

**Item 9**  
**File 10-1159**

**Department(s):**

Controller's Office of Public Finance (OPF), Department of Public Works (DPW), and Mayor's Office on Disability (MOD)

**EXECUTIVE SUMMARY**

**Legislative Objective**

- The proposed ordinance would (a) authorize the issuance of Certificates of Participation (COPs) in a not-to-exceed amount of \$48,000,000, to finance (a) various street improvement projects, and (b) disability access improvements to the Board of Supervisors legislative chamber.

**Key Points**

- The proposed not-to-exceed \$48,000,000 issuance of COPs would finance (a) \$38,364,935 in street improvement projects, (b) \$600,000 for disability access improvements to the Board of Supervisors legislative chamber, (c) \$7,875,065 for costs of financing, and (d) \$1,160,000 in order to allow for market fluctuations between the time of approval and the anticipated issuance date of January of 2011.
- Although the proposed \$38,364,935 in street improvement projects would extend the life of specific streets by 7 to 50 years, the Budget and Legislative Analyst considers such street improvement projects to be routine and ongoing when considering the entirety of the City's street system, and therefore finds that such projects would be most appropriately financed on a pay-as-you-go basis without the issuance of long-term debt such as COPs. Should an ongoing revenue source not be available to finance ongoing street improvement projects on a pay-as-you-go basis, the issuance of General Obligation Bonds would be more preferable than issuing of Certificates of Participation because payment of COP debt service results in reductions to the City's discretionary budget, with no corresponding increased revenues to the City, in contrast to General Obligation Bonds which are financed from increased Property Taxes in an amount sufficient to cover the resulting debt service.
- The Budget and Legislative Analyst notes that long term debt, including General Obligation Bonds and Certificates of Participation, is typically issued to finance large one-time capital improvement projects such as (a) the construction of new City buildings, (b) the acquisition of new equipment, or (c) the significant remodeling of existing assets such as Laguna Honda Hospital or San Francisco General Hospital, and that long term debt, including Certificates of Participation, is not typically issued for projects which are routine and/or ongoing in nature and which simply extend the life of existing assets.
- However, on April 28, 2009, the Board of Supervisors (File 09-0404) previously approved the issuance of \$42,000,000 in COPs to finance various similar ongoing and routine street improvement projects including street repaving, maintenance, and repairs. Additionally, the Board of Supervisors previously appropriated the \$38,364,935 in proceeds from the proposed COPs in DPW's FY 2010-2011 budget. Therefore, the Budget and Legislative Analyst considers approval of the proposed ordinance to be a policy matter for the Board of Supervisors.

- The proposed COP issuance includes \$600,000 for disability access improvements to the Board of Supervisors legislative chamber. The Mayor's Office on Disability (MOD) is still finalizing the cost estimates for such improvements, such that if the cost estimate is reduced (as is anticipated by MOD), the amount of required COPs could be reduced. The \$600,000 in proposed COP proceeds to fund disability access improvements would be subject to separate future appropriation by the Board of Supervisors.

### **Fiscal Impact**

- The proposed COPs are estimated to have an interest rate of 6.5 percent and average annual debt service of approximately \$3,976,000, for a total debt service over 20 years of \$85,785,000 including (a) interest payments of \$38,945,000 and (b) principal payments of \$46,840,000.
- Debt service payments will be paid with General Fund revenues appropriated annually by the Board of Supervisors, thereby reducing the City's discretionary budget by an average of \$3,976,000 per year.
- The Budget and Legislative Analyst notes that debt service for COPs results in reductions to the City's discretionary budget because, in contrast to General Obligation Bonds, which are financed from increased Property Taxes in an amount sufficient to cover the resulting debt service, the issuance of COPs does not result in any increased revenues to the City.

### **Recommendation**

- Approval of the proposed ordinance is a policy decision for the Board of Supervisors because the proposed street improvement projects include projects which the Budget and Legislative Analyst considers to be projects of an ongoing and/or routine nature, which should be financed from a regularly recurring revenue source instead of issuing long term debt financing such as Certificates of Participation.

## **MANDATE STATEMENT & BACKGROUND**

### **Mandate Statement**

According to San Francisco Charter Section 9.118, any lease with a term of over ten years or expenditures of over \$10,000,000 is subject to approval by the Board of Supervisors. The proposed issuance of \$48,000,000 of COPs requires the City to enter into a lease which exceeds ten years and \$10,000,000, due to the asset transfer model described in the Background Section below.

