

File No. 101256

Committee Item No. 9

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget and Finance Committee

Date: October 27, 2010

Board of Supervisors Meeting

Date _____

Cmte Board

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Completed by: Victor Young

Date: October 22, 2010

Completed by: Victor Young

Date: _____

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

1 [Sale of General Obligation Bonds (Earthquake Safety and Emergency Response Bonds,
2 2010) - Not to Exceed \$85,000,000]

3
4 **Resolution authorizing and directing the sale of not to exceed \$85,000,000 aggregate**
5 **principal amount of City and County of San Francisco General Obligation Bonds**
6 **(Earthquake Safety and Emergency Response Bonds, 2010), Series 2010E (Tax-**
7 **Exempt), and City and County of San Francisco General Obligation Bonds**
8 **(Earthquake Safety and Emergency Response Bonds, 2010), Series 2010F (Federally**
9 **Taxable Build America Bonds); prescribing the form and terms of said bonds;**
10 **authorizing the execution, authentication, and registration of said bonds; providing**
11 **for the appointment of depositories and other agents for said bonds; providing for**
12 **the establishment of accounts related thereto; providing for the manner of sale of**
13 **said bonds by competitive sale; approving the forms of official notice of sale and**
14 **notice of intention to sell bonds; directing the publication of the notice of intention to**
15 **sell bonds; approving the form of the preliminary official statement and the form and**
16 **execution of the official statement relating to the sale of said bonds; approving the**
17 **form of the continuing disclosure certificate; approving modifications to documents;**
18 **ratifying certain actions previously taken; adopting certain CEQA findings and**
19 **determinations; and granting general authority to City officials to take necessary**
20 **actions in connection with the authorization, issuance, sale, and delivery of said**
21 **bonds.**

22 WHEREAS, By Resolution No. 47-10 adopted by the Board of Supervisors (the
23 "Board") of the City and County of San Francisco (the "City") on February 9, 2010 and
24 signed by the Mayor of the City (the "Mayor") on February 26, 2010, it was determined
25 and declared that public interest and necessity demands the construction, acquisition,

1 improvement, retrofitting, rehabilitation and completion of earthquake safety and
2 emergency responsiveness facilities and infrastructure therein described; and,

3 WHEREAS, By Resolution No. _____ (the "Authorizing Resolution"), adopted by
4 the Board on _____, 2010, and signed by the Mayor on _____, 2010, the
5 City authorized the issuance of its General Obligation Bonds (Earthquake Safety and
6 Emergency Response Bonds, 2010) (the "Bonds"); and,

7 WHEREAS, It is now necessary and desirable to issue an aggregate principal
8 amount of not to exceed \$85,000,000 City and County of San Francisco General
9 Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010), Series
10 2010E (Tax-Exempt) (the "Series 2010E Bonds"), and City and County of San Francisco
11 General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010),
12 Series 2010F (Federally Taxable Build America Bonds) (the "Series 2010F Bonds" and,
13 with the Series 2010E Bonds, each a "Series of 2010 Bonds"); and,

14 WHEREAS, Each Series of 2010 Bonds is being issued pursuant to the Authorizing
15 Resolution and Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the California Government
16 Code, the Charter of the City (the "Charter"), and a duly held election called for by
17 Ordinance 40-10 adopted by the Board on February 23, 2010, and signed by the Mayor
18 on February 26, 2010 (the "Bond Ordinance").

19 NOW, THEREFORE, BE IT RESOLVED by the Board of Supervisors of the City and
20 County of San Francisco, as follows:

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

22 Section 2. Conditions Precedent. All conditions, things and acts required by law to
23 exist, to happen and to be performed precedent to the adoption of this Resolution exist,
24 have happened and have been performed in due time, form and manner in accordance
25

1 with applicable law, and the City is now authorized pursuant to the Charter and applicable
2 law to incur indebtedness in the manner and form provided in this Resolution.

3 Section 3. Documents. The documents presented to the Board and on file with
4 the Clerk of the Board of Supervisors or his or her designee (the "Clerk of the Board of
5 Supervisors") are contained in File No. 101256.

6 Section 4. Issuance and Sale of Series 2010E Bonds and Series 2010F Bonds.
7 The Board hereby authorizes the issuance and sale of not to exceed \$85,000,000 in
8 aggregate principal amount of the Bonds to be issued in not more than two series, on a
9 parity basis, and to be designated as "City and County of San Francisco General
10 Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010), Series
11 2010E (Tax-Exempt)," and "City and County of San Francisco General Obligation Bonds
12 (Earthquake Safety and Emergency Response Bonds, 2010), Series 2010F (Federally
13 Taxable Build America Bonds)," for the purposes set forth in the Bond Ordinance and in
14 Proposition B approved by the voters on June 8, 2010. Notwithstanding the foregoing,
15 nothing herein shall require that the Series 2010F Bonds be issued if the Series 2010E
16 Bonds are issued, and vice versa.

17 The Director of Public Finance of the City or his or her designee (the "Director of
18 Public Finance") is hereby authorized to determine, for each Series of 2010 Bonds, the sale
19 date, the interest rates, the definitive principal amount thereof (which principal amount for
20 each Series of 2010 Bonds may be \$-0- or any greater principal amount; provided that the
21 aggregate principal amount for both Series of 2010 Bonds shall not exceed \$85,000,000),
22 the maturity dates and the redemption dates, if any, and the terms of any optional or
23 mandatory redemption thereof, subject to the other specific provisions of this Resolution,
24 including the following terms and conditions: (i) the Series 2010E Bonds and Series 2010F
25 Bonds shall not have an interest rate in excess of 12% per year; (ii) the Series 2010E Bonds

1 shall not have a final maturity date after June 15, 2040; and (iii) the Series 2010F Bonds
2 shall not have a final maturity date after June 15, 2040. The Director of Public Finance is
3 further authorized to give each Series of 2010 Bonds such additional or other series
4 designation, or to modify such series designation, as may be necessary or appropriate to
5 distinguish each such Series of 2010 Bonds from every other series of Bonds and from
6 other bonds issued by the City.

7 The Board hereby irrevocably elects to apply the provisions of Section 54AA(d) of the
8 Internal Revenue Code of 1986, as amended (the "Code"), to the Series 2010F Bonds and
9 intends that the Series 2010F Bonds, if, as and when issued, be treated as "Build America
10 Bonds" within the meaning of Section 54AA(d) of the Code. The Board further irrevocably
11 elects to apply the provisions of Section 54AA(g) of the Code to the Series 2010F Bonds
12 and intends that the Series 2010F Bonds be treated as "qualified bonds" within the meaning
13 of Section 54AA(g) of the Code, such that the Series 2010F Bonds will bear interest that is
14 not excluded from the gross income of the owners thereof for purposes of federal income
15 taxation and the Series 2010F Bonds will be eligible to receive Interest Subsidy Payments
16 from the United States Department of the Treasury to the City or the City's authorized
17 designated recipient of the credit provided for in Sections 54AA(b) and 6431 of the Code;
18 provided that the City or the City's authorized designated recipient has filed the required
19 Internal Revenue Service forms.

20 "Interest Subsidy Payment" means, with respect to the Series 2010F Bonds, each
21 payment received by the City or the City's authorized designated recipient directly from the
22 United States Department of the Treasury in an amount equal to 35% of the corresponding
23 interest payable on such Series 2010F Bonds, as provided for in Sections 54AA(b) and
24 6431 of the Code.
25

1 Section 5. Execution, Authentication and Registration of the Series of 2010 Bonds.

2 Each Series of 2010 Bonds shall be in fully registered form without coupons in
3 denominations of \$5,000 or any integral multiple thereof. The officers of the City are
4 hereby directed to cause each Series of 2010 Bonds to be prepared in sufficient quantity
5 for delivery to or for the account of the purchaser thereof and the Clerk of the Board of
6 Supervisors is hereby directed to cause the blanks therein to be completed in accordance
7 with the Authorizing Resolution, to procure their execution by the proper officers of the
8 City (including by facsimile signature if necessary or convenient), and to deliver each
9 Series of 2010 Bonds when so executed to said purchaser in exchange for the purchase
10 price thereof, all in accordance with the Authorizing Resolution.

11 The Series 2010E Bonds and the certificate of authentication and registration,
12 manually executed by the Treasurer of the City or his or her designee (the "City Treasurer")
13 and the form of assignment to appear thereon shall be substantially in the form attached
14 hereto as Exhibit A (a copy of which is on file with the Clerk of the Board of Supervisors and
15 which is hereby declared to be a part of this Resolution as if fully set forth herein), with such
16 necessary or appropriate variations, omissions and insertions as permitted or required by
17 this Resolution and made in accordance with Section 19 hereof.

18 The Series 2010F Bonds and the certificate of authentication and registration,
19 manually executed by the City Treasurer and the form of assignment to appear thereon shall
20 be substantially in the form attached hereto as Exhibit B (a copy of which is on file with the
21 Clerk of the Board of Supervisors and is hereby declared to be a part of this Resolution as if
22 fully set forth herein), with necessary or appropriate variations, omissions and insertions as
23 permitted or required by this Resolution and made in accordance with Section 19 hereof.

24 Only the Series of 2010 Bonds as shall bear thereon a certificate of authentication
25 and registration in the form herein recited, executed by the City Treasurer, shall be valid or

1 obligatory for any purpose or entitled to the benefits of this Resolution, and such certificate
2 of the City Treasurer, executed as herein provided, shall be conclusive evidence that the
3 Series of 2010 Bonds so authenticated have been duly authenticated and delivered
4 hereunder and are entitled to the benefits of this Resolution.

5 The City Treasurer shall assign a distinctive letter, or number, or letter and number to
6 each Series of 2010 Bond authenticated and registered by him or her and shall maintain a
7 record thereof which shall be available for inspection.

8 Section 6. Registration Books. The City Treasurer shall keep or cause to be kept,
9 at the office of the City Treasurer, or at the designated office of any registrar appointed by
10 the City Treasurer, separate and sufficient books for the registration and transfer of each
11 Series of 2010 Bonds, which bond registration books shall at all times be open to
12 inspection, and upon presentation for such purpose, the City Treasurer shall, under such
13 reasonable regulations as he or she may prescribe, register or transfer or cause to be
14 registered or transferred, on said books each Series of 2010 Bonds, as herein provided.
15 The City and the City Treasurer may treat the registered owners of each Series of 2010
16 Bonds in such registration books (the "Registered Owners") as the absolute owners
17 thereof for all purposes, and the City and the City Treasurer shall not be affected by any
18 notice to the contrary.

19 Section 7. Transfer or Exchange of Series of 2010 Bonds. Any Series of
20 2010 Bond may, in accordance with its terms, be transferred upon the bond registration
21 books required to be kept pursuant to the provisions of Section 6 hereof, by the person in
22 whose name it is registered, in person or by the duly authorized attorney of such person
23 in writing, upon surrender of such Series of 2010 Bond for cancellation, accompanied by
24 delivery of a duly executed written instrument of transfer in a form approved by the City
25 Treasurer.

1 Any Series of 2010 Bonds may be exchanged at the office of the City Treasurer for a
2 like aggregate principal amount of other authorized denominations of the same series,
3 interest rate and maturity.

4 Whenever any Series of 2010 Bond shall be surrendered for transfer or exchange,
5 the designated City officials shall execute (as provided in Section 5 hereof) and the City
6 Treasurer shall authenticate and deliver a new Series of 2010 Bond of the same series,
7 interest rate and maturity in a like aggregate principal amount. The City Treasurer shall
8 require the payment by any Registered Owner requesting any such transfer of any tax or
9 other governmental charge required to be paid with respect to such transfer or exchange.

10 No transfer or exchange of Series of 2010 Bonds shall be required to be made by the
11 City Treasurer during the period from the Record Date (as defined in Section 8 hereof) next
12 preceding each interest payment date to such interest payment date or after a notice of
13 redemption shall have been mailed with respect to such Series of 2010 Bond.

14 Section 8. General Terms of the Series of 2010 Bonds; Redemption Provisions.

15 (a) General Terms. Each Series of 2010 Bonds shall be dated the date of their delivery or
16 such other date (the "Dated Date"), as specified in the applicable Bond Award (as defined
17 in Section 13 hereof). Each Series of 2010 Bonds shall bear interest at rates to be
18 determined upon the sale of such Series of 2010 Bonds, calculated on the basis of a
19 360-day year comprised of twelve 30-day months, payable on June 15, 2011 (or such
20 other date as may be designated in the applicable Bond Award), and semiannually
21 thereafter on December 15 and June 15 of each year.

22 The principal of each Series of 2010 Bonds shall be payable in lawful money of the
23 United States of America to the Registered Owner thereof, upon the surrender thereof at
24 maturity or earlier redemption at the office of the City Treasurer. The interest on each Series
25 of 2010 Bonds shall be payable in like lawful money to the Registered Owner whose name

1 appears on the applicable bond registration books of the City Treasurer as the Registered
2 Owner thereof as of the close of business on the last day of the month immediately
3 preceding an interest payment date (the "Record Date"), whether or not such day is a
4 Business Day (as defined below).

