County of San Francisco General Obligation Refunding Bonds (the "Refunding Bonds"); (2) approves the sale of the initial series of such bonds to be designated as City and County of San Francisco General Obligation Refunding Bonds, Series 2020-R1 (the "2020-R1 Refunding Bonds") in the amount not to exceed \$255,000,000; and (3) other necessary actions in connection therewith.

#### Debt Policy Resolution

Additionally, we respectfully request that the Board consider for review and approval the resolution (the "Debt Policy Resolution") approving the Controller's Office of Public Finance Debt Policy in accordance with California Government Code Section 8855 and determining other matters in connection therewith.

### Debt Policy Resolution Background

The Office of Public Finance ("OPF"), in consultation with the City Attorney's Office, has recently undertaken its periodic review of the Debt Policy to, among other things, refine certain of the City's

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disclosure practices, which are detailed in Appendix I - Municipal Disclosure Policies and Section Procedures. (Please note: The City Attorney’s Office will be conducting a Board training, which is tentatively scheduled for February 25, where the background and rationale for these procedures will be covered.) Additionally, per Section VIII.B., the policy expands the circumstances in which the City would determine to sell bonds via a negotiated sale. A negotiated sale allows for more flexibility in timing of the sale, allows the adjustment of the structure and amount of bonds being issued based on final interest rates, and allows for couponing flexibility and targeting of specific investors during a pre-marketing period. A negotiated sale is also useful during a market dislocation or when a disruption such as litigation exists, when a competitive underwriter may build in a risk premium (additional cost) due to uncertainty in the ability to resell all of the bonds in a timely manner to end investors. A determination to sell bonds via a negotiated sale requires consultation with the Controller and the City’s Municipal Advisor(s) as well as a competitive process for underwriter selection.

### Prior Board of Supervisors Actions

The Board has previously adopted resolutions approving the Controller’s Debt Policy as modified from time to time, including Resolution 250-17 approved in June 2017 and Resolution 53-19 approved in February 2019.

### **Refunding Resolution Background**

Since 1992, a two-thirds majority of voters of the City and County of San Francisco (the “City”) have approved 26 Propositions authorizing the issuance of general obligation bonds (“GO Bonds”) totaling \$6.10 billion for various projects. \$4.50 billion of bonds have been issued and \$2.39 billion are outstanding. When the City issues GO Bonds, there are provisions included which give the City the option to refinance the bonds after a certain period of time, should interest rates be more favorable and produce savings to the City. Over the next four years, OPF estimates there could be opportunities to refinance up to \$1.48 billion in GO Bonds, including \$233.1 million which can be refinanced beginning in March 2020.

See [Attachment 1](#) for a full list of GO Bonds authorizations and series outstanding as of January 1, 2020.

See [Attachment 2](#) for the list of Prior Bonds with refinancing opportunities over the next 5 years.

### Prior Board of Supervisors Actions

The Board adopted Resolution No. 272-04 in May 2004 (the “2004 Resolution”). The 2004 Resolution authorized the issuance of \$800 million of general obligation refunding bonds from time to time in one or more series for the purpose of refunding all or a portion of the City’s outstanding General Obligation Bonds. In November of 2011, the Board adopted Resolution No. 448-11 (the “2011 Resolution,” and together with the 2004 Resolution, the “Prior Bond Resolutions”) which authorized the issuance \$1.356 billion of general obligation refunding bonds from time to time in one or more series for the purpose of refunding certain outstanding General Obligation Bonds of the City.

### **Current Plan of Finance**

The Refunding Resolution authorizes and directs the Director of OPF to determine which series of outstanding Prior GO Bonds would be refinanced with the proceeds of Refunding Bonds and to provide

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for the sale of any series of Refunding Bonds using the approved form of such documents, subject to certain terms and conditions including the following:

- (i) each series of Refunding Bonds must achieve aggregate net present value savings of at least 3% of outstanding principal of the total Prior Bonds to be refunded by such series;
- (ii) the true interest cost of the refunding bonds must not exceed 12%;
- (iii) the refunding bonds must not have a final maturity date later than the maturity date of the bonds to be refunded; and
- (iv) the costs of issuance must not exceed 2% and underwriter’s discount must not exceed 1% of the principal amount of the refunding bonds

The Refunding Resolution also approves the sale of the first issuance of Refunding Bonds, designated Series 2020-R1, in an amount not to exceed \$255 million, to refund all or a portion of the Prior Bonds listed in Table 1 below.