### **Background**

According to Ms. Nadia Sesay, Director of the Controller's Office of Public Finance, Certificates of Participation (COPs) are a form of long term debt which are sold to investors in consideration for a portion of the lease revenues from a specific City-owned property, such that the investors "participate" in lease revenues. Under a typical COP structure, the City leases a City-owned

property to a trustee in consideration for a one-time rent payment from the trustee to the City that is equal to the proceeds from the issuance of such COPs. The trustee subsequently subleases the same City-owned property back to the City in return for semi-annual rent payments equal to the debt service (including principal and interest) due on the COPs. This lease-sublease structure is known as an asset transfer model. Under such an asset transfer model, the City-owned property leased to the trustee serves as collateral to the trustee on the issued COPs.

After the COPs are fully repaid by the City, the City-owned property, previously leased to the trustee, reverts back to the City.

## **DETAILS OF PROPOSED LEGISLATION**

The proposed ordinance would authorize the issuance of Certificates of Participation (COPs) in a not-to-exceed amount of \$48,000,000, to finance (a) various street improvement projects, and (b) disability access improvements to the Board of Supervisors legislative chamber.

Ms. Sesay anticipates issuing the not-to-exceed \$48,000,000 COPs in January of 2011. According to Ms. Sesay, the current estimated amount of COPs to be issued is \$46,840,000, or \$1,160,000 less than the proposed not-to-exceed amount of \$48,000,000. Ms. Sesay noted that the requested excess amount of \$1,160,000 provides sufficient additional funds for potential market fluctuations between the time of approval of the COPs and the anticipated COP issuance date of January of 2011.

As shown in Table 1 below, the estimated issuance of \$46,840,000 in COPs would fund (a) \$38,964,935 in project costs, and (b) \$7,875,065 in financing costs.

**Table 1: Uses of COPs Proceeds**

<b>Project Costs</b>	
<b>Street Improvement Project Costs</b>	
Curb Ramps	\$6,458,100
Sidewalk Repair	1,500,000
Street Structures	2,000,000
Bridge Preventive Maintenance Program	787,068
Street Resurfacing	27,619,767
<b>Subtotal Street Project Costs</b>	<b>\$38,364,935</b>
Disability Access Improvements to the Board of Supervisors Legislative Chamber	600,000
<b>Subtotal Project Costs</b>	<b>\$38,964,935</b>
<b>Financing Costs</b>	
Debt Service Reserve Fund	4,253,550
Capitalized Interest <sup>1</sup>	2,283,450
Costs of Issuance	401,265
Underwriter's Discount	936,800
<b>Subtotal</b>	<b>\$7,875,065</b>
<b>Total Project and Financing Costs</b>	<b>\$46,840,000</b>

**Street Improvement Projects**

As shown in Table 1 above, the anticipated issuance of \$46,840,000 in Certificates of Participation would finance \$38,364,935 in street improvement projects. Attachment I provided by the Department of Public Works identifies the specific street improvement projects totaling \$38,364,935 to be funded by the proposed issuance of COPs (see Policy Consideration Section below).

According to Ms. Sesay, the proceeds from the proposed COPs totaling \$38,364,935 for street improvement projects were appropriated to DPW by the Board of Supervisors in DPW's FY 2010-2011 budget.

**Disability Access Improvements to the Board of Supervisors Legislative Chamber**

As also shown in Table 1 above, the anticipated issuance of \$46,840,000 in Certificates of Participation includes \$600,000 for disability access improvements to the Board of Supervisors

<sup>1</sup> According to Ms. Sesay, due to budget constraints in FY 2010-2011 and anticipated budget constraints in FY 2011-2012, \$2,283,450 of the proposed issuance of \$46,840,000 in COPs would be set aside to create a Capitalized Interest fund, from which interest-only debt service payments will be made until October of 2011, assuming the issuance takes place as anticipated in January of 2011. After October of 2011 when the Capitalized Interest fund (initially funded from the proceeds of the proposed COP issuance) is depleted, the City will use ongoing General Fund appropriations to make interest and principal debt service payments through the term of the COPs.

Legislative Chamber. According to Ms. Susan Mizner, Director of the Mayor's Office on Disability, such disability access improvements include (a) lowering the Clerk's podium to floor level, (b) lowering the President of the Board's podium such that it is 12 inches above the floor, (c) installing a ramp to the President's podium, and (d) upgrading the audio/visual wiring that runs underneath each podium. The Historic Preservation Committee's certificate of appropriateness, which states that the design of the proposed improvements would not impair the historic nature of the Board of Supervisors Legislative Chamber, was approved by the Board of Supervisors in File 10-1183 on September 28, 2010.