5 Each Series of 2010 Bond shall bear interest from the interest payment date next
6 preceding the date of authentication thereof unless it is authenticated as of a day during the
7 period from the Record Date next preceding any interest payment date to the interest
8 payment date, inclusive, in which event it shall bear interest from such interest payment
9 date, or unless it is authenticated on or before the first Record Date, in which event it shall
10 bear interest from the Dated Date; provided, however, that if, at the time of authentication of
11 any Series of 2010 Bond, interest is in default on such Series of 2010 Bonds, such Series of
12 2010 Bond shall bear interest from the interest payment date to which interest has
13 previously been paid or made available for payment on such Series of 2010 Bonds or from
14 the Dated Date if the first interest payment is not made. Except as may be otherwise
15 provided in connection with any book-entry only system applicable to a Series of
16 2010 Bonds, payment of the interest on any Series of 2010 Bond shall be made by check
17 mailed on the interest payment date to its Registered Owner at such Owner's address as it
18 appears on the applicable registration books as of the Record Date; provided, however, if
19 any interest payment date occurs on a day that banks in California or New York are closed
20 for business or the New York Stock Exchange is closed for business, then such payment
21 shall be made on the next succeeding day that banks in both California and New York are
22 open for business and the New York Stock Exchange is open for business (each, a
23 "Business Day"); and provided, further, that the Registered Owner of an aggregate principal
24 amount of at least \$1,000,000 of a Series of 2010 Bonds may submit a written request to the
25 City Treasurer on or before a Record Date preceding an interest payment date for payment

1 of interest by wire transfer to a commercial bank located within the United States of America.
2 For so long as any Series of 2010 Bonds are held in book-entry form by a securities
3 depository selected by the City pursuant to Section 11 hereof, payment shall be made to the
4 Registered Owner of the Series of 2010 Bonds designated by such securities depository by
5 wire transfer of immediately available funds.

6 (b) Optional Redemption. The Series 2010E Bonds shall be subject to
7 optional redemption prior to maturity as provided in the applicable Official Notice of Sale
8 or the applicable Bond Award. The Series 2010F Bonds shall be subject to optional
9 redemption, special optional redemption, and/or optional redemption with a make-whole
10 provision, prior to maturity as provided in the applicable Official Notice of Sale or the
11 applicable Bond Award.

12 (c) Sinking Fund Redemption. Each Series of 2010 Bonds shall be
13 subject to mandatory redemption at par, by lot, in any year for which the purchaser
14 thereof has designated that the principal amount payable with respect to that year shall
15 constitute a mandatory sinking fund payment, as and to the extent permitted by the
16 applicable Official Notice of Sale. Any Series of 2010 Bonds subject to mandatory
17 redemption shall be designated as such in the applicable Official Notice of Sale or the
18 applicable Bond Award.

19 The principal of and interest on the Series 2010E Bonds subject to mandatory
20 redemption shall be paid from the Series 2010E Bond Subaccount (as defined in Section 9
21 hereof), pursuant to Section 9 hereof. In lieu of any such mandatory redemption for the
22 Series 2010E Bonds, at any time prior to the selection of the Series 2010E Bonds for
23 mandatory redemption, the City may apply such amounts on deposit in the Series 2010E
24 Bond Subaccount to purchase Series 2010E Bonds subject to such redemption at public or
25 private sale, as and when and at such prices not in excess of the principal amount thereof

1 (including sales commission and other charges but excluding accrued interest), as the City
2 may determine.

3 The principal of and interest on the Series 2010F Bonds subject to mandatory
4 redemption shall be paid from the Series 2010F Bond Subaccount (as defined in Section 9
5 hereof), pursuant to Section 9 hereof. In lieu of any such mandatory redemption for the
6 Series 2010F Bonds, at any time prior to the selection of the Series 2010F Bonds for
7 mandatory redemption, the City may apply such amounts on deposit in the Series 2010F
8 Bond Subaccount to purchase Series 2010F Bonds subject to such redemption at public or
9 private sale, as and when and at such prices not in excess of the principal amount thereof
10 (including sales commission and other charges but excluding accrued interest), as the City
11 may determine.

12 (d) Redemption - Selection. Whenever less than all of the outstanding
13 Series 2010E Bonds maturing on any one date are called for redemption on any one
14 date, the City Treasurer will select the Series 2010E Bonds or portions thereof, in
15 denominations of \$5,000 or any integral multiple thereof, to be redeemed from the
16 outstanding bonds of such Series 2010E Bonds maturing on such date not previously
17 selected for redemption, by lot in any manner which the City Treasurer deems fair.

18 Whenever less than all outstanding Series 2010F Bonds are called for redemption
19 on any one date, the City Treasurer will select the Series 2010F Bonds or portions thereof
20 to be redeemed as provided in the applicable Official Notice of Sale or the applicable
21 Bond Award.

22 The date on which the bonds of a Series of 2010 Bonds that are called for
23 redemption are to be presented for redemption is herein called the "Redemption Date."

24 (e) Redemption - Notice. The City Treasurer shall mail, or cause to be
25 mailed, notice of any redemption of each Series of 2010 Bonds, postage prepaid, to the

1 respective Registered Owner thereof at the addresses appearing on the applicable bond
2 registration books not less than twenty (20) days prior to the Redemption Date. The
3 notice of redemption shall (1) state the Redemption Date; (2) state the redemption price;
4 (3) state the maturity dates of the Series of 2010 Bonds and, if less than all of any such
5 maturity is called for redemption, the distinctive numbers of the Series of 2010 Bonds of
6 such maturity to be redeemed, and in the case of any Series of 2010 Bonds redeemed in
7 part only, the respective portions of the principal amount thereof to be redeemed; (4) state
8 the CUSIP number, if any, of each Series of 2010 Bond to be redeemed; (5) require that
9 such Series of 2010 Bonds be surrendered by the Registered Owner at the office of the
10 City Treasurer or his or her agent; and (6) give notice that interest on such Series of 2010
11 Bonds will cease to accrue after the designated Redemption Date. Such notice of
12 redemption may be conditional as provided in Section 8(g).

13 The actual receipt by the Registered Owner of any Series of 2010 Bond of notice of
14 such redemption shall not be a condition precedent to redemption, and failure to receive
15 such notice, or any defect in such notice so mailed, shall not affect the validity of the
16 proceedings for the redemption of such Series of 2010 Bonds or the cessation of accrual of
17 interest on such Series of 2010 Bonds on the Redemption Date.

18 Notice of such redemption also shall be given, or caused to be given, by the City
19 Treasurer, by (i) registered or certified mail, postage prepaid, (ii) confirmed facsimile
20 transmission or (iii) overnight delivery service, to (A) all organizations registered with the
21 Securities and Exchange Commission as securities depositories and (B) such other
22 services or organizations as may be required in accordance with the Continuing
23 Disclosure Certificate described in Section 18 hereof.

24 The notice or notices required for redemption shall be given by the City Treasurer, or
25 any agent appointed by the City. A certificate of the City Treasurer or such other appointed

1 agent of the City that notice of redemption has been given to the Registered Owner of any
2 Series of 2010 Bond in accordance with this Resolution shall be conclusive against all
3 parties.

4 (f) Payment for Optional Redemption. At the time the City Treasurer or
5 the Controller of the City or his or her designee (the "Controller") determines to optionally
6 call and redeem any of the Series 2010E Bonds, the City Treasurer or his or her agent
7 shall establish a redemption account to be described or known as the "General Obligation
8 Bonds (Earthquake Safety and Emergency Response Bonds, 2010), Series 2010E
9 Redemption Account" (the "Series 2010E Redemption Account"), and prior to or on the
10 Redemption Date there must be set aside in the Series 2010E Redemption Account
11 moneys available for the purpose and sufficient to redeem, as provided in this Resolution,
12 the Series 2010E Bonds designated in said notice of redemption, subject to rescission as
13 hereinafter provided. Said moneys must be set aside in the Series 2010E Redemption
14 Account solely for the purpose of, and shall be applied on or after the Redemption Date
15 to, payment of the redemption price of the Series 2010E Bonds to be redeemed upon
16 presentation and surrender of such Series 2010E Bonds. Any interest due on or prior to
17 the Redemption Date may be paid from the Series 2010E Bond Subaccount as provided
18 in Section 9 hereof or from the Series 2010E Redemption Account. Moneys held from
19 time to time in the Series 2010E Redemption Account shall be invested by the City
20 Treasurer pursuant to the City's policies and guidelines for investment of moneys in the
21 General Fund of the City. If, after all of the Series 2010E Bonds have been redeemed
22 and canceled or paid and canceled, there are moneys remaining in said Series 2010E
23 Redemption Account, said moneys shall be transferred to the General Fund of the City or
24 to such other fund or account as required by applicable law; provided, however, that if
25

1 said moneys are part of the proceeds of refunding bonds, said moneys shall be
2 transferred pursuant to the resolution authorizing such refunding bonds.

3 When notice of optional redemption has been given, substantially as provided herein,
4 and when the amount necessary for the redemption of the Series 2010E Bonds called for
5 redemption (principal, premium, if any, and accrued interest to such Redemption Date) is set
6 aside for that purpose in said Series 2010E Redemption Account, as provided herein, the
7 Series 2010E Bonds designated for redemption shall become due and payable on the
8 Redemption Date therefor, and upon presentation and surrender of said Series 2010E
9 Bonds at the place specified in the notice of redemption, such Series 2010E Bonds shall be
10 redeemed and paid at said redemption price out of said Series 2010E Redemption Account.
11 No interest will accrue on such Series 2010E Bonds called for redemption after the
12 Redemption Date and the Registered Owner of such Series 2010E Bonds shall look for
13 payment of such Series 2010E Bonds only to said Series 2010E Redemption Account. All
14 Series 2010E Bonds redeemed shall be canceled forthwith by the City Treasurer and shall
15 not be reissued.

16 At the time the City Treasurer or the Controller determines to optionally call and
17 redeem any of the Series 2010F Bonds, the City Treasurer or his or her agent shall establish
18 a redemption account to be described or known as the "General Obligation Bonds
19 (Earthquake Safety and Emergency Response Bonds, 2010), Series 2010F Redemption
20 Account" (the "Series 2010F Redemption Account"), and prior to or on the Redemption Date
21 there must be set aside in the Series 2010F Redemption Account moneys available for the
22 purpose and sufficient to redeem as provided in this Resolution, the Series 2010F Bonds
23 designated in said notice of redemption, subject to rescission as hereinafter provided. Said
24 moneys must be set aside in the Series 2010F Redemption Account solely for the purpose
25 of, and shall be applied on or after the Redemption Date to, payment of the redemption price

1 of the Series 2010F Bonds to be redeemed upon presentation and surrender of such
2 Series 2010F Bonds. Any interest due on or prior to the Redemption Date may be paid from
3 the Series 2010F Bond Subaccount as provided in Section 9 hereof or from the
4 Series 2010F Redemption Account. Moneys held from time to time in the Series 2010F
5 Redemption Account shall be invested by the City Treasurer pursuant to the City's policies
6 and guidelines for investment of moneys in the General Fund of the City. If, after all of the
7 Series 2010F Bonds have been redeemed and canceled or paid and canceled, there are
8 moneys remaining in said Series 2010F Redemption Account, said moneys shall be
9 transferred to the General Fund of the City or to such other fund or account as required by
10 applicable law; provided, however, that if said moneys are part of the proceeds of refunding
11 bonds, said moneys shall be transferred pursuant to the resolution authorizing such
12 refunding bonds.

13 When notice of optional redemption has been given, substantially as provided herein,
14 and when the amount necessary for the redemption of the Series 2010F Bonds called for
15 redemption (principal, premium, if any, and accrued interest to such Redemption Date) is set
16 aside for that purpose in said Series 2010F Redemption Account, as provided herein, the
17 Series 2010F Bonds designated for redemption shall become due and payable on the
18 Redemption Date therefor, and upon presentation and surrender of said Series 2010F
19 Bonds at the place specified in the notice of redemption, such Series 2010F Bonds shall be
20 redeemed and paid at said redemption price out of said Series 2010F Redemption Account.
21 No interest will accrue on such Series 2010F Bonds called for redemption after the
22 Redemption Date and the Registered Owner of such Series 2010F Bonds shall look for
23 payment of such Series 2010F Bonds only to said Series 2010F Redemption Account. All
24 Series 2010F Bonds redeemed shall be canceled forthwith by the City Treasurer and shall
25 not be reissued.

1 (g) Conditional Notice of Optional Redemption. Any notice of optional
2 redemption given as provided in Section 8(e) may provide that such redemption is
3 conditioned upon: (i) deposit in the Series 2010E Redemption Account or the Series
4 2010F Redemption Account, as applicable, of sufficient moneys to redeem the applicable
5 Series of 2010 Bonds called for redemption on the anticipated Redemption Date, or (ii)
6 any other event specified in the notice of redemption. In the event that such conditional
7 notice of optional redemption has been given, substantially as provided herein, and on the
8 scheduled Redemption Date (i) sufficient moneys to redeem the applicable Series of 2010
9 Bonds have not been deposited in the Series 2010E Redemption Account or the Series
10 2010F Redemption Account, as applicable or (ii) any other even specified in the notice of
11 redemption did not occur, such Series of 2010 Bonds for which notice of conditional
12 optional redemption was given shall not be redeemed and shall remain Outstanding for all
13 purposes of this Resolution and the redemption not occurring shall not constitute an
14 Event of Default under this Resolution or the Authorizing Resolution.

15 (h) Rescission of Optional Redemption In addition, the City may rescind
16 any optional redemption and notice thereof for any reason on any date prior to any
17 Redemption Date by causing written notice of the rescission to be given to the Registered
18 Owner of all Series of 2010 Bonds so called for redemption. Notice of such rescission of
19 redemption shall be given in the same manner notice of redemption was originally given.
20 The actual receipt by the Registered Owner of any Series of 2010 Bond of notice of such
21 rescission shall not be a condition precedent to rescission, and failure to receive such
22 notice or any defect in such notice so mailed shall not affect the validity of the rescission.