Table 1: Series 2020-R1 General Obligation Refunding Candidates

Prior Bonds	Original Par Amount	Refundable Par Amount
Refunding Series 2008-R1	\$232,075,000	\$3,480,000
Series 2010E (Earthquake Safety & Emergency Response, 2010)	\$79,520,000	\$35,730,000
Series 2012A (Earthquake Safety & Emergency Response, 2010)	\$183,330,000	\$108,025,000
Series 2012B (Clean & Safe Neighborhood Parks, 2008)	\$73,355,000	\$42,425,000
Series 2012C (Road Repaving & Street Safety, 2011)	\$74,295,000	\$43,435,000
<b>Total</b>	<b>\$642,575,000</b>	<b>\$233,095,000</b>

Based on bond market conditions as of January 24, 2020, the City could issue the tax-exempt 2020-R1 Refunding Bonds in the Spring of 2020 to refund the Prior Bonds and generate gross savings to property taxpayers of approximately \$31.64 million based on an estimated interest rate of 2.19%. On a net present value (“NPV”) basis, OPF estimates the debt service savings to be approximately \$26.83 million, or 11.51% of the total outstanding principal of the Prior Bonds to be refunded (\$233.1 million), above the City’s policy requirement that savings be at least 3.00% of the Prior Bond amount.

OPF will continue to monitor market conditions and may revise the par amount of the refunding prior to the final sale or pricing date. OPF anticipates the transaction to price in March and close in April 2020.

Table 2 on the following page outlines the not-to-exceed sources and uses for the 2020-R1 Refunding Bonds, based on an estimate provided by Montague DeRose and Associates, LLC, a municipal advisory firm registered with the Municipal Securities Rulemaking Board (MSRB). The information below is intended to advise the Board regarding the proposed financing in accordance with Section 5852.1 of the California Government Code.

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Table 2: Estimated Sources & Uses of the 2020-R1 Refunding Bonds

Sources:	
<u>Refunding Bond Proceeds</u>	
Par Amount	\$198,925,000
Premium	\$39,099,597
<b>Total Sources</b>	<b>\$238,024,597</b>
Uses:	
Refunding Escrow	\$236,800,136
<u>Delivery Date Expenses</u>	
Cost of Issuance	\$905,805
Underwriter's Discount	\$318,656
<b>Total Uses</b>	<b>\$238,024,597</b>
<i>Reserve for Market Uncertainty</i>	<i>\$16,975,403</i>
<b>Not-to-Exceed Par Amount</b>	<b>\$255,000,000</b>

Source: Montague DeRose and Associates, LLC

The requested not-to-exceed par amount of \$255,000,000 for the 2020-R1 Refunding Bonds exceeds the current estimated par amount of \$198,925,000 in order to provide flexibility to capture the benefit of more favorable market conditions should they be available at the time of sale. Conditions that could result in a change in the anticipated bond par amount include fluctuations in market interest rates between the date of authorization by the Board and the sale of the 2020-R1 Refunding Bonds, changes in the refunding escrow or changes in estimated delivery date expenses.

Based upon an estimated true interest cost of 2.19% as defined in the proposed Refunding Resolution, OPF estimates that average fiscal year debt service on the Refunding Bonds is approximately \$18.15 million. The anticipated total par value of \$198.93 million is estimated to result in approximately \$76.83 million in interest payments over the life of the Refunding Bonds. The total principal and interest payment over the approximate 15-year life of the Refunding Bonds is approximately \$275.75 million.