According to Ms. Mizner, the proposed \$600,000 in COP proceeds for disability access improvements to the Board of Supervisors Legislative Chamber have not yet been appropriated by the Board of Supervisors. Ms. Mizner anticipates submitting a supplemental appropriation ordinance to the Board of Supervisors for approval in November of 2010.

Ms. Mizner noted that the current estimated cost for disability access improvements to the Board of Supervisors Legislative Chamber of \$600,000 is based on conservative assumptions. DPW is currently revising the cost estimate and anticipates that the revised cost estimate will be less than \$600,000. According to Ms. Sesay, should the cost estimate for the disability improvements be reduced, the issuance of COPs would be reduced by the same amount.

## FISCAL IMPACTS

### Financing Agreements and Structure

The proposed not-to-exceed \$48,000,000 issuance of COPs would use Laguna Honda Hospital as the City-owned property to be leased to the trustee under the asset transfer model described above. The Board of Supervisors previously approved \$227,000,000 in COPs using Laguna Honda Hospital as collateral, including (a) \$185,000,000 in 2008 for the renovation of Laguna Honda Hospital (File 08-0760), and (b) \$42,000,000 in 2009 for various street improvement projects (File 09-0404). The proposed ordinance would approve supplements to the existing Trust Agreement and Project Lease<sup>2</sup> pertaining to Laguna Honda Hospital to allow for the proposed issuance of \$48,000,000 in COPs which would also use Laguna Honda Hospital as collateral to the trustee on the issued COPs.

According to Mr. John Updike, Assistant Director of the Real Estate Division, the Laguna Honda Hospital has an approximate value of \$575,000,000<sup>3</sup>, and is sufficient to support the combined \$275,000,000 (\$227,000,000 in previously authorized COPs plus the proposed \$48,000,000) of existing and proposed COP debt.

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<sup>2</sup> According to Ms. Sesay, the Trustee Agreement and Project Lease for Laguna Honda Hospital act as the lease and sublease described above in the discussion of the asset transfer model.

<sup>3</sup> According to Mr. Updike, this estimate of \$575,000,000 includes (a) the approximate value of the land of \$150,000,000 and (b) the approximate cost of the improvements of \$425,000,000. Mr. Updike advised that it is difficult to estimate the precise market value of Laguna Honda Hospital due to lack of comparable properties.

The proposed resolution would also provide the Director of Finance with the discretionary authority to (a) sell any portion of the proposed COPs through either a negotiated or competitive sale, and (b) sell any portion of the proposed COPs as Federally Taxable Build America Bonds. Typically, the City sells COPs, which are exempt from Federal Income Taxes. However, under provisions of the Federal American Recovery and Reinvestment Act of 2009, a new category of taxable bonds were created called Build America Bonds. In accordance with the sale of Build America Bonds, the Federal government pays the City an amount equal to the Federal Income Taxes payable by the investor for received interest income. Ms. Sesay stated that there are some unique risks associated with the sale of the Build America Bonds, such as (a) whether the Build America Bond program might be altered or repealed in the future by Congress and (b) the timeliness of payments by the Federal government to the City of the Federal Income Taxes which the Federal Government received from the bondholder. Therefore, the proposed resolution provides the Director of Public Finance with the discretionary authority to sell the proposed COPs as Federally Taxable Build America Bonds if such a sale is considered to be in the best interest of the City.

In addition, the proposed ordinance would (a) approve the form of a Second Supplement to the existing Trust Agreement pertaining to Laguna Honda Hospital between the City and County of San Francisco and U.S. Bank National Association, as the Trustee, (b) approve the form of a Second Supplement to the Property Lease between the City as lessor and the Trustee as lessee, (c) approve the form of a Second Supplement to the Property Lease between the Trustee as lessor and the City as lessee; (d) approve the form of an Official Notice of Sale and Notice of Intention to Sell for the COPs, if sold by competitive sale, (e) authorize certain actions related to the COPs, if sold by negotiated sale, (f) delegate the Director of Public Finance the authority to sell the COPs by either competitive or negotiated sale, (g) approve the form of a Purchase Contract between the City and the underwriters selected, if the COPs are sold by negotiated sale, (h) approve the form of an official statement in preliminary and final form, and (i) approve the form of a Continuing Disclosure Certificate.