23 Section 9. Series of 2010 Bond Subaccounts. (a) Series 2010E Bond
24 Subaccount. There is hereby established with the City Treasurer a special subaccount in
25 the General Obligation Bonds (Earthquake Safety and Emergency Response Bonds,

1 2010) Bond Account (the "Bond Account") created pursuant to the Authorizing Resolution
2 to be designated the "General Obligation Bonds (Earthquake Safety and Emergency
3 Response Bonds, 2010), Series 2010E Bond Subaccount" (the "Series 2010E Bond
4 Subaccount"), to be held separate and apart from all other accounts of the City. Any bid
5 premium received upon the delivery of the Series 2010E Bonds shall be deposited into
6 the Series 2010E Bond Subaccount. All interest earned on amounts on deposit in the
7 Series 2010E Bond Subaccount shall be retained in the Series 2010E Bond Subaccount.

8 On or prior to the date on which any payment of principal of or interest on the
9 Series 2010E Bonds is due, including any Series 2010E Bonds subject to mandatory
10 redemption on said date, the City Treasurer shall allocate to and deposit in the
11 Series 2010E Bond Subaccount, from amounts held in the Bond Account, an amount
12 which, when added to any available moneys contained in the Series 2010E Bond
13 Subaccount, is sufficient to pay principal of and interest on the Series 2010E Bonds on
14 such date.

15 On or prior to the date on which any Series 2010E Bonds are to be redeemed at
16 the option of the City pursuant to this Resolution, the City Treasurer may allocate to and
17 deposit in the Series 2010E Redemption Account, from amounts held in the Bond
18 Account pursuant to Section 8 of the Authorizing Resolution, an amount which, when
19 added to any available moneys contained in the Series 2010E Redemption Account, is
20 sufficient to pay principal, interest and premium, if any, with respect to such Series 2010E
21 Bonds on such date. The City Treasurer may make such other provision for the payment
22 of principal of and interest and any redemption premium on the Series 2010E Bonds as is
23 necessary or convenient to permit the optional redemption of the Series 2010E Bonds.

24 Amounts in the Series 2010E Bond Subaccount may be invested in any investment
25 of the City in which moneys in the General Fund of the City are invested. The City

1 Treasurer may commingle any of the moneys held in the Series 2010E Bond Subaccount
2 with other City moneys or deposit amounts credited to the Series 2010E Bond
3 Subaccount into a separate fund or funds for investment purposes only; *provided,*
4 *however,* that all of the moneys held in the Series 2010E Bond Subaccount hereunder
5 shall be accounted for separately notwithstanding any such commingling or separate
6 deposit by the City Treasurer.

7 (b) Series 2010F Bond Subaccount. There is hereby established with
8 the City Treasurer a special subaccount in the Bond Account to be designated the
9 "General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010),
10 Series 2010F Bond Subaccount" (the "Series 2010F Bond Subaccount"), to be held
11 separate and apart from all other accounts of the City. Any bid premium received upon
12 the delivery of the Series 2010F Bonds shall be deposited into the Series 2010F Bond
13 Subaccount. All interest earned on amounts on deposit in the Series 2010F Bond
14 Subaccount shall be retained in the Series 2010F Bond Subaccount.

15 On or prior to the date on which any payment of principal of or interest on the
16 Series 2010F Bonds is due, including any Series 2010F Bonds subject to mandatory
17 redemption on said date, the City Treasurer shall allocate to and deposit in the
18 Series 2010F Bond Subaccount, from amounts held in the Bond Account, an amount
19 which, when added to any available moneys contained in the Series 2010F Bond
20 Subaccount, is sufficient to pay principal of and interest on the Series 2010F Bonds on
21 such date.

22 The City shall apply and transfer, or shall cause the City's authorized designated
23 recipient to apply and transfer, all Interest Subsidy Payments, if, as, and when received
24 by the City or the City's authorized designated recipient, to the Series 2010F Bond
25 Subaccount, which Interest Subsidy Payments shall be applied as a credit against the

1 amounts otherwise transferable from the Bond Account on or prior to the date on which
2 any payment of principal of or interest on the Series 2010F Bonds is due, as set forth in
3 the previous paragraph, or into any fund that may be established for defeasance of the
4 Series 2010F Bonds.

5 On or prior to the date on which any Series 2010F Bonds are to be redeemed at
6 the option of the City pursuant to this Resolution, the City Treasurer may allocate to and
7 deposit in the Series 2010F Redemption Account, from amounts held in the Bond
8 Account pursuant to Section 8 of the Authorizing Resolution, an amount which, when
9 added to any available moneys contained in the Series 2010F Redemption Account, is
10 sufficient to pay principal, interest and premium, if any, with respect to such Series 2010F
11 Bonds on such date. The City Treasurer may make such other provision for the payment
12 of principal of and interest and any redemption premium on the Series 2010F Bonds as is
13 necessary or convenient to permit the optional redemption of the Series 2010F Bonds.

14 Amounts in the Series 2010F Bond Subaccount may be invested in any investment
15 of the City in which moneys in the General Fund of the City are invested. The City
16 Treasurer may commingle any of the moneys held in the Series 2010F Bond Subaccount
17 with other City moneys or deposit amounts credited to the Series 2010F Bond
18 Subaccount into a separate fund or funds for investment purposes only; *provided,*
19 *however,* that all of the moneys held in the Series 2010F Bond Subaccount hereunder
20 shall be accounted for separately notwithstanding any such commingling or separate
21 deposit by the City Treasurer.

22 Section 10. Series of 2010 Project Subaccounts. (a) Series 2010E Project
23 Subaccount. There is hereby established with the City Treasurer a special subaccount in
24 the General Obligation Bonds (Earthquake Safety and Emergency Response Bonds,
25 2010) Project Subaccount (the "Project Subaccount") created pursuant to the Authorizing

1 Resolution to be designated the "General Obligation Bonds (Earthquake Safety and
2 Emergency Response Bonds, 2010), Series 2010E Project Subaccount" (the
3 "Series 2010E Project Subaccount"), to be held separate and apart from all other
4 accounts of the City. All interest earned on amounts on deposit in the Series 2010E
5 Project Subaccount shall be retained in the Series 2010E Project Subaccount. Amounts
6 in the Series 2010E Project Subaccount shall be expended in accordance with the
7 provisions of the Authorizing Resolution for the acquisition, construction or reconstruction
8 of the Project (as defined in the Authorizing Resolution) or portions thereof.

9 Amounts in the Series 2010E Project Subaccount may be invested in any
10 investment of the City in which moneys in the General Fund of the City are invested. The
11 City Treasurer may commingle any of the moneys held in the Series 2010E Project
12 Subaccount with other City moneys or deposit amounts credited to the Series 2010E
13 Project Subaccount into a separate fund or funds for investment purposes only; *provided,*
14 *however,* that all of the moneys held in the Series 2010E Project Subaccount (including
15 interest earnings) hereunder shall be accounted for separately notwithstanding any such
16 commingling or separate deposit by the City Treasurer.

17 The City Treasurer is hereby authorized to pay or cause to be paid from the
18 proceeds of the Series 2010E Project Subaccount, on behalf of the City, the costs of
19 issuance associated with the Series 2010E Bonds. Costs of issuance of the
20 Series 2010E Bonds shall include, without limitation, bond and financial printing
21 expenses, mailing and publication expenses, rating agency fees, the fees and expenses
22 of paying agents, registrars, financial consultants, disclosure counsel and co-bond
23 counsel and the reimbursement of departmental expenses in connection with the
24 issuance of the Series 2010E Bonds.

1 (b) Series 2010F Project Subaccount. There is hereby established with
2 the City Treasurer a special subaccount in the Project Subaccount to be designated the
3 "General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010),
4 Series 2010F Project Subaccount" (the "Series 2010F Project Subaccount"), to be held
5 separate and apart from all other accounts of the City. All interest earned on amounts on
6 deposit in the Series 2010F Project Subaccount shall be retained in the Series 2010F
7 Project Subaccount. Amounts in the Series 2010F Project Subaccount shall be expended
8 in accordance with the provisions of the Authorizing Resolution for the acquisition,
9 construction or reconstruction of the Project (as defined in the Authorizing Resolution) or
10 portions thereof.

11 Amounts in the Series 2010F Project Subaccount may be invested in any
12 investment of the City in which moneys in the General Fund of the City are invested. The
13 City Treasurer may commingle any of the moneys held in the Series 2010F Project
14 Subaccount with other City moneys or deposit amounts credited to the Series 2010F
15 Project Subaccount into a separate fund or funds for investment purposes only; *provided,*
16 *however,* that all of the moneys held in the Series 2010F Project Subaccount (including
17 interest earnings) hereunder shall be accounted for separately notwithstanding any such
18 commingling or separate deposit by the City Treasurer.

19 Subject to the provisions of Section 17(h)(4) hereof, the City Treasurer is hereby
20 authorized to pay or cause to be paid from the proceeds of the Series 2010F Project
21 Subaccount, on behalf of the City, the costs of issuance associated with the Series 2010F
22 Bonds. Costs of issuance of the Series 2010F Bonds shall include, without limitation,
23 bond and financial printing expenses, mailing and publication expenses, rating agency
24 fees, the fees and expenses of paying agents, registrars, financial consultants, disclosure
25

1 counsel and co-bond counsel and the reimbursement of departmental expenses in
2 connection with the issuance of the Series 2010F Bonds.

3 Section 11. Appointment of Securities Depositories, Paying Agents and Other
4 Agents. The Depository Trust Company ("DTC") is hereby appointed as securities
5 depository for each Series of 2010 Bonds. Each Series of 2010 Bonds shall be initially
6 issued only in book-entry form. Upon initial issuance, the ownership of each Series of
7 2010 Bond shall be registered in the bond registration books in the name of Cede & Co.,
8 as nominee of DTC. So long as each Series of 2010 Bonds is registered in book-entry
9 form, each such Series of 2010 Bonds shall be registered in the name of Cede & Co.
10 The City will not have any responsibility or obligation to any purchaser of a beneficial
11 ownership interest in any Series of 2010 Bonds or to any participants in DTC or any
12 successor securities depository with respect to (1) the accuracy of any records
13 maintained by such securities depository or any participant therein; (2) any notice that is
14 permitted or required to be given to the Registered Owner of such Series of 2010 Bonds
15 under this Resolution; (3) the selection by such securities depository or any participant
16 therein of any person to receive payment in the event of a partial redemption of such
17 Series of 2010 Bonds; (4) the payment by such securities depository or any participant
18 therein of any amount with respect to the principal or redemption premium, if any, or
19 interest due with respect to such Series of 2010 Bonds; (5) any consent given or other
20 action taken by such securities depository as the Registered Owner of such Series of
21 2010 Bonds; or (vi) any other matter.

22 The City Treasurer is hereby also authorized and directed to appoint one or more
23 agents, as he or she may deem necessary or desirable. To the extent permitted by
24 applicable law and under the supervision of the City Treasurer, such agents may serve as
25 paying agent, fiscal agent, rebate calculation agent, escrow agent or registrar for any

1 Series of 2010 Bonds, or may assist the City Treasurer in performing any or all of such
2 functions and such other duties as the City Treasurer shall determine. If the City Treasurer
3 appoints one or more paying agents, the procedures set forth in Section 8 hereof relating to
4 registration of ownership of each Series of 2010 Bonds and payments and redemption
5 notices to Registered Owner of each Series of 2010 Bonds may be modified to comply with
6 the policies and procedures of such paying agent. Such agents shall serve under such
7 terms and conditions as the City Treasurer shall determine. The City Treasurer may remove
8 or replace agents appointed pursuant to this Section 11 at any time.

9 Section 12. Defeasance Provisions. Payment of all or any portion of each Series
10 of 2010 Bonds may be provided for prior to such Series of 2010 Bonds' respective stated
11 maturities by irrevocably depositing with the City Treasurer (or any commercial bank or
12 trust company designated by the City Treasurer to act as escrow agent with respect
13 thereto):

14 (a) An amount of cash equal to the principal amount of all of such Series
15 of 2010 Bonds or a portion thereof, and all unpaid interest thereon to maturity, except that
16 in the case of the portion of a Series of 2010 Bonds that are to be redeemed prior to such
17 Series of 2010 Bonds' respective stated maturities and in respect of which notice of such
18 redemption shall have been given as provided in Section 8 hereof or an irrevocable
19 election to give such notice shall have been made by the City, the amount to be deposited
20 shall be the principal amount thereof, all unpaid interest thereon to the Redemption Date,
21 and premium, if any, due on such Redemption Date; or

22 (b) Defeasance Securities (as defined below) not subject to call, except
23 as provided below in the definition thereof, maturing and paying interest at such times and
24 in such amounts, together with interest earnings and cash, if required, as will, without
25 reinvestment, as certified by an independent certified public accountant be fully sufficient

1 to pay the principal and all unpaid interest to maturity, or to the Redemption Date, as the
2 case may be, and premium, if any, due on the portion of the Series of 2010 Bonds to be
3 paid or redeemed, as such principal and interest come due; provided, that, in the case of
4 such Series of 2010 Bonds that are to be redeemed prior to maturity, notice of such
5 redemption shall be given as provided in Section 8 hereof or an irrevocable election to
6 give such notice shall have been made by the City; then, all obligations of the City with
7 respect to said outstanding Series of 2010 Bonds shall cease and terminate, except only
8 the obligation of the City to pay or cause to be paid from the funds deposited pursuant to
9 paragraphs (a) or (b) of this Section 12, to the owners of such Series of 2010 Bonds all
10 sums due with respect thereto and the obligations of the City pursuant to Section 17
11 hereof; provided, that the City shall have received an opinion of nationally recognized
12 bond counsel, that provision for the payment of such Series of 2010 Bonds has been
13 made in accordance with this Section 12.