For good faith estimates required by Code Section 5852.1 of the California Government regarding the proposed financing, see Attachment 3. The information set forth in Attachment 3 is based on estimates of prevailing market conditions. Actual results may differ if assumed market conditions change.

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 2019-20 is approximately \$8.43 billion, based on a net assessed valuation of approximately \$281.1 billion. As of January 1, 2020, the City had approximately \$2.39 billion in aggregate principal amount of general obligation bonds outstanding, which equals approximately 0.85% of the net assessed valuation for fiscal year 2019-20. If all of the City’s voter-authorized and unissued general obligation bonds were

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issued (\$1.60 billion), the total debt burden would be 1.42% of the net assessed value of property in the City. If the Board of Supervisors approves the issuance of the Refunding Bonds, after the City issues the 2020-R1 Refunding Bonds, the debt ratio is estimated to decrease by approximately 0.01% to 0.84%—within the 3.00% legal debt limit.

### **Additional Information**

The legislation is expected to be introduced at the Board of Supervisors meeting on Tuesday, January 28, 2020. The forms of the related financing documents—including the Bond Purchase Contract, Escrow Agreement, Preliminary Official Statement, Appendix A, the Continuing Disclosure Certificate and related documents—will also be submitted. The Appropriation Ordinance related to the sale of the 2020-R1 Refunding Bonds was introduced on January 14, 2020.

*Method of Sale & Bond Purchase Contract:* A negotiated sale is planned in connection with this transaction in order to maximize flexibility on the timing and structure of the sale to enhance refunding savings and bonding capacity while maintaining tax rates within the City’s Capital Plan constraint. OPF issued a Request for Proposals to firms within the City’s Underwriter Pool, which was established via a competitive process. In consultation with the City’s Municipal Advisor, OPF recommends a syndicate led by J.P. Morgan, with Loop Capital Markets, Morgan Stanley and Ramirez & Co. serving as co-managers. 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.

*Escrow Agreement:* The Resolution approves the form of Escrow Agreement, allowing for the creation of escrow funds to pay the principal and interest due on the Prior Bonds. The escrow agent will hold any escrow obligations pursuant to the Escrow Agreement in an irrevocable trust fund account for the City for the benefit of the owners of the Prior Bonds.

*Official Notice of Sale and Notice of Intention to Sell (if bonds are sold competitively):* The Notice of Intention to Sell provides legal notice to prospective bidders of the City’s intention to sell the Bonds. Such Notice of Intention to Sell will be published once in “The Bond Buyer” or another financial publication generally circulated throughout the State of California.

The Official Notice of Sale for the Bonds announces the date and time of a competitive sale, including the terms relating to the Bonds; the terms of sale, form of bids, and delivery of bids; and closing procedures and documents.

The Official Bid Form attached to the Official Notice of Sale is the form of the official bid for the purchase of the Bonds. Pursuant to the Resolution, 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.

*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



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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 investors 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 Resolution, approve and authorize the use and distribution of the Official Statement by the underwriters with respect to the Bonds. For purposes of the Securities and Exchange Act of 1934, the Controller will certify, on behalf of the City, that the Preliminary and Final Official Statements are final as of their dates.

*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 Refunding Resolution, the Board hereby delegates to the Controller to finalize and revise the Official Statement, including the Appendix A, to, among other things, include the most recent City financial information or other material information relevant to investors, and to otherwise make corrections and clarifications needed so that such offering document complies with federal securities laws.

*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).

### Anticipated Financing Timeline

Milestones	Dates*
• Introduction of Appropriation to the Board of Supervisors	January 14, 2020
• Introduction of Resolutions to the Board of Supervisors	January 28, 2020
• Budget & Finance Committee Hearing - Resolutions	February 12, 2020
• Board Considers Approval of Resolution & Board Disclosure Training	February 25, 2020
• Budget & Finance Committee Hearing - Appropriation	February 26, 2020
• Board Considers Approval of Appropriation Ordinance (1 <sup>st</sup> Reading)	March 3, 2020
• Final Board Approval of Appropriation Ordinance (2 <sup>nd</sup> Reading)	March 10, 2020
• Sale and Closing of the 2020-R1 Refunding Bonds	Estimated March/April 2020

\*Please note that dates are estimated unless otherwise noted.