### **Anticipated Debt Service and Total Costs**

Ms. Sesay anticipates that the proposed \$46,840,000 in COPs will have an estimated annual interest rate of 6.5 percent and average annual debt service of approximately \$3,976,000, for a total debt service over 20 years of \$85,785,000<sup>4</sup> including (a) interest payments of \$38,945,000 and (b) principal payments of \$46,840,000.

Ms. Sesay stated that the \$3,976,000 average annual debt service payments would be paid over the next 20 years with General Fund revenues appropriated annually by the Board of Supervisors, thereby reducing the City's discretionary budget by an average of \$3,976,000 per year. The Budget and Legislative Analyst notes that debt service for COPs results in reductions to the City's discretionary budget because, in contrast to General Obligation Bonds which are financed from increased Property Taxes in an amount sufficient to cover the resulting debt service, the issuance of COPs does not result in any increased revenues to the City.

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<sup>4</sup> According to Ms. Sesay, the average annual debt service of \$3,976,000 does not equal the total debt service of \$85,785,000 divided by 20 years because the average does not include interest only debt service payments made from the capitalized interest fund.

**POLICY CONSIDERATION**

**The proposed ordinance would authorize the issuance of long term debt to fund ongoing or routine street repairs in contrast to the one-time capital improvement projects which are typically financed with long term debt, such as such as (a) the construction of new City buildings, (b) the acquisition of new equipment, or (c) the significant remodeling of existing assets such as Laguna Honda Hospital or San Francisco General Hospital.**

As shown in Attachment I, the proposed street improvement projects include \$38,964,935 of street repaving, maintenance, and repair projects. According to Ms. Simone Jacques, Transportation Finance Analyst at DPW, and as further explained by Ms. Jacques in Attachment II, DPW considers that all of the proposed street improvement projects are capital improvement projects, and are not ongoing or routine maintenance. Ms. Jacques states that the proposed street improvement projects will result in increasing the life of the specific streets to be improved under the street projects shown on Attachment I by between 7 and 50 years. Ms. Jacques also noted that DPW maintains a separate fund, financed through annual appropriations of State Gas Tax revenues and General Fund monies, without issuing debt, to provide for ongoing and routine street maintenance for the repair of street potholes and street crack filling.

Although the proposed street projects included in Attachment I, which are to be funded through the proposed issuance of COPs, are not considered by DPW to be ongoing or routine maintenance projects for the specific streets shown on Attachment I, the Budget and Legislative Analyst notes that the same types of projects will likely be required for other streets which are not included in Attachment I in future years. The Budget and Legislative Analyst notes that less than two years ago, on April 28, 2009, the Board of Supervisors (File 09-0404) approved the issuance of \$42,000,000 in COPs to finance the exact same categories of street improvement projects which are now included in the proposed \$48,000,000 COPs issuance, with the only difference being the specific streets and locations of those projects.

The Budget and Legislative Analyst considers the proposed street projects listed in Attachment I to be routine and ongoing when considering the entirety of the City's street system, and therefore finds that such projects would be most appropriately financed on a pay-as-you-go basis without the issuance of long-term debt such as COPs.

Should an ongoing revenue source not be available to finance ongoing street improvement projects on a pay-as-you-go basis, and it is the policy determination of the Board of Supervisors to issue long term debt to finance such ongoing and routine street improvement projects, then, in the professional judgment of the Budget and Legislative Analyst, the issuance of General Obligation Bonds would be more preferable than issuing of Certificates of Participation because, as discussed above, debt service for COPs results in reductions to the City's discretionary budget, with no corresponding increased revenues to the City, in contrast to General Obligation Bonds which are financed from increased Property Taxes in an amount sufficient to cover the resulting debt service.

The Budget and Legislative Analyst further notes that long term debt, including General Obligation Bonds and Certificates of Participation, is typically issued to finance large one-time capital improvement projects such as (a) the construction of new City buildings, (b) the acquisition of new equipment, or (c) the significant remodeling of existing assets such as Laguna Honda Hospital or San Francisco General Hospital, and that long term debt, including Certificates of Participation, is not typically issued for projects which are routine and/or ongoing in nature and which simply extend the life of existing assets.