14 For purposes of this Section 12, "Defeasance Securities" shall mean any of the
15 following that at the time are legal investments under the laws of the State of California for
16 the moneys proposed to be invested therein:

- 17 (1) United States Obligations (as defined below); and
18 (2) Pre-refunded fixed interest rate municipal obligations meeting the
19 following conditions: (a) the municipal obligations are not subject to redemption prior to
20 maturity, or the trustee has been given irrevocable instructions concerning their calling
21 and redemption and the issuer has covenanted not to redeem such obligations other than
22 as set forth in such instructions; (b) the municipal obligations are secured by cash or
23 United States Obligations; (c) the principal of and interest on the United States
24 Obligations (plus any cash in the escrow fund or the Series 2010E Redemption Account
25 or the Series 2010F Redemption Account, as applicable) are sufficient to meet the

1 liabilities of the municipal obligations; (d) the United States Obligations serving as security
2 for the municipal obligations are held by a trustee or escrow agent; (e) the United States
3 Obligations are not available to satisfy any other claims, including those against the
4 trustee or escrow agent; and (f) the municipal obligations are rated, at the time of original
5 deposit to the escrow fund, the highest ratings category (without regard to any numerical
6 modifier, plus or minus sign or other modifier) by any two Rating Agencies (as defined
7 below).

8 For purposes of this Section 12, "United States Obligations" shall mean (i) direct and
9 general obligations of the United States of America, or obligations that are unconditionally
10 guaranteed as to principal and interest by the United States of America, including without
11 limitation, the interest component of Resolution Funding Corporation (REFCORP) bonds
12 that have been stripped by request to the Federal Reserve Bank of New York in book-entry
13 form or (ii) any security issued by an agency or instrumentality of the United States of
14 America that is selected by the Director of Public Finance that results in the escrow fund
15 being rated the highest ratings category by any two Rating Agencies at the time of the
16 initial deposit to the escrow fund and upon any substitution or subsequent deposit to the
17 escrow fund.

18 For purposes of this Section 12, "Rating Agencies" shall mean Moody's Investors
19 Service, Inc., Fitch Ratings, and Standard and Poor's Rating Services, a division of The
20 McGraw-Hill Companies, Inc., or any other nationally recognized bond rating agency that
21 is the successor to any of the foregoing rating agencies or that is otherwise established
22 after the date hereof.

23 Section 13. Official Notices of Sale. The form of proposed Official Notice of Sale
24 inviting bids for the Series 2010E Bonds (the "Series 2010E Official Notice of Sale")
25 submitted to the Board is hereby approved and adopted as the Official Notice of Sale

1 inviting bids for the Series 2010E Bonds, with such changes, additions and modifications
2 as may be made in accordance with Section 19 hereof. The form of proposed Official
3 Notice of Sale inviting bids for the Series 2010F Bonds (the "Series 2010F Official Notice
4 of Sale") submitted to the Board is hereby approved and adopted as the Official Notice of
5 Sale inviting bids for the Series 2010F Bonds, with such changes, additions and
6 modifications as may be made in accordance with Section 19 hereof. Each of the
7 Series 2010E Official Notice of Sale and the Series 2010F Official Notice of Sale is herein
8 defined as an "Official Notice of Sale."

9 Bids shall be received on the date designated by the Director of Public Finance
10 pursuant to the applicable Official Notice of Sale. The Director of Public Finance is hereby
11 authorized and directed to cause to be mailed or otherwise circulated to prospective bidders
12 for each Series of 2010 Bonds copies of the applicable Official Notice of Sale, subject to
13 such corrections, revisions or additions as may be acceptable to the Director of Public
14 Finance.

15 The Controller is hereby authorized to award each Series of 2010 Bonds to the
16 bidder whose bid represents the lowest true interest cost to the City, or, in the case of the
17 Series 2010F Bonds, the lowest net effective rate (after application of Interest Subsidy
18 Payments scheduled to be received from the United States Treasury), all in accordance with
19 the procedures described in the applicable Official Notice of Sale, each of which award shall
20 be set forth in a certificate signed by the Controller setting forth the terms of the applicable
21 Series of 2010 Bonds and the original purchasers thereof (each, a "Bond Award"). The
22 Controller shall provide a copy of each Bond Award as soon as practicable to the Clerk of
23 the Board of Supervisors and the Director of Public Finance; provided, however, that failure
24 to provide such copies shall not affect the validity of any Bond Award.
25

1 Section 14. Publication of Notice of Intention to Sell Bonds. The form of proposed
2 Notice of Intention to Sell the Series 2010E Bonds and the Series 2010F Bonds (the
3 "Notice of Intention to Sell Bonds") submitted to the Board is hereby approved and
4 adopted as the Notice of Intention to Sell the Series 2010E Bonds and the Series 2010F
5 Bonds, and the Director of Public Finance is hereby authorized and directed to cause the
6 Notice of Intention to Sell Bonds, subject to such corrections, revisions or additions as
7 may be made in accordance with Section 19 hereof, to be published once in The Bond
8 Buyer or another financial publication generally circulated throughout the State of
9 California.

10 Section 15. Sale of Series of 2010 Bonds; Solicitation of Competitive Bids. The
11 Board hereby authorizes the sale of each Series of 2010 Bonds by solicitation of
12 competitive bids for the purchase of such Series of 2010 Bonds on the date and at the
13 place determined in accordance with each applicable Official Notice of Sale.

14 Section 16. Official Statement. The form of proposed Preliminary Official
15 Statement describing the Series 2010E Bonds and the Series 2010F Bonds, including all
16 appendices (the "Preliminary Official Statement") submitted to the Board is hereby
17 approved and adopted as the Preliminary Official Statement describing the Series 2010E
18 Bonds and the Series 2010F Bonds, with such additions, corrections and revisions as
19 may be determined to be necessary or desirable to be made in accordance with Section
20 19 hereof. The Controller or Director of Public Finance is each hereby authorized and
21 directed to revise the Official Statement, as necessary, to conform it to the City's
22 Comprehensive Annual Fiscal Report for the fiscal year ended June 30, 2009, subject to
23 review and approval by the City Attorney of the City (the "City Attorney"). The Controller is
24 hereby authorized to cause the distribution of a Preliminary Official Statement deemed
25 final for purposes of Securities and Exchange Commission Rule 15c2-12 promulgated

1 under the Securities Exchange Act of 1934, as amended (the "Rule"), and to sign a
2 certificate to that effect. The Director of Public Finance is hereby authorized and directed
3 to cause to be printed and mailed or electronically distributed to prospective bidders for
4 each Series of 2010 Bonds copies of the Preliminary Official Statement in substantially
5 the form of the Preliminary Official Statement approved and adopted hereby, as
6 completed, supplemented, corrected or revised. The Controller is authorized and directed
7 to approve, execute, and deliver the final Official Statement with respect to the
8 Series 2010E Bonds and the Series 2010F Bonds, which final Official Statement shall be
9 in the form of the Preliminary Official Statement, with such additions, corrections and
10 revisions as may be determined to be necessary or desirable made in accordance with
11 Section 19 hereof and as are permitted under the Rule. The Director of Public Finance is
12 hereby authorized and directed to cause to be printed and mailed or electronically
13 distributed copies of the final Official Statement to all actual initial purchasers of the
14 Series 2010E Bonds or Series 2010F Bonds.

15 Section 17. Tax Covenants. (a) General; Series 2010E Bonds. The City hereby
16 covenants with the owners and holders of the Series 2010E Bonds that, notwithstanding
17 any other provisions of this Resolution, it shall not take any action, or fail to take any
18 action, if any such action or failure to take action would adversely affect the exclusion
19 from gross income of interest on the Series 2010E Bonds under Section 103 of the Code,
20 and the regulations issued thereunder, as the same may be amended from time to time,
21 and any successor provisions of law. Reference to a particular section of the Code shall
22 be deemed to be a reference to any successor to any such section. The City shall not,
23 directly or indirectly, use or permit the use of proceeds of the Series 2010E Bonds or any
24 of the property financed or refinanced with proceeds of the Series 2010E Bonds, or any
25 portion thereof, by any person other than a governmental unit (as such term is used in

1 Section 141 of the Code), in such manner or to such extent as would result in the loss of
2 exclusion of interest on the Series 2010E Bonds from gross income for federal income tax
3 purposes.

4 (b) Use of Proceeds. The City shall not take any action, or fail to take
5 any action, if any such action or failure to take action would cause the Series 2010E
6 Bonds or the Series 2010F Bonds to be "private activity bonds" within the meaning of
7 Section 141 of the Code, and in furtherance thereof, shall not make any use of the
8 proceeds of the Series 2010E Bonds or the Series 2010F Bonds or any of the property
9 financed with proceeds of the Series 2010E Bonds or the Series 2010F Bonds, or any
10 portion thereof, or any other funds of the City, that would cause the Series 2010E Bonds
11 or the Series 2010F Bonds to be "private activity bonds" within the meaning of
12 Section 141 of the Code. To that end, so long as any Series 2010E Bonds or the Series
13 2010F Bonds are outstanding, the City, with respect to such proceeds and property and
14 such other funds, will comply with applicable requirements of the Code and all regulations
15 of the United States Department of the Treasury issued thereunder and under Section
16 103 of the Internal Revenue Code of 1954, as amended (the "1954 Code"), to the extent
17 such requirements are, at the time, applicable and in effect. The City shall establish
18 reasonable procedures necessary to ensure continued compliance with Section 141 of
19 the Code (or, if applicable, the 1954 Code) and the continued qualification of each of the
20 Series 2010E Bonds and the Series 2010F Bonds as "governmental bonds." In addition,
21 the City shall insure that none of the proceeds of the Series 2010F Bonds are used for
22 any "private business use" within the meaning of Section 141 of the Code.

23 (c) Arbitrage. The City shall not, directly or indirectly, use or permit the
24 use of any proceeds of any Series 2010E Bonds or Series 2010F Bonds, or of any
25 property financed thereby, or other funds of the City, or take or omit to take any action,

1 that would cause the Series 2010E Bonds or the Series 2010F Bonds to be "arbitrage
2 bonds" within the meaning of Section 148 of the Code. To that end, the City shall comply
3 with all requirements of Section 148 of the Code and all regulations of the United States
4 Department of the Treasury issued thereunder to the extent such requirements are, at the
5 time, in effect and applicable to the Series 2010E Bonds or the Series 2010F Bonds.

6 (d) Federal Guarantee. The City shall not make any use of the proceeds
7 of the Series 2010E Bonds or the Series 2010F Bonds or any other funds of the City, or
8 take or omit to take any other action, that would cause the Series 2010E Bonds or the
9 Series 2010F Bonds to be "federally guaranteed" within the meaning of Section 149(b) of
10 the Code. For this purpose, Interest Subsidy Payments shall not be treated as a federal
11 guaranty.

12 (e) Information Reporting. The City shall take or cause to be taken all
13 necessary action to comply with the informational reporting requirement of Section 149(e)
14 of the Code with respect to the Series 2010E Bonds and the Series 2010F Bonds.

15 (f) Hedge Bonds. The City shall not make any use of the proceeds of
16 the Series 2010E Bonds or the Series 2010F Bonds or any other amounts or property,
17 regardless of the source, or take any action or refrain from taking any action that would
18 cause the Series 2010E Bonds or the Series 2010F Bonds to be considered "hedge
19 bonds" within the meaning of Section 149(g) of the Code unless the City takes all
20 necessary action to assure compliance with the requirements of Section 149(g) of the
21 Code.

22 (g) Compliance with Tax Certificates. In furtherance of the foregoing tax
23 covenants of this Section 17, the City covenants that it will comply with the provisions of
24 each Tax Certificate to be executed by the City with respect to each of the Series 2010E
25 Bonds and the Series 2010F Bonds, respectively, dated the date of issuance of each

1 Series of 2010 Bonds, as each such Tax Certificate may be amended from time to time.
2 This covenant shall survive payment in full or defeasance of the Series 2010E Bonds or
3 the Series 2010F Bonds, as applicable.

4 (h) Additional Tax Covenants applicable to Series 2010F Bonds. The
5 following additional covenants shall apply to the Series 2010F Bonds:

6 (1) Build America Bonds; Interest Subsidy Payments. The City shall
7 take all actions necessary to assure that the proceeds of the Series 2010F Bonds are
8 expended and federal tax requirements are met so as to cause the Bonds to be treated
9 as "Build America Bonds" eligible for the Interest Subsidy Payments, as described in
10 Section 4 hereof.

11 (2) Form 8038-CP. The City or the City's authorized designated
12 recipient shall, within the forty-five (45) day period beginning on the day that is ninety (90)
13 days prior to each interest payment date, file Form 8038-CP (or any successor form
14 designated by the United States Department of the Treasury or the Internal Revenue
15 Service) requesting payment of the Interest Subsidy Payment with respect to such
16 interest payment date.

17 (3) Series 2010F Project Subaccount. The City shall insure that all
18 amounts in the Series 2010F Project Subaccount are spent solely on capital expenditures
19 with a reasonably expected economic life of one year or more.

20 (4) 2% Costs of Issuance Limitation. The City shall not permit proceeds
21 of the Series 2010F Bonds, including the investment earnings thereon, in an amount in
22 excess of two percent (2%) of the proceeds of the sale of the Series 2010F Bonds to be
23 used to pay costs of issuance. If the fees of the original purchaser of the Series 2010F
24 Bonds are retained as an underwriter's discount on the purchase of the Series 2010F
25 Bonds, such retention shall be deemed to be an expenditure of proceeds of the

1 Series 2010F Bonds for such fees and shall be applied against such two percent (2%)
2 costs of issuance limitation.

3 Section 18. Continuing Disclosure Certificate. The form of Continuing Disclosure
4 Certificate (the "Continuing Disclosure Certificate") to be signed by the City to permit the
5 original purchasers of each Series of 2010 Bonds to comply with the Rule, submitted to
6 the Board is hereby approved and adopted as the Continuing Disclosure Certificate, with
7 such additions, corrections and revisions as may be determined to be necessary or
8 desirable to be made in accordance with Section 19 hereof, including, without limitation,
9 the use of a separate Continuing Disclosure Certificate for each Series of 2010 Bonds.
10 The Controller is hereby authorized and directed to execute the Continuing Disclosure
11 Certificate on behalf of the City and deliver the Continuing Disclosure Certificate to the
12 original purchasers of each Series of 2010 Bonds.