**7 | Office of Public Finance – Resolutions authorizing the issuance of General Obligation Refunding Bonds and approving the Controller’s Debt Policy**

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Your consideration of this matter is greatly appreciated. Please contact Anna Van Degna ([anna.vandegna@sfgov.org](mailto:anna.vandegna@sfgov.org)) at 415-554-5956, Luke Brewer ([luke.brewer@sfgov.org](mailto:luke.brewer@sfgov.org)) at 415-554-7693, or Vishal Trivedi ([vishal.trivedi@sfgov.org](mailto:vishal.trivedi@sfgov.org)) at 415-554-4862 if you have any questions.

cc: Angela Calvillo, Clerk of the Board of Supervisors  
Andres Powers, Mayor’s Office  
Kelly Kirkpatrick, Mayor’s Budget Director  
Ben Rosenfield, Controller  
Naomi Kelly, City Administrator  
Harvey Rose, Budget Analyst  
Mark Blake, Deputy City Attorney  
Kenneth Roux, Deputy City Attorney  
Brooke Abola, Deputy City Attorney

# ATTACHMENT 1

## CITY AND COUNTY OF SAN FRANCISCO

### General Obligation Bonds

As of January 1, 2020

Bond Authorization Name	Election Date	Bonds Authorized	Series	Bonds Issued	Bonds Outstanding	Authorized & Unissued
Seismic Safety Loan Program	11/3/92	\$350,000,000	1994A	\$35,000,000	-	
			2007A	\$30,315,450	\$18,657,972	
			2015A	\$24,000,000	-	
			2019A	\$72,420,000	\$72,420,000	\$188,264,550
<i>Reauthorization to Repurpose for Affordable Housing</i>	11/8/16					
Clean & Safe Neighborhood Parks	2/5/08	\$185,000,000	2008B	\$42,520,000	-	
			2010B	\$24,785,000	-	
			2010D	\$35,645,000	\$35,645,000	
			2012B	\$73,355,000	\$45,285,000	
			2016A	\$8,695,000	\$7,195,000	-
San Francisco General Hospital & Trauma Center Earthquake Safety	11/4/08	\$887,400,000	2009A	\$131,650,000	-	
			2010A	\$120,890,000	-	
			2010C	\$173,805,000	\$173,805,000	
			2012D	\$251,100,000	\$147,770,000	
			2014A	\$209,955,000	\$154,035,000	-
Earthquake Safety & Emergency Response	6/8/10	\$412,300,000	2010E	\$79,520,000	\$38,335,000	
			2012A	\$183,330,000	\$114,990,000	
			2012E	\$38,265,000	\$28,380,000	
			2013B	\$31,020,000	\$16,720,000	
			2014C	\$54,950,000	\$40,095,000	
			2016C	\$25,215,000	\$21,435,000	-
Road Repaving & Street Safety	11/8/11	\$248,000,000	2012C	\$74,295,000	\$46,360,000	
			2013C	\$129,560,000	\$69,785,000	
			2016E	\$44,145,000	\$37,515,000	-
Clean & Safe Neighborhood Parks	11/6/12	\$195,000,000	2013A	\$71,970,000	\$38,780,000	
			2016B	\$43,220,000	\$23,355,000	
			2018A	\$76,710,000	\$44,855,000	
			2019B	\$3,100,000	\$3,100,000	-
Earthquake Safety & Emergency Response	6/3/14	\$400,000,000	2014D	\$100,670,000	\$73,435,000	
			2016D	\$109,595,000	\$72,305,000	
			2018C	\$189,735,000	\$137,570,000	-
Transportation and Road Improvement	11/4/14	\$500,000,000	2015B	\$67,005,000	\$41,870,000	
			2018B	\$174,445,000	\$102,010,000	\$258,550,000
Affordable Housing Bond	11/3/15	\$310,000,000	2016F	\$75,130,000	\$48,485,000	
			2018D	\$142,145,000	\$102,070,000	
			2019C	\$92,725,000	\$92,725,000	-
Public Health and Safety Bond	6/7/16	\$350,000,000	2017A	\$173,120,000	\$116,925,000	
			2018E	\$49,955,000	\$36,370,000	\$126,925,000
Embarcadero Seawall Earthquake Safety	11/6/18	\$425,000,000				\$425,000,000
Affordable Housing Bond	11/5/19	\$600,000,000				\$600,000,000
SUBTOTAL		\$4,862,700,000		\$3,263,960,450	\$2,002,282,972	\$1,598,739,550
<b>General Obligation Refunding Bonds</b>	<b>Dated Issued</b>			<b>Bonds Issued</b>	<b>Bonds Outstanding</b>	
Series 2008-R1	5/29/08			\$232,075,000	\$3,480,000	
Series 2011-R1	11/30/11			\$339,475,000	\$149,240,000	
Series 2015-R1	2/25/15			\$293,910,000	\$234,310,000	
SUBTOTAL				\$865,460,000	\$387,030,000	
<b>TOTALS</b>		<b>\$4,862,700,000</b>		<b>\$4,129,420,450</b>	<b>\$2,389,312,972</b>	<b>\$1,598,739,550</b>