However, as noted above, on April 28, 2009, the Board of Supervisors (File 09-0404) previously approved the issuance of \$42,000,000 in COPs to finance various similar ongoing and routine street improvement projects including street repaving, maintenance, and repairs. Additionally, as noted above, the Board of Supervisors previously appropriated the proceeds from the proposed COPs to DPW in DPW's FY 2010-2011 budget. Therefore, the Budget and Legislative Analyst considers approval of the proposed ordinance to be a policy matter for the Board of Supervisors.

## **RECOMMENDATION**

Approval of the proposed ordinance is a policy decision for the Board of Supervisors because the proposed street improvement projects include projects which the Budget and Legislative Analyst considers to be projects of an ongoing and/or routine nature, which should be financed from a regularly recurring revenue source instead of issuing long term debt financing such as Certificates of Participation.



**MOD Curb Ramps**  
\$5,458,100

	FY 2010-11					FY 2011-12					Total
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	
Design		388,025	388,025	388,025	1,164,075	388,025				388,025	
Construction		656,000	1,000,000	1,000,000	2,656,000	1,000,000	1,000,000			2,000,000	
Capital Upgrades		62,500	62,500	62,500	187,500	62,500				62,500	
<b>Total:</b>		<b>1,106,525</b>	<b>1,450,525</b>	<b>1,450,525</b>	<b>4,007,575</b>	<b>1,450,525</b>	<b>1,000,000</b>	<b>0</b>	<b>0</b>	<b>2,450,525</b>	

**Sidewalks**  
\$1,500,000

	FY 2010-11					FY 2011-12					Total
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	
Sidewalk Repairs (DPW Construction); amount to set encumbrance			306,250	306,250	612,500	306,250				612,500	
Sidewalk Repairs (DPW Construction); amount to set encumbrance			68,750	68,750	137,500	68,750				137,500	
<b>Total:</b>	<b>0</b>	<b>0</b>	<b>375,000</b>	<b>375,000</b>	<b>750,000</b>	<b>375,000</b>	<b>375,000</b>	<b>0</b>	<b>0</b>	<b>750,000</b>	

**Street Structures**  
\$2,000,000

Projects	FY 2010-11					FY 2011-12					Total
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	
Opalo Lane Stairway (#259)		55,000			55,000					55,000	
Roosevelt Way Wall and Stair Repair (#154d)		75,500			75,500					75,500	
Castro Street Stair Repair (#162)		24,000			24,000					24,000	
Castro Street Stair Concrete Guardrail Repair (#162)		40,000			40,000					40,000	
Detroit Street Stairs Repair (#14)		35,000			35,000					35,000	
Upper Market Street Structure Repair (#220D)		28,500			28,500					28,500	
San Jose Ave Wall and Stair Repair (#92)		30,000			30,000					30,000	
Jonas Street Retaining Wall Repair (#5)		16,000			16,000					16,000	
Greenwich Street Stairway Repair (#289)		46,500			46,500					46,500	
Alemany Blvd Retaining Wall Construction (#320)		98,500			98,500					98,500	
3rd Street Bridge Deck bolt replacement (#74)		66,667			66,667					66,667	
Green Street Wall and Stair Repair (#28)											
Fibert Street Stairway Repair (#313)											
Chestnut Street Stairway Repair (#18)											
Duncan Street Wall and Stairs Replacement (#140)											
Bishop Street Retaining Wall Repair (#321)											
Various Location Concrete (Uneven Surfaces) Repair		36,667			36,667					36,667	
Various Location Concrete (Crack and Spall) Repair		18,333			18,333					18,333	
Various Location Metal Railing Repair		36,667			36,667					36,667	
Various Location Painting		18,333			18,333					18,333	
Various Location Lighting Repair		11,000			11,000					11,000	
<b>Total:</b>	<b>0</b>	<b>636,667</b>	<b>695,167</b>	<b>668,167</b>	<b>2,000,000</b>	<b>668,167</b>	<b>11,000</b>	<b>0</b>	<b>0</b>	<b>2,000,000</b>	

**Bridge Preventive Maintenance Program**  
\$787,068

Projects	FY 2010-11					FY 2011-12					Total
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	
Lincoln Way Separation		81,833			81,833					81,833	
Filmore Street		14,389			14,389					14,389	
Harrison Street		14,389			14,389					14,389	
Sidewalk Viaduct		14,389			14,389					14,389	
Market Street Viaduct			23,800		23,800					23,800	
Market Street Viaduct 1			47,260		47,260					47,260	
Market Street Viaduct 2			23,630		23,630					23,630	
Market Street Viaduct 3+4			91,740		91,740					91,740	
Market Street Viaduct 5+6			126,490		126,490					126,490	
Hyde Street (over Broadway)				76,450	76,450					76,450	
Mason Street (over Broadway)				33,360	33,360					33,360	
L-Line (Potrero overcrossing)				23,630	23,630					23,630	