13 Section 19. Modification to Documents. Any City official authorized by this
14 Resolution to execute any document is hereby further authorized, in consultation with the
15 City Attorney to approve and make such changes, additions, amendments or
16 modifications to the document or documents such official is authorized to execute as may
17 be necessary or advisable (provided that such changes, additions, amendments or
18 modifications shall not authorize an aggregate principal amount of Series 2010E Bonds
19 and Series 2010F Bonds in excess of \$85,000,000 or conflict with the provisions of
20 Section 4 hereof). The approval of any change, addition, amendment or modification to
21 any of the aforementioned documents shall be evidenced conclusively by the execution
22 and delivery of the document in question.

23 Section 20. Ratification. All actions heretofore taken by officials, employees and
24 agents of the City with respect to the sale and issuance of the Series 2010E Bonds and
25 the Series 2010F Bonds are hereby approved, confirmed and ratified.

1 Section 21. Relationship to Authorizing Resolution. In the event of any conflict
2 between this Resolution and the Authorizing Resolution, the terms of this Resolution shall
3 control. Without limiting the foregoing and notwithstanding the provisions of the
4 Authorizing Resolution, the City is not obligated to transfer money from the General Fund
5 of the City to the Bond Account to pay the principal of or interest on any Series of
6 2010 Bonds.

7 Section 22. Accountability Reports. Each Series of 2010 Bonds is subject to
8 accountability requirements under the City's Administrative Code and the Bond
9 Ordinance. Accountability report(s) with respect to the Series 2010E Bonds and the
10 Series 2010F Bonds shall be submitted at the time(s) and in the manner required by the
11 Administrative Code and the Bond Ordinance.

12 Section 23. CEQA Findings. The Board hereby adopts and incorporates by
13 reference the findings required by the California Environmental Quality Act ("CEQA"),
14 California Public Resources Code Sections 21000 et seq., the CEQA Guidelines, 15 Cal.
15 Administrative Code Sections 15000 et seq., ("CEQA Guidelines"), and the San Francisco
16 Administrative Code Chapter 31 ("Chapter 31"), all as set forth in Resolution 47-10,
17 adopted February 9, 2010; provided however, except for planning and feasibility studies
18 no bond proceeds shall be spent on projects of or relating to neighborhood fire stations,
19 Awss cisterns or Awss pipe improvements, until such time as the Board has determined
20 to proceed with such projects and the necessary CEQA findings and determinations have
21 been made in accordance with law.

22 Section 24. Planning Code. The Board hereby adopts and incorporates by
23 reference the findings and declarations relative to the conformance of the Bonds to (i) the
24 priority policies of Section 101.1(b) of the San Francisco Planning Code, (ii) Section 4.105
25 of the San Francisco Charter and Section 2A.53(f) of the San Francisco Administrative

1 Code, and (iii) consistency with the City's General Plan, all as more fully set forth in
2 Resolution No.47-10, adopted by this Board on February 9, 2010.

3 Section 25. Citizens' Oversight Committee. The Series 2010 Bonds are subject to,
4 and incorporate by reference, the applicable provisions of San Francisco Administrative
5 Code Sections 5.30 – 5.36 (the "Citizens' General Obligation Bond Oversight Committee,
6 to the extent permitted by law, one-tenth of one percent (0.1%) of the gross proceeds of
7 each series of the Series 2010 Bonds shall be deposited in a fund established by the
8 Controller's Office and appropriated by the Board of Supervisors at the direction of the
9 Citizens' General Obligation Bond Oversight Committee to cover the costs of such
10 Committee.

11 Section 26. General Authority. The Clerk of the Board of Supervisors, the Mayor,
12 the City Treasurer, the Director of Public Finance, the City Attorney and the Controller are
13 each hereby authorized and directed in the name and on behalf of the City to take any
14 and all steps and to issue, deliver or enter into any and all certificates, requisitions,
15 agreements, notices, consents, and other documents as may be necessary to give effect
16 to the provisions of this Resolution, including but not limited to letters of representations to
17 any depository or depositories which they or any of them might deem necessary or
18 appropriate in order to consummate the lawful issuance, sale and delivery of the
19 Series 2010E Bonds or the Series 2010F Bonds.

20 APPROVED AS TO FORM:

21 DENNIS J. HERRERA
22 City Attorney

23 By: _____

24 Mark D. Blake
25 Deputy City Attorney

1 EXHIBIT A

2 [FORM OF SERIES 2010E BOND]

3
4 Number UNITED STATES OF AMERICA Amount
5 STATE OF CALIFORNIA \$ _____

6
7 CITY AND COUNTY OF SAN FRANCISCO
8 GENERAL OBLIGATION BONDS
9 (EARTHQUAKE SAFETY AND EMERGENCY RESPONSE BONDS, 2010),
10 SERIES 2010E (TAX EXEMPT)
11 _____

12 Interest Rate Maturity Date Dated CUSIP Number

13 June 15, _____

14 REGISTERED OWNER: _____

15 PRINCIPAL AMOUNT: _____ DOLLARS

16 THE CITY AND COUNTY OF SAN FRANCISCO, State of California (the "City"),
17 acknowledges itself indebted to and promises to pay to _____ or registered
18 assigns (the "Registered Owner"), on the maturity date set forth above the principal sum of
19 _____ Dollars (\$ _____) in lawful money of the United States of America, and
20 to pay interest thereon in like lawful money from the interest payment date next preceding the
21 date of authentication of this bond (unless this bond is authenticated as of the day during the
22 period from the last day of the month next preceding any interest payment date (the "Record
23 Date") to such interest payment date, inclusive, in which event it shall bear interest from such
24 interest payment date, or unless this bond is authenticated on or before November 30, 2010, in
25 which event it shall bear interest from its dated date until payment of such principal sum, at the

1 interest rate per annum stated herein above calculated on the basis of a 360-day year comprised
2 of twelve 30-day months, payable on June 15, 2011, and semiannually thereafter on December
3 15 and June 15 in each year; provided, however, if any interest payment date occurs on a day
4 that banks in California or New York are closed for business or the New York Stock Exchange is
5 closed for business, then such payment shall be made on the next succeeding day that banks in
6 both California and New York are open for business and the New York Stock Exchange is open
7 for business (a "Business Day"). The principal hereof is payable to the Registered Owner hereof
8 upon the surrender hereof at the office of the Treasurer of the City (the "City Treasurer"). The
9 interest hereon is payable to the person whose name appears on the bond registration books of
10 the City Treasurer as the Registered Owner hereof as of the close of business on the Record
11 Date immediately preceding an interest payment date, whether or not such day is a Business
12 Day, such interest to be paid by check mailed on the interest payment date to such Registered
13 Owner at such Owner's address as it appears on such registration books; provided, however,
14 that the registered owner of bonds in an aggregate principal amount of at least \$1,000,000 may
15 submit a written request to the City Treasurer on or before the Record Date preceding any
16 interest payment date for payment of interest hereon by wire transfer to a commercial bank
17 located in the United States of America.

18 This Bond is one of a duly authorized issue of bonds of like tenor (except for such
19 variations, if any, as may be required to designate varying numbers, denominations, interest
20 rates and maturities), in the aggregate principal amount of \$_____ (the "Series 2010E
21 Bonds"), and is one of a duly authorized series of said issue of Series 2010E Bonds, which
22 Series of 2010E Bonds are part of a bond authorization in the aggregate original principal
23 amount of \$412,300,000 and is authorized by votes of more than two-thirds of the voters
24 voting at an election duly and legally called, held and conducted, in said City on June 8, 2010
25 and is issued and sold by the City pursuant to and in strict conformity with the provisions of the

1 Constitution and laws of the State of California, and Charter of the City and of resolutions
2 adopted by the Board of Supervisors of the City (the "Board of Supervisors") on February 23,
3 2010, and _____, 2010 (collectively, the "Resolutions").

4 The Series 2010E Bonds are issuable as fully registered bonds without coupons in the
5 denominations of \$5,000 or any integral multiple thereof, provided that no bond shall have
6 principal maturing on more than one principal maturity date. Subject to the limitations and
7 conditions and upon payment of the charges, if any, as provided in the Resolutions, the
8 Series 2010E Bonds may be exchanged for a like aggregate principal amount of bonds or other
9 authorized denominations of the same series, interest rate and maturity.

10 This Bond is transferable by the Registered Owner hereof, in person or by attorney duly
11 authorized in writing, at said office of the City Treasurer, but only in the manner, subject to the
12 limitations and upon payment of the charges provided in the Resolutions, and upon surrender
13 and cancellation of this bond. Upon such transfer, a new bond or bonds of authorized
14 denomination or denominations for the same interest rate and same aggregate principal amount
15 will be issued to the transferee in exchange herefor.

16 The Series 2010E Bonds maturing on or before June 15, 20____ are not subject to
17 redemption prior to maturity. The Series 2010E Bonds maturing on or after June 15, 20____ are
18 subject to optional redemption prior to their respective maturities, at the option of the City, from
19 any source of available funds, as a whole or in part on any date (with the maturities to be
20 redeemed to be determined by the City and by lot within a maturity), on and after June 15,
21 20____, at redemption prices equal to 100% of the principal amount redeemed, together with
22 accrued interest to the redemption date, without premium.

23 The Series 2010E Bonds maturing on June 15, 20____, shall be subject to redemption prior
24 to their respective maturity dates, in part, by lot, from mandatory sinking fund payments, on each
25

June 15, as shown in the table below, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the redemption date, without premium.

<u>Mandatory Sinking Fund Redemption Date (June 15)</u>	<u>Mandatory Sinking Fund Payment</u>
20__	
20__	
20__	
20__*	
* Maturity	

Notice of redemption shall be given by mail not less than twenty (20) days prior to the redemption date to the Registered Owner thereof, but neither failure to receive any such notice or any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption.

Any notice of optional redemption may provide that such redemption is conditional upon occurrence of a specified event, as provided in the Resolutions. In the event that such conditional notice of optional redemption has been given, and on the scheduled Redemption Date such condition has not been satisfied, the Series 2010E Bonds for which notice of conditional optional redemption was given shall not be redeemed and shall remain Outstanding for all purposes of the Resolutions and the redemption not occurring shall not constitute an Event of Default under the Resolutions.

In addition, the City may rescind any optional redemption and notice thereof for any reason on any date prior to any Redemption Date by causing written notice of the rescission to be given to the Registered Owner of all Series 2010E Bonds so called for redemption. Notice of such rescission of redemption shall be given in the same manner notice of redemption was originally given. The actual receipt by the Registered Owner of any

1 Series 2010E Bond of notice of such rescission shall not be a condition precedent to
2 rescission, and failure to receive such notice or any defect in such notice so mailed shall not
3 affect the validity of the rescission.

4 If this Series 2010E Bond is called for redemption and payment is duly provided therefore,
5 interest shall cease to accrue hereon from and after the date fixed for redemption.

6 The City and the City Treasurer may treat the Registered Owner of the Series 2010E
7 Bonds as the absolute owner hereof for all purposes, and the City and the City Treasurer shall
8 not be affected by any notice to the contrary.

9 The City Treasurer may appoint agents to serve as bond registrar or paying agent, as
10 provided in the Resolutions.

11 The Board of Supervisors hereby certifies and declares that the total amount of
12 indebtedness of said City, including the amount of this Series 2010E Bond, is within the limit
13 provided by law, that all acts, conditions and things required by the law to be done or performed
14 precedent to and in the issuance of this Series 2010E Bond have been done and performed in
15 strict conformity with the laws authorizing the issuance of this Series 2010E Bond, that this
16 Series 2010E Bond is in the form prescribed by order of the Board of Supervisors duly made and
17 entered on its minutes, and the money for the payment of principal of this Series 2010E Bond,
18 and the payment of interest thereon, shall be raised by taxation upon the taxable property of said
19 City as provided in the Resolutions.

20 This Series 2010E Bond shall not be entitled to any benefit under the Resolutions, or
21 become valid or obligatory for any purpose, until the Certificate of Authentication and
22 Registration hereon endorsed shall have been signed by the City Treasurer.

23 IN WITNESS WHEREOF the Board of Supervisors of the City and County of San
24 Francisco (the "Board") has caused this Series 2010E Bond to be executed by the Mayor of
25

1 the City and County of San Francisco, and to be countersigned by the Clerk of said Board, all
2 as of _____, 2010.

3
4 _____
5 Mayor of the City and
6 County of San Francisco

7 Countersigned:

8 _____
9 Clerk of the Board of Supervisors

10 CERTIFICATE OF REGISTRATION AND AUTHENTICATION

11
12 This is one of the Series 2010E Bonds described in the within-mentioned Resolutions,
13 which has been authenticated on the date set forth below.

14 Date of Authentication: _____, 20__.

15
16
17 TREASURER OF THE CITY AND
18 COUNTY OF SAN FRANCISCO

19
20 By: _____
21
22
23
24
25

LEGAL OPINION

The following is a true copy of the text of the separate opinions rendered to the City by Squire, Sanders and Dempsey L.L.P., and by Quateman LLP, Co-Bond Counsel to the City, in connection with the original issuance of the Series 2010E Bonds. These opinions are dated as of and premised on the transcript of proceedings examined and the law in effect on the date of such original delivery of such Bonds. Signed copies are on file in the office of the Treasurer.