## ATTACHMENT 2

### CITY AND COUNTY OF SAN FRANCISCO

#### General Obligation Refunding Candidates

Prior Bonds	Original Par Amount	Outstanding Par Amount	Refundable Par Amount
<b>2020 GO Refunding Candidates (Callable on or before June 15, 2020)</b>			
Refunding Series 2008-R1	\$232,075,000	\$3,480,000	\$3,480,000
Series 2010E (Earthquake Safety & Emergency Response, 2010)	\$79,520,000	\$38,335,000	\$35,730,000
Series 2012A (Earthquake Safety & Emergency Response, 2010)	\$183,330,000	\$114,990,000	\$108,025,000
Series 2012B (Clean & Safe Neighborhood Parks, 2008)	\$73,355,000	\$45,285,000	\$42,425,000
Series 2012C (Road Repaving & Street Safety, 2011)	\$74,295,000	\$46,360,000	\$43,435,000
<b>Subtotal 2020 GO Refunding Candidates</b>	<b>\$642,575,000</b>	<b>\$248,450,000</b>	<b>\$233,095,000</b>
<b>2021 GO Refunding Candidates (Callable on June 15, 2021 or December 15, 2021)</b>			
Series 2013A (Clean & Safe Neighborhood Parks, 2012)	\$71,970,000	\$38,780,000	\$34,690,000
Series 2013B (Earthquake Safety & Emergency Response, 2010)	\$31,020,000	\$16,720,000	\$14,955,000
Series 2013C (Road Repaving & Street Safety, 2011)	\$129,560,000	\$69,785,000	\$62,425,000
Refunding Series 2011-R1	\$339,475,000	\$149,240,000	\$94,125,000
<b>Subtotal 2021 GO Refunding Candidates</b>	<b>\$572,025,000</b>	<b>\$274,525,000</b>	<b>\$206,195,000</b>
<b>2022 GO Refunding Candidates (Callable on June 15, 2022)</b>			
Series 2012D (SFGH & Trauma Center Earthquake Safety, 2008)	\$251,100,000	\$147,770,000	\$121,115,000
Series 2014A (SFGH & Trauma Center Earthquake Safety, 2008)	\$209,955,000	\$154,035,000	\$128,575,000
Series 2012E (Earthquake Safety & Emergency Response, 2010)	\$38,265,000	\$28,380,000	\$23,260,000
Series 2014C (Earthquake Safety & Emergency Response, 2010)	\$54,950,000	\$40,095,000	\$34,045,000
Series 2014D (Earthquake Safety & Emergency Response, 2014)	\$100,670,000	\$73,435,000	\$62,355,000
<b>Subtotal 2022 GO Refunding Candidates</b>	<b>\$654,940,000</b>	<b>\$443,715,000</b>	<b>\$369,350,000</b>
<b>2023 GO Refunding Candidates (Callable on June 15, 2023)</b>			
Series 2015B (Transportation & Road Improvement Bonds, 2014)	\$67,005,000	\$41,870,000	\$33,740,000
Refunding Series 2015-R1	\$293,910,000	\$234,310,000	\$164,190,000
Series 2016A (Clean & Safe Neighborhood Parks, 2008)	\$8,695,000	\$7,195,000	\$5,735,000
Series 2016B (Clean & Safe Neighborhood Parks, 2012)	\$43,220,000	\$23,355,000	\$18,620,000
Series 2016C (Earthquake Safety & Emergency Response, 2010)	\$25,215,000	\$21,435,000	\$17,190,000
Series 2016D (Earthquake Safety & Emergency Response, 2014)	\$109,595,000	\$72,305,000	\$58,000,000
Series 2016E (Road Repaving & Street Safety, 2011)	\$44,145,000	\$37,515,000	\$30,095,000
<b>Subtotal 2023 GO Refunding Candidates</b>	<b>\$591,785,000</b>	<b>\$437,985,000</b>	<b>\$327,570,000</b>
<b>2024 GO Refunding Candidates (Callable on June 15, 2024)</b>			
Series 2017A (Public Health & Safety, 2016)	\$173,120,000	\$116,925,000	\$90,670,000
Series 2018E (Public Health & Safety, 2016)	\$49,955,000	\$36,370,000	\$29,475,000
Series 2018A (Clean & Safe Neighborhood Parks, 2012)	\$76,710,000	\$44,855,000	\$35,400,000
Series 2018B (Transportation & Road Improvement Bonds, 2014)	\$174,445,000	\$102,010,000	\$80,505,000
Series 2018C (Earthquake Safety & Emergency Response, 2014)	\$189,735,000	\$137,570,000	\$110,735,000
<b>Subtotal 2024 GO Refunding Candidates</b>	<b>\$663,965,000</b>	<b>\$437,730,000</b>	<b>\$346,785,000</b>
<b>Total GO Refunding Candidates Callable 2020 – 2024</b>	<b>\$1,869,540,000</b>	<b>\$966,690,000</b>	<b>\$1,482,995,000</b>