	FY 2010-11				FY 2011-12				Total
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Richland (over San Jose)				8,340	8,340				8,340
Highland (over San Jose)				141,780	141,780				141,780
				65,588	65,588				65,588
<b>Total:</b>			125,000	312,920	349,148				787,068

**Street Resurfacing Program**  
\$27,619,767

Projects	FY 2010-11				FY 2011-12				Total
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Cabrillo - 25th to 45th		\$129,200	\$129,200	\$41,400	\$299,800	\$919,300	\$1,553,900	\$612,000	\$3,065,200
Marina Blvd - Laguna to Scott		\$119,100	\$119,100	\$38,000	\$276,200	\$848,400	\$1,415,700	\$564,700	\$2,828,800
Lyon St. - Green to Bay		\$117,500	\$117,500	\$37,500	\$272,500	\$837,500	\$1,397,500	\$567,500	\$2,792,500
Columbus Ave. - Union to Leavenworth St.		\$20,800	\$31,200	\$20,800	\$72,800	\$436,400	\$290,800		\$727,200
Broadway Joint Paving Streetscape - Battery to Kerry		\$174,800	\$174,800	\$56,600	\$406,200	\$1,238,400	\$1,445,200		\$4,128,800
Stanyan - Geary to Mountain Spring		\$64,500	\$98,000	\$64,500	\$227,000	\$1,404,800	\$935,700		\$2,340,500
Guerrero - Laguna to 19th		\$36,200	\$55,600	\$36,200	\$128,000	\$510,200	\$539,300		\$1,349,500
Silver Ave. - Bayshore to Palou		\$59,400	\$90,400	\$59,400	\$209,200	\$647,700	\$1,081,200	\$430,900	\$2,159,800
Lawton St. Pavement Renovation - 28th Ave. to 45th Ave.		\$45,000	\$78,800	\$70,000	\$193,800	\$995,700	\$863,000		\$1,858,700
Water Department Joint Projects		\$497,500	\$497,500	\$497,500	\$1,492,500	\$497,500			\$497,500
BSSR Various Locations		\$209,000	\$200,000	\$200,000	\$600,000	\$200,000			\$200,000
Various Locations Slurry Sealing Contract (10-11)		\$229,000	\$229,000	\$229,000	\$687,000	\$229,000	\$227,267		\$456,267
V/L Joint Puc Paving		\$50,000	\$50,000	\$50,000	\$150,000				\$0
Market Street Design		\$150,000	\$150,000	\$50,000	\$200,000				\$0
Newcomb - Phelps to Newhall		\$1,743,000	\$2,021,100	\$1,450,900	\$5,215,000	\$9,064,900	\$9,729,567	\$3,610,300	\$22,404,767
<b>Total:</b>	\$0	\$1,743,000	\$2,021,100	\$1,450,900	\$5,215,000	\$9,064,900	\$9,729,567	\$3,610,300	\$27,619,767

Grand Total \$ 38,364,935



Gavin Newsom, Mayor  
Edward D. Reiskin, Director




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**MEMORANDUM**

To: Nathan Cruz  
Budget and Legislative Analyst's Office  
San Francisco Board of Supervisors

From: Simone Jacques   
Transportation Finance Analyst  
Department of Public Works

RE: COP Financing of DPW Capital Right-of-Way Projects

The Department of Public Works (DPW) proposes to use Certificates of Participation (COP) financing for right-of-way capital projects including resurfacing and reconstruction of roadways, construction of curb ramps, construction and rehabilitation of street structures, and reconstruction of sidewalks. These projects will be managed by DPW's Bureau of Engineering. All of the work being proposed is capital in nature and will a) bring the asset to useful condition and b) prolong the life of the asset. DPW estimates that the useful lives of the assets will be extended between 7 and 50 years depending on the street, structure, or facility; and many of the repairs will live beyond the term of debt repayment.

The proposed improvements are not ongoing or routine maintenance. Our primary street maintenance activities are pothole repair and patch paving which not extend the life of the street. This routine maintenance work is completed by the DPW Bureau of Street and Sewer Repair using the City's allocation of State gas tax funding and a CIP facilities maintenance appropriation for pothole repair. DPW will not perform any routine maintenance using COP funds.