TREASURER OF THE CITY AND COUNTY OF SAN FRANCISCO.

Specimen Signature

[OPINION OF CO-BOND COUNSEL TO BE INSERTED HERE]

1
2 ASSIGNMENT

3 For value received the undersigned do(es) hereby sell, assign and transfer unto

4 _____
5 (Name, Address, and Tax Identification or Social Security Number of Assignee)
6

7 the within-mentioned registered bond and hereby irrevocably constitute(s) and appoint(s)
8 _____ attorney, to transfer the same on the books of the paying agent with
9 full power of substitution in the premises.
10

11 Dated: _____

12 NOTE: The signature to this assignment must
13 correspond with the name as written on the face of
14 the within bond in every particular, without
enlargement or any change whatsoever.

15 Signature Guaranty: _____

16 NOTE: Signature must be approved by a qualified guarantor.
17

18 _____ Tax ID Number: _____
19
20
21
22
23
24
25

EXHIBIT B

[FORM OF SERIES 2010F BOND]

Number UNITED STATES OF AMERICA Amount
STATE OF CALIFORNIA \$

CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(EARTHQUAKE SAFETY AND EMERGENCY RESPONSE BONDS, 2010),
SERIES 2010F (FEDERALLY TAXABLE-BUILD AMERICA BONDS)

Interest Rate Maturity Date Dated CUSIP Number

June 15, _____

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____ DOLLARS

THE CITY AND COUNTY OF SAN FRANCISCO, State of California (the "City"),
acknowledges itself indebted to and promises to pay to _____ or registered
assigns (the "Registered Owner"), on the maturity date set forth above the principal sum of
_____ Dollars (\$ _____) in lawful money of the United States of America, and
to pay interest thereon in like lawful money from the interest payment date next preceding the
date of authentication of this bond (unless this bond is authenticated as of the day during the
period from the last day of the month next preceding any interest payment date (the "Record
Date") to such interest payment date, inclusive, in which event it shall bear interest from such
interest payment date, or unless this bond is authenticated on or before November 30, 2010, in
which event it shall bear interest from its dated date until payment of such principal sum, at the
interest rate per annum stated herein above calculated on the basis of a 360-day year comprised

1 of twelve 30-day months, payable on June 15, 2011, and semiannually thereafter on
2 December 15 and June 15 in each year; provided, however, if any interest payment date occurs
3 on a day that banks in California or New York are closed for business or the New York Stock
4 Exchange is closed for business, then such payment shall be made on the next succeeding day
5 that banks in both California and New York are open for business and the New York Stock
6 Exchange is open for business (a "Business Day"). The principal hereof is payable to the
7 Registered Owner hereof upon the surrender hereof at the office of the Treasurer of the City (the
8 "City Treasurer"). The interest hereon is payable to the person whose name appears on the
9 bond registration books of the City Treasurer as the Registered Owner hereof as of the close of
10 business on the Record Date immediately preceding an interest payment date, whether or not
11 such day is a Business Day, such interest to be paid by check mailed on the interest payment
12 date to such Registered Owner at such Owner's address as it appears on such registration
13 books; provided, however, that the Registered Owner of bonds in an aggregate principal amount
14 of at least \$1,000,000 may submit a written request to the City Treasurer on or before the
15 Record Date preceding any interest payment date for payment of interest hereon by wire transfer
16 to a commercial bank located in the United States of America.

17 This Bond is one of a duly authorized issue of bonds of like tenor (except for such
18 variations, if any, as may be required to designate varying numbers, denominations, interest
19 rates and maturities), in the aggregate principal amount of \$_____ (the "Series 2010F
20 Bonds"), and is one of a duly authorized series of said issue of Series 2010F Bonds, which
21 series of 2010F Bonds is part of a bond authorization in the aggregate original principal
22 amount of \$412,300,000 and is authorized by votes of more than two-thirds of the voters
23 voting at an election duly and legally called, held and conducted, in said City on June 8, 2010
24 and is issued and sold by the City pursuant to and in strict conformity with the provisions of the
25 Constitution and laws of the State of California, and Charter of the City and of resolutions

1 adopted by the Board of Supervisors of the City (the "Board of Supervisors") on February 23,
2 2010, and _____, 2010 (collectively, the "Resolutions").

3 The Series 2010F Bonds are issuable as fully registered bonds without coupons in the
4 denominations of \$5,000 or any integral multiple thereof, provided that no bond shall have
5 principal maturing on more than one principal maturity date. Subject to the limitations and
6 conditions and upon payment of the charges, if any, as provided in the Resolutions, the
7 Series 2010F Bonds may be exchanged for a like aggregate principal amount of bonds or other
8 authorized denominations of the same series, interest rate and maturity.

9 This Bond is transferable by the Registered Owner hereof, in person or by attorney duly
10 authorized in writing, at said office of the City Treasurer, but only in the manner, subject to the
11 limitations and upon payment of the charges provided in the Resolutions, and upon surrender
12 and cancellation of this bond. Upon such transfer, a new bond or bonds of authorized
13 denomination or denominations for the same interest rate and same aggregate principal amount
14 will be issued to the transferee in exchange herefor.

15 The Series 2010F Bonds maturing on or before June 15, 20__ are not subject to
16 redemption prior to maturity. The Series 2010F Bonds maturing on or after June 15, 20__ are
17 subject to optional redemption prior to their respective maturities, at the option of the City, from
18 any source of available funds, as a whole or in part on any date (with the maturities to be
19 redeemed to be determined by the City and by lot within a maturity), on and after June 15,
20 20__, at redemption prices equal to 100% of the principal amount redeemed, together with
21 accrued interest to the redemption date, without premium.

22 The Series 2010F Bonds maturing on June 15, 20__, shall be subject to redemption prior
23 to their respective maturity dates, in part, by lot, from mandatory sinking fund payments, on each
24 June 15, as shown in the table below, at a redemption price equal to the principal amount
25 thereof plus accrued interest thereon to the redemption date, without premium.

Mandatory Sinking
Fund Redemption
Date
(June 15)

Mandatory Sinking
Fund Payment

20____
20____
20____
20____*
* Maturity

[TO BE CONFORMED PURSUANT TO SECTION 8] The Series 2010F Bonds are subject to special optional redemption prior to their respective stated maturity dates, as a whole or in part, at the option of the City, as a whole or in part, in the order of maturity as directed by the City and by lot within each maturity, in integral multiples of \$5,000, from any source of available funds, upon and after the occurrence of an Interest Subsidy Termination Event (as defined below), at a redemption price (the "Interest Subsidy Termination Optional Redemption Price") equal to the greater of (1) 100% of the principal amount of the Series 2010F Bonds to be redeemed, plus accrued interest on the Series 2010F Bonds to be redeemed to the redemption date; or (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Bonds are to be redeemed, discounted to the date on which the Bonds are to be redeemed on a semi-annual basis, assuming a 360 day year consisting of twelve 30-day months, at the Treasury Rate (as defined below), plus basis points, plus accrued interest on the bonds to be redeemed to the redemption date.

An "Interest Subsidy Termination Event" will have occurred if the City reasonably determines, which determination shall be conclusive, that: (i) Section 54AA or Section 6431 of the Internal Revenue Code of 1986, as amended (the "Code"), has been amended in a material way; or (ii) there is any guidance published by the Internal Revenue Service or the United States

1 Department of the Treasury with respect to Section 54AA or Section 6431 of the Code; or
2 (iii) any other determination by the Internal Revenue Service or the United States Department of
3 the Treasury, which determination is not the result of any act or omission by the City to satisfy
4 the requirements to qualify to receive interest subsidy payments from the United States
5 Department of the Treasury in an amount equal to 35% of the corresponding interest payable on
6 such Bonds, as provided for in Sections 54AA(b) and 6431 of the Code – any of which events
7 results in the City's right to receive such interest subsidy payments being reduced or eliminated.

8 For purposes of determining the Interest Subsidy Termination Optional Redemption Price,
9 the following meanings apply:

10 "Treasury Rate" means, with respect to any redemption date for a particular bond, the
11 rate per annum, expressed as a percentage of the principal amount, equal to the semiannual
12 equivalent yield to maturity of the Comparable Treasury Issue (as defined below), assuming that
13 the Comparable Treasury Issue is purchased on the redemption date for a price equal to the
14 Comparable Treasury Price (as defined below), as calculated by the Designated Investment
15 Banker (as defined below).

16 "Comparable Treasury Issue" means, with respect to any redemption date for a particular
17 bond, the United States Department of the Treasury security or securities selected by the
18 Designated Investment Banker that has an actual or interpolated maturity comparable to the
19 remaining average life of the bond to be redeemed and that would be utilized in accordance with
20 customary financial practice in pricing new issues of debt securities of comparable maturity to
21 the remaining average life of the bond to be redeemed.

22 "Comparable Treasury Price" means, with respect to any redemption date for a particular
23 bond, (1) if the Designated Investment Banker receives at least four Reference Treasury Dealer
24 Quotations (as defined below), the average of such quotations for such redemption date, after
25 excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if the Designated

1 Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average
2 of all such quotations.

3 "Designated Investment Banker" means one of the Reference Treasury Dealers (as
4 defined below) appointed by the City.

5 "Reference Treasury Dealer" means each of the four firms, specified by the City from time
6 to time, that are primary United States Government securities dealers in the City of New York
7 (each a "Primary Treasury Dealer"); provided, however, that if any of them ceases to be a
8 Primary Treasury Dealer, the City will substitute another Primary Treasury Dealer.

9 "Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury
10 Dealer and any redemption date for a particular bond, the average, as determined by the
11 Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue
12 (expressed in each case as a percentage of its principal amount) quoted in writing to the
13 Designated Investment Banker by such Reference Treasury Dealer at 3:30 P.M., New York City
14 time, on the third Business Day preceding such redemption date.

15 ***[TO BE CONFORMED PURSUANT TO SECTION 8]*** The 2010F Bonds are subject to
16 optional redemption prior to their respective stated maturity dates, at the option of the City, as a
17 whole or in part, on any date, at a redemption price (the "Make-Whole Optional Redemption
18 Price") equal to the greater of: (1) 100% of the principal amount of the 2010F Bonds to be
19 redeemed, plus accrued interest on the 2010F Bonds to be redeemed to the redemption date; or
20 (2) the sum of the present value of the remaining scheduled payments of principal and interest to
21 the maturity date of the 2010F Bonds to be redeemed, not including any portion of those
22 payments of interest accrued and unpaid as of the redemption date, discounted to the
23 redemption date on a semi-annual basis, assuming a 360 day year consisting of twelve 30-day
24 months, at the Treasury Rate, plus [25] basis points, plus accrued interest on the 2010F Bonds
25 to be redeemed to the redemption date.

1 For purposes of determining the Make-Whole Optional Redemption Price, the terms
2 "Treasury Rate," "Comparable Treasury Issue," "Comparable Treasury Price," "Designated
3 Investment Banker," "Reference Treasury Dealer," "Primary Treasury Dealer," "Reference
4 Treasury Dealer Quotations," and "Valuation Date" shall have the respective meanings given to
5 such terms above.

6 Notice of redemption shall be given by mail not less than twenty (20) days prior to the
7 redemption date to the Registered Owner thereof, but neither failure to receive any such notice
8 or any defect in the notice so mailed shall affect the sufficiency of the proceedings for
9 redemption.

10 Any notice of optional redemption may provide that such redemption is conditional upon
11 occurrence of a specified event, as provided in the Resolutions. In the event that such
12 conditional notice of optional redemption has been given, and on the scheduled Redemption
13 Date such condition has not been satisfied, the Series 2010F Bonds for which notice of
14 conditional optional redemption was given shall not be redeemed and shall remain
15 Outstanding for all purposes of the Resolutions and the redemption not occurring shall not
16 constitute an Event of Default under the Resolutions.

17 In addition, the City may rescind any optional redemption and notice thereof for any
18 reason on any date prior to any Redemption Date by causing written notice of the rescission
19 to be given to the Registered Owner of all Series 2010F Bonds so called for redemption.
20 Notice of such rescission of redemption shall be given in the same manner notice of
21 redemption was originally given. The actual receipt by the Registered Owner of any
22 Series 2010F Bond of notice of such rescission shall not be a condition precedent to
23 rescission, and failure to receive such notice or any defect in such notice so mailed shall not
24 affect the validity of the rescission.
25

1 If this Series 2010F Bond is called for redemption and payment is duly provided therefore,
2 interest shall cease to accrue hereon from and after the date fixed for redemption.

3 The City and the City Treasurer may treat the Registered Owner of the Series 2010F
4 Bonds hereof as the absolute owner hereof for all purposes, and the City and the City Treasurer
5 shall not be affected by any notice to the contrary.

6 The City Treasurer may appoint agents to serve as bond registrar or paying agent, as
7 provided in the Resolutions.

8 The Board of Supervisors hereby certifies and declares that the total amount of
9 indebtedness of said City, including the amount of this Series 2010F Bond, is within the limit
10 provided by law, that all acts, conditions and things required by the law to be done or performed
11 precedent to and in the issuance of this Series 2010F Bond have been done and performed in
12 strict conformity with the laws authorizing the issuance of this Bond, that this Series 2010F Bond
13 is in the form prescribed by order of the Board of Supervisors duly made and entered on its
14 minutes, and the money for the payment of principal of this Bond, and the payment of interest
15 thereon, shall be raised by taxation upon the taxable property of said City as provided in the
16 Resolutions.