### ATTACHMENT 3

For purposes of compliance with Section 5852.1 of the California Government Code, the following information are good faith estimates provided by the City's Municipal Advisor, Montague DeRose and Associates, LLC as of January 24, 2020:

1. True interest cost of the Bonds: 2.19%
2. Finance charge for the Bonds, including all fees and charges for third parties (including underwriter's compensation, municipal advisory fees, co-bond counsel fees, disclosure counsel fees, trustee fees and other payments to third parties): \$1,222,156.
3. Amount of Bond proceeds expected to be received by the City, net of payments identified in 2 above and any reserve fund or capitalized interest funded with proceeds of the Bonds: \$236,800,136.
4. Total payment amount for the Bonds, being the sum of (a) debt service on the Bonds to final maturity, and (b) any financing costs not paid from proceeds of the Bonds: \$275,751,486.

The information set forth above is based upon estimates of prevailing market conditions. Actual results may differ if assumed market conditions change.

OFFICE OF THE MAYOR  
SAN FRANCISCO



LONDON N. BREED  
RECEIVED MAYOR  
BOARD OF SUPERVISORS  
SAN FRANCISCO

2020 JAN 28 PM 4:21

*JB*

TO: Angela Calvillo, Clerk of the Board of Supervisors  
FROM: Sophia Kittler  
RE: Debt Policy - Controller's Office of Public Finance  
DATE: Tuesday, January 28, 2020

*SK*

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**Resolution approving the Controller's Office of Public Finance Debt Policy in accordance with California Government Code Section 8855 and determining other matters in connection therewith.**

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