17 This Series 2010F Bond shall not be entitled to any benefit under the Resolutions, or
18 become valid or obligatory for any purpose, until the Certificate of Authentication and
19 Registration hereon endorsed shall have been signed by the City Treasurer.

20 IN WITNESS WHEREOF the Board of Supervisors of the City and County of San
21 Francisco (the "Board") has caused this Series 2010F Bond to be executed by the Mayor of
22 the City and County of San Francisco, and to be countersigned by the Clerk of said Board, all
23 as of _____, 2010.

24
25 _____
Mayor of the City and

County of San Francisco

Countersigned:

Clerk of the Board of Supervisors

CERTIFICATE OF REGISTRATION AND AUTHENTICATION

This is one of the Series 2010F Bonds described in the within-mentioned Resolutions,
which has been authenticated on the date set forth below.

Date of Authentication: _____, 2010.

TREASURER OF THE CITY AND
COUNTY OF SAN FRANCISCO

By: _____

1 LEGAL OPINION

2 The following is a true copy of the text of the separate opinions rendered to the City by
3 Squire, Sanders and Dempsey L.L.P., and by Quateman LLP, Co-Bond Counsel to the City, in
4 connection with the original issuance of the Series 2010E Bonds. These opinions are dated as
5 of, and premised on the transcript of proceedings examined and the law in effect on, the date of
6 such original delivery of such Bonds. Signed copies are on file in the office of the Treasurer.

7 TREASURER OF THE CITY AND COUNTY OF SAN FRANCISCO.

8 _____
Specimen Signature

9 [OPINION OF CO-BOND COUNSEL TO BE INSERTED HERE]

10
11 ASSIGNMENT

12 For value received the undersigned do(es) hereby sell, assign and transfer unto

13 _____
14 (Name, Address, and Tax Identification or Social Security Number of Assignee)

15
16 the within-mentioned registered bond and hereby irrevocably constitute(s) and appoint(s)
17 _____ attorney, to transfer the same on the books of the paying agent with
18 full power of substitution in the premises.

19
20 Dated: _____

21 NOTE: The signature to this assignment must
22 correspond with the name as written on the face of
23 the within bond in every particular, without
24 enlargement or any change whatsoever.

25
Signature Guaranty: _____

NOTE: Signature must be approved by a qualified guarantor.

Tax ID Number: _____

SANFRANCISCO/364444.6

Items 8, 9, and 10
Files 10-1255, 10-1256 and 10-1248

Department:
 Public Utilities Commission, Department of Public Works,
 Controller's Office of Public Finance

EXECUTIVE SUMMARY

Legislative Objectives

- File 10-1255: Resolution providing for the issuance of up to \$412,300,000 of Earthquake Safety and Emergency Response (ESER) General Obligation Bonds, based on San Francisco voters approval of Proposition B in June of 2010.
- File 10-1256: Resolution authorizing and directing the sale of up to \$85,000,000 in Earthquake Safety and Emergency Response General Obligation Bonds.
- File 10-1248: Ordinance appropriating \$85,000,000 of Earthquake Safety and Emergency Response Bond proceeds, including (a) \$70,223,681 to the Department of Public Works (DPW) for project costs, (b) \$8,396,929 to the Public Utilities Commission (PUC) for project costs, (c) \$1,289,390 for issuance and related costs, (d) \$5,090,000 to allow for fluctuations in market conditions, and (e) placing the entire \$85,000,000 on Controller's Reserve pending the sale of the Bonds.

Key Points

- The proposed resolution authorizes the issuance of up to \$412,300,000 in ESER General Obligation (GO) Bonds, which were approved by San Francisco voters on June 8, 2010 as Proposition B. The ESER Bonds will finance the construction, improvement, and retrofit of 19 Fire Stations, the City's Auxiliary Water Supply System (AWWS), a new Public Safety Building, and other firefighting facilities related to earthquake safety. Of the total \$412,300,000 in ESER GO Bonds, the DPW will manage projects totaling \$308,100,000, and the PUC will manage projects totaling \$104,200,000.
- The proposed resolution directing the sale of up to \$85,000,000 of ESER GO Bonds would be the first in a series of four ESER GO Bond sales under the \$412,300,000 authorized by Proposition B.
- The proposed appropriation ordinance for \$85,000,000 in ESER GO Bond funds includes \$78,620,610 for project-related costs, \$1,289,390 for bond oversight and cost of issuance, and \$5,090,000 for a reserve to allow for fluctuations in the financing market between the date when the Board of Supervisors adopts the proposed legislation and the sale date.
- Under the proposed \$85,000,000 appropriation ordinance, DPW will use (a) \$66,596,284 to initially design, develop plans and commence construction on a new Public Safety Building, and (b) \$3,627,397 for planning and feasibility studies to renovate 19 Fire Stations. The PUC will use \$8,396,929 to define the plan of pipe network repair and replacement, and conduct schematic design of the AWSS, cisterns, pipes and tunnels. \$1,289,390 will be used for bond oversight and cost of issuance. \$5,090,000 will be placed on Controller's reserve.

Fiscal Impact

- The proposed resolution authorizing the sale of up to \$85,000,000 in ESER GO Bonds will have a projected annual interest rate of 6.0 percent over approximately 25 years, with estimated total debt service payments of \$155,295,000, including \$75,385,000 in interest and \$79,910,000 in principal, with estimated average annual debt service payments of \$6,212,000. Debt service would be paid from increased Property Taxes, such that an owner of a single family residence with an assessed value of \$500,000 would pay additional Property Taxes to the City of \$11.83 per year.

Recommendation

Approve the proposed ordinance (File No. 10-1248) and the proposed resolutions (File Nos. 10-1255, 10-1256).

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

Section 9.105 of the City's Charter provides that the Board of Supervisors is authorized to approve the issuance and sale of General Obligation bonds in accordance with State law or local procedures adopted by ordinance. Section 9.105 of the City's Charter also provides that (a) amendments to the appropriation ordinance, as finally adopted, are to be adopted in the same manner as other ordinances¹ and (b) no amendment to the appropriation ordinance may be adopted unless the Controller certifies the availability of funds.

Background

On June 8, 2010, the voters of San Francisco approved Proposition B, which authorized the issuance of \$412,300,000 of Earthquake Safety and Emergency Response (ESER) General Obligation Bonds. The ESER General Obligation Bonds will finance the construction, acquisition, improvement, and retrofitting of 19 Fire Stations, the City's Auxiliary Water Supply System (AWSS), a new Public Safety Building and other firefighting infrastructure and facilities related to earthquake safety. As shown in Table 1 below, the total ESER Bond Program Budget is \$412,300,000.

Table 1: Earthquake Safety and Emergency Response General Obligation Bond Budget

Description	Total Budget
19 Fire Stations ²	\$65,100,000
Public Safety Building	243,000,000
DPW Subtotal	\$308,100,000
Auxiliary Water Supply System (AWSS)	\$35,000,000
Firefighting Cisterns	36,600,000
Firefighting Pipes and Tunnels	32,600,000
PUC Subtotal	104,200,000
Total ESER Budget	\$412,300,000
Source: San Francisco Department of Public Works	

The 19 Fire Stations and the new Public Safety Building projects totaling \$308,100,000 will be managed by the Department of Public Works (DPW). The City's AWSS, firefighting cisterns³, and firefighting projects, pipes and tunnels totaling \$104,200,000 will be managed by the Public Utilities Commission (PUC).

¹ In accordance with Section 2.105 of the San Francisco Charter, the approval of an ordinance requires two readings at separate Board of Supervisors meetings, held at least five days apart.

² Renovations are planned for Fire Stations # 2, 5, 6, 13, 15, 17, 18, 28, 38, 40, 41, 21, 22, 36, 43, 44, the Mission Bay Fire Station, Fire Boat Headquarters at the Port, and the Equipment Logistics Center.

³ The Fire Department maintains 177 underground cisterns throughout the City, which store water available for fire fighting in case the domestic water supply and the AWSS are not available.

The single largest project under the subject ESER General Obligation Bonds will be the construction of a new \$243,000,000 Public Safety Building, on Block 8 in the Mission Bay South Redevelopment Project Area, which is Redevelopment Agency-owned land in Mission Bay. This new Public Safety Building will provide (a) a new Police Headquarters, including a new Southern District Police Station, which are both currently located in the Hall of Justice, and (b) a new Mission Bay Fire Station.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution (File No. 10-1255) would authorize the issuance of up to \$412,300,000 of ESER General Obligation (GO) Bonds for all of the Earthquake Safety and Emergency Response funds approved by the voters on June 8, 2010 under Proposition B. The proposed resolution (File No. 10-1256) would authorize and direct the sale of not-to-exceed \$85,000,000 of ESER General Obligation Bonds, which would be the first of four ESER General Obligation Bond sales. The proposed ordinance (File No. 10-1248) would appropriate the entire \$85,000,000 under the first ESER General Obligation Bond sale, including (a) \$70,223,681 to the Department of Public Works, (b) \$8,396,929 to the Public Utilities Commission, (c) \$1,289,390 for issuance and related costs, (d) \$5,090,000 to allow for fluctuations in market conditions and (e) placing all \$85,000,000 on Controller's Reserve pending the sale of the ESER General Obligation Bonds.

According to a September 27, 2010 Memorandum from Ms. Nadia Sesay, Director of Public Finance in the Office of the Controller, the proposed resolution authorizing the issuance of up to \$412,300,000 of ESER General Obligation Bonds (File 10-1255) would authorize the specific parameters of the General Obligation Bonds program to finance the Earthquake Safety and Emergency Response projects, including authorizing the execution, authentication and registration of the bonds; providing for the Property Tax levy to pay the required debt service; and establishing separate accounts for each Earthquake Safety Project.

The proposed resolution authorizing the sale of the not-to-exceed \$85,000,000 in ESER General Obligation Bonds (File 10-1256) would be the first in the series of the total \$412,300,000 Bonds to be sold under Proposition B. According to Mr. Anthony Ababon, Bond Associate at the Controller's Office of Public Finance, under the proposed resolution the not-to-exceed \$85,000,000 of ESER General Obligation Bonds are expected to be sold in December 2010. Issuance and sale of the remaining \$327,300,000 (\$412,300,000 total authorized less \$85,000,000 first issuance) of General Obligation Bonds will be subject to future approval by resolution of the Board of Supervisors.

The proposed ordinance (File 10-1248) would appropriate the entire \$85,000,000 from the above-noted first ESER General Obligation Bond sale. As shown in Table 2 below, of the total \$85,000,000 from the first Bond sale, (a) \$78,620,610 would be for direct project related costs, (b) \$1,289,390 would be for issuance and related costs, and (c) \$5,090,000 is a reserve to allow for fluctuations in market conditions and the resulting interest rates between the date that subject bonds are appropriated by the Board of Supervisors and December of 2010, when the bonds are anticipated to be sold. Table 2 below identifies that DPW will require \$66,596,284 to (a) initially

design, (b) develop plans and (c) begin construction on the new Public Safety Building and \$3,627,397 for planning and feasibility studies to renovate 19 Fire Stations, for a total of \$70,223,681. As shown in Table 2, PUC will use \$8,396,929 to define the plan of pipe network repair and replacement, and conduct schematic designs for the AWSS, cisterns, pipes and tunnels.

Table 2: Earthquake Safety and Emergency Response General Obligation Bond Total Budget and Proposed Request for Bond Sale and Appropriation

Description	Total Project Budget	First Bond Sale and Appropriation for Direct Project Costs	First Bond Sale and Appropriation for Cost of Issuance, Bond Oversight, and Underwriters Discount**	First Bond Sale and Appropriation Total Request	Future Bond Sales and Supplemental Requests
Department of Public Works (DPW)					
Fire Stations	\$65,100,000	\$3,627,397	\$205,555	\$3,832,952	\$61,267,048
Public Safety Building	243,000,000	66,596,284	747,472	67,343,756	175,656,244
DPW Subtotal	308,100,000	70,223,681	953,027	71,176,708	236,923,292
Public Utilities Commission (PUC)					
Auxiliary Water Supply System	35,000,000	3,990,000	112,121	4,102,121	30,897,879
Firefighting Cisterns	36,600,000	1,083,191	112,121	1,195,312	35,404,688
Firefighting Piper and Tunnels	32,600,000	3,323,738	112,121	3,435,859	29,164,141
PUC Subtotal	104,200,000	8,396,929	336,363	8,733,292	95,466,708
ESER Budget	\$412,300,000	\$78,620,610	\$1,289,390	\$79,910,000	\$332,390,000
Reserve Pending Subject \$85,000,000 Bond Sale*				5,090,000	5,090,000
Total				\$85,000,000	\$327,300,000
*The amount of the Reserve Pending Bond Sale is subject to change due to bond market conditions at the time of sale. The Controller's Office makes technical adjustments based on the sale results. If the \$5,090,000 in Reserves is not used, those funds must be re-authorized by the Board of Supervisors through subsequent sale resolutions in order to be issued.					
**Table 3 below provides a breakdown of the Cost of Issuance and Bond Oversight expenditures. Issuance and Bond Oversight expenditures associated with the project costs will be paid through the Controller's Office, as opposed to by the DPW or the PUC.					
Source: San Francisco Department of Public Works					

Table 3 below provides a breakdown of the \$1,289,390 for the cost of issuance, underwriters discount, and bond oversight of the proposed not-to-exceed \$85,000,000 ESER General Obligation Bond issuance and appropriation.

TABLE 3: Proposed Cost of Issuance and Bond Oversight

Description	Amount
Cost of Issuance ⁴	\$452,914
Underwriter's Discount ⁵	599,325
City Auditor .1% allocation for the General Obligation Bond Oversight Committee Audits	79,910
City Services Auditor .2% allocation for the Controller's Audit Fund	157,241
Total	\$1,289,390
Source: San Francisco Department of Public Works	

FISCAL IMPACTS

According to Mr. Ababon, the proposed issuance of \$412,300,000 in General Obligation Earthquake Safety and Emergency Response Bonds will be sold in four increments between December 2010 and July 2014 as shown in Table 4 below.

TABLE 4: Four Anticipated Bond Sales

Date	Direct Project Costs	Cost of Issuance and Bond Oversight	Total
December, 2010	\$78,620,610 (see Table 2 above)	\$1,289,390	\$79,910,000*
July, 2011	134,904,068	2,145,932	137,050,000
July, 2012	117,811,322	1,963,678	119,775,000
July, 2014	74,064,000	1,501,000	75,565,000
Total	\$405,400,000	\$6,900,000	\$412,300,000
*The anticipated sale amount of \$79,910,000 does not include the \$5,090,000 placed on reserve in order to provide for market fluctuations between now and the sale date. The total appropriation request of \$85,000,000 includes both the anticipated sale amount (\$79,910,000) and reserves (\$5,090,000) pending the first series of bond sales.			
Source: San Francisco Office of the Controller			

The \$85,000,000 in ESER General Obligation Bonds may be issued (a) entirely as tax-exempt bonds, (b) entirely as Federally Taxable Build America Bonds, or (c) as a combination of the two, depending on market conditions pertaining to interest rates. According to the September 27, 2010 Memorandum from Ms. Sesay, San Francisco customarily issues federally tax-exempt bonds to finance capital improvements. However, under provisions of the Federal American Recovery and Reinvestment Act of 2009, a new category of federally taxable bonds were created called Build America Bonds. In accordance with the sale of Build America Bonds, the Federal government

⁴ Cost of Issuance includes payments for bond, disclosure and tax counsel fees; financial advisory fees; rating agency fees; printing costs; and City costs for the Office of Public Finance, Treasurer, Controller, and City Attorney's Office.

⁵ The Underwriters Discount refers to the fact that the original purchaser of the bonds that submitted the most competitive bid for the bonds includes a compensation component for underwriting the bonds and associated risks. This compensation component is included in the bid price submitted for the bonds. Thus, the award of the bonds based on the most competitive bid takes into consideration the amount of Underwriter's Discount.

pays the City an amount equal to the Federal Income Taxes payable by the bond investors 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 issue the proposed ESER General Obligation Bonds as Federally Taxable Build America Bonds if such a sale is considered to be in the best interests of the City.

Mr. Ababon advised that the not-to-exceed \$85,000,000 of ESER General Obligation Bonds are projected to have an annual interest rate of 6.0 percent over approximately 25 years. Mr. Ababon notes that based on market conditions existing at the time of the sale, coupled with policies associated with setting the Property Tax rate, the proposed \$85,000,000 in ESER General Obligation Bonds could be structured with a 20-year life. However, assuming a 25-year term, these bonds will result in estimated total debt service payments of \$155,295,000, including \$75,385,000 in interest and \$79,910,000 in principal, with average annual debt service payments of an estimated \$6,212,000.

Repayment of such annual debt service will be recovered through increases to the annual Property Tax rate which, according to the Controller's Office, average \$0.0024 per \$100 of assessed valuation over the anticipated 25-year term of the Bonds. A single family residence with an assessed value of \$500,000, assuming a homeowners exemption of \$7,000, would pay average annual additional Property Taxes to the City of \$11.83 per year ($\$500,000 - \$7,000 / \$100 \times \0.0024) if the proposed \$85,000,000 ESER General Obligation Bond is issued and appropriated.

RECOMMENDATIONS

Approved the proposed ordinance (File 10-1248) and resolutions (Files 10-1255 and 10-1256).



Harvey M. Rose

cc: Supervisor Avalos	Supervisor Mar
Supervisor Mirkarimi	Supervisor Maxwell
Supervisor Elsbernd	Clerk of the Board
President Chiu	Cheryl Adams
Supervisor Alioto-Pier	Controller
Supervisor Campos	Greg Wagner
Supervisor Chu	
Supervisor Daly	
Supervisor Dufty	



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

Nadia Sesay
Director
Office of Public Finance

MEMORANDUM

TO: Honorable Members, Board of Supervisors

FROM: Nadia Sesay, Director of Public Finance *NS*

SUBJECT: Resolution Providing for the Issuance of Not to Exceed \$412,300,000 in City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010)

Resolution Authorizing the Sale of Not to Exceed \$85,000,000 in City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010), Series 2010E

DATE: September 27, 2010

Background:

A two-thirds majority of voters of the City approved Proposition B in June 2010 ("Proposition B"), which authorized the issuance of not to exceed \$412,300,000 in general obligation bonds to finance the construction, acquisition, improvement, retrofitting, rehabilitation and completion of earthquake safety and emergency responsiveness facilities and infrastructure (the "Earthquake Safety Projects"). We respectfully request that the items below be heard at the Budget and Finance Committee at its Wednesday, October 13, 2010 meeting.

For your review and consideration are two resolutions and related supporting documents:

- 1) Resolution providing for the issuance (the "Issuance Resolution") of City and County of San Francisco general obligation bonds (Earthquake Safety and Emergency Response Bonds, 2010) in an aggregate principal amount not to exceed \$412,300,000 of City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010); and
- 2) Resolution Authorizing the Sale (the "Sale Resolution") of Not to Exceed \$85,000,000 in City and County of San Francisco General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010), Series 2010E (the "2010 Bonds")

The Issuance Resolution approves the general parameters of the general obligation bonds program financing the Earthquake Safety Projects, including authorizing the execution, authentication and registration of the bonds; appointing depositories and agents; providing for the property tax levy to pay debt service; establishing accounts for the Earthquake Safety Projects.

The 2010 Bonds will be the first series of bonds to be issued under Proposition B financing the Earthquake Safety Projects. The Sale Resolution authorizes the sale of the 2010 Bonds in an amount not to exceed \$85 million to abate advanced expenditures eligible to be reimbursed and incurred by the General Fund for preliminary expenditures related to the Earthquake Safety Projects and to finance the study, planning, design, permitting and related expenditures for neighborhood fire stations; the schematic and design phase and construction administration of the proposed public safety building; and the study, planning, design, permitting and related expenditures of the proposed auxiliary water supply system improvements. The remaining authorization under Proposition B will be issued subject to the adoption by the Board of Supervisors and approval by the Mayor of subsequent sale resolutions.

A portion of the 2010 Bonds will pay certain expenses incurred in connection with their issuance and delivery and the periodic oversight and review of the Projects by the Citizens' General Obligation Bond Oversight Committee ("CBOBOC"). The 2010 Bonds are expected to be sold in November 2010.

Financing Parameters:

The proposed Sale Resolution authorizes the issuance of not to exceed par amount of \$85,000,000. Based on current Project cost estimates and schedules, the Office of Public Finance expects to issue \$79,750,000 under conservative assumptions of market conditions prevailing at the expected time of sale. The additional authorized amount above the expected issuance amount allows for fluctuations in market conditions from the date of authorization by the Board to the time of the sale of the 2010 Bonds.

The Certificates are anticipated to contribute approximately \$78,778,000 to the Earthquake Safety Projects. Table 1 outlines anticipated sources and uses for the 2010 Bonds.

Table 1: Anticipated Sources and Uses from the 2010 Bonds.

Estimated Sources		
Par Amount		\$ 79,910,000
Total Estimated Sources		\$ 79,910,000
Estimated Uses		
Project Fund Deposit		\$ 78,777,851
Other Costs of Issuance		1,132,149
Other Underwriter's Discount	599,325	
Other Cost of Issuance	452,914	
<u>CBOBOC</u>	<u>79,910</u>	
Total Estimated Uses		\$ 79,910,000

Based upon a conservative estimate of 6.0% interest rate, OPF estimates that average fiscal year

debt service on the 2010 Bonds is approximately \$6.21 million. The anticipated total par value of \$79.91 million is estimated to result in approximately \$75.39 million in interest payments over the life of the 2010 Bonds. The total principal and interest payment over the approximate 25 year life of the 2010 Bonds is approximately \$155.30 million. Based on market conditions then existing at the time of the sale coupled with the Capital Planning Committee constraints, the 2010 Bonds could be structured with a 20 year life.

Official Statement

The Official Statement provides information for prospective bidders and investors in connection with the public offering by the City of its 2010 Bonds. The Official Statement describes the 2010 Bonds, including sources and uses of funds; security for the 2010 Bonds; risk factors; and tax and other legal matters, among other information. The Official Statement also includes the City's Appendix A, the most recent Comprehensive Annual Financial Report of the City, the City's Investment Policy, and other forms of legal documents for the benefit of investors, holders and owners of the 2010 Bonds.

A *Preliminary Official Statement* is distributed to prospective bidders prior to the sale of the 2010 Bonds and within seven days of the public offering of the 2010 Bonds, 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 2010 Bonds.

The Board of Supervisors and the Mayor, in adopting and approving the Sale Resolution, approve and authorize the use and distribution of the Official Statement by the co-financial advisors with respect to the 2010 Bonds. In accordance with rule 15c2-12 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.

Federal securities laws impose on the City the obligation to ensure that its offering documents are accurate and complete in all material respects. This obligation applies to the individual members of the governing bodies approving the disclosure documents as well as City staff charged with preparing the documents. The Official Statement is attached for your approval prior to its publication.

Build America Bonds: The City customarily issues federally tax-exempt bonds to finance its various capital improvements. Under the provisions of the American Recovery and Reinvestment Act of 2009 (the "Act"), a new category of taxable bonds was created to finance certain governmental purposes called Build America Bonds ("BABs"). BABs are a type of long-term taxable obligation that would otherwise qualify for tax exemption. Under the Act or under any other provision of the Internal Revenue Code that creates a substantially similar direct-pay subsidy program in the future, the City may elect to issue the 2010 Bonds as taxable obligations where the interest portion of payments made by the City to investors for the 2010 Bonds is taxable. On each interest payment date, the City will elect to receive payments from the federal government based upon the payments made by the City for the 2010 Bonds allocable to interest.

The City is considering the BABs in connection with the issuance of the 2010 Bonds. There are, however, legal issues/risks associated with BABs, including 1) whether the federal payments may be reduced or repealed in the future by Congress; 2) the timeliness of federal payments vis-

à-vis the City's periodic debt service obligations; 3) ensuring that the Project partially financed with proceeds of the 2010 Bonds are appropriate within the narrowly defined criteria of the Act and that 100% of project expenditures are capital expenditures; and 4) the ability of the Internal Revenue Service to set off the federal payments in connection with Direct Payment BABs against other unrelated claims on the City by the federal government. Based on market conditions then existing at the time of sale and consultation with the City Attorney and bond counsel of the risks identified above, the 2010 Bonds will be structured to provide the lowest cost of borrowing to the City.

Financing Timeline:

Schedule milestones in connection with the financing may be summarized as follows:

<u>Milestone</u>	<u>Date*</u>
Introduction of authorizing resolution to the Board	September 28, 2010
Consideration by the Capital Planning Committee	October 4, 2010
Issuance and delivery of 2010 Bonds	November 24, 2010

*Please note that dates are estimated unless otherwise noted.

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. As of August 31, 2010, there were \$1.39 billion in general obligation bonds outstanding or approximately 0.88% of the net assessed value of property in the City. If all of the City's authorized and unissued bonds were issued, the total debt burden would be 1.68% of the net assessed value of property in the City. If the Board of Supervisors approves the issuance of the 2010 Bonds, the debt ratio would increase by 0.05% to 0.93%— within the 3.00% legal debt limit.

Capital Plan:

The Capital Planning Committee approved a financial constraint regarding the City's planned use of general obligation bonds such that debt service on approved and issued general obligation bonds would not increase property owners' long-term property tax rates above fiscal year 2006 levels. The fiscal year 2006 property tax rate for the general obligation bond fund was \$0.1201 per \$100 of assessed value. In fiscal year 2011, the property tax rate for the general obligation bond fund is \$0.1121 per \$100 of assessed value. If the Board of Supervisors approves the issuance of the 2010 Bonds, the overall property tax rate would be maintained at \$0.1121 per \$100 of assessed value for fiscal year 2011—within the Capital Planning Committee's approved financial constraint.

Additional Information:

The Resolutions will be introduced at the Board of Supervisors meeting on Tuesday, September 28, 2010. The related financing documents—including the Notice of Intention to Sell, Official Notice of Sale, Official Statement, Appendix A and Continuing Disclosure Certificate and related documents—will also be submitted.

Official Notice of Sale and Notice of Intention to Sell

The Notice of Intention to Sell provides legal notice to prospective bidders of the City's intention to sell City and County of San Francisco General Obligation Bonds, consisting of (i) General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010), Series 2010E and (ii) General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010), Series 2010F (Federally Taxable Build America 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 2010 Bonds announces the date and time of the competitive bond sale, including the terms relating to the 2010 Bonds; the terms of sale, form of bids, and delivery of bids; and closing procedures and documents. Exhibit A-1 to the Official Notice of Sale is the form of the official bid for the purchase of the Series 2010E Bonds, and Exhibit A-2 to the Official Notice of Sale is the form of the official bid for the purchase of the Series 2010F Bonds. Pursuant to the Sale Resolution, the Controller is authorized to award the 2010 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.

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.

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 2010 Bonds in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5).

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

cc: Angela Calvillo, Clerk of the Board
Charles Higuera, Dept. of Public Works – Project Manager
Ed Reiskin, Director of Public Works
Harvey Rose, Budget Analyst
Ben Rosenfield, Controller
Starr Terrell, Mayor's Office
Greg Wagner, Mayor's Budget Director
Mark Blake, Deputy City Attorney

