



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

Anna Van Degna
Director of Public Finance

MEMORANDUM

TO: Honorable Members, Board of Supervisors

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

DATE: Tuesday, March 22, 2022

SUBJECT: Resolution authorizing the issuance and delivery of alternate credit facilities to support the outstanding City and County of San Francisco Finance Corporation Lease Revenue Refunding Bonds, Series 2008-1 (Moscone Center Expansion Project) and City and County of San Francisco Finance Corporation Lease Revenue Refunding Bonds, Series 2008-2

Recommended Action

We respectfully request that the Board of Supervisors (the "Board") review and consider for approval the resolution ("Resolution") authorizing the issuance and delivery of alternate credit facilities to support the outstanding City and County of San Francisco Finance Corporation Lease Revenue Refunding Bonds, Series 2008-1 (Moscone Center Expansion Project) and City and County of San Francisco Finance Corporation Lease Revenue Refunding Bonds, Series 2008-2 (Moscone Center Expansion Project); approving the form of a first supplement to trust agreement, the form of a first amendment to project lease, the forms of the Reimbursement Agreements among the City and County of San Francisco, the City and County of San Francisco Finance Corporation ("Corporation") and one or more credit providers, the forms of the fee agreements, the form of a remarketing supplement, the forms of the remarketing agreements, the forms of the custodian agreements and certain other related financing documents; approving modifications to said documents; approving the execution and delivery of said documents; and authorizing and ratifying other related actions.

We would like to respectfully request consideration of the Resolution no later than the April 20, 2022 meeting of the Budget and Finance Committee.

Background

In 1996, the City's voters approved Proposition A which authorized the lease financing of an expansion of the City's George R. Moscone Convention Center (Moscone Center West) through the issuance of lease revenue bonds in an aggregate principal amount not to exceed \$157.5 million by the Corporation (the "Corporation") on behalf of the City.

2 | Office of Public Finance – Resolution Authorizing Issuance and Delivery of TD Bank, N.A. Letter of Credit Facilities to Support Moscone Series 2008 Bonds

On October 16, 2000 the Board of Supervisors adopted Ordinance No. 241-00 (the “2000 Ordinance”) which approved the issuance of not to exceed \$157.5 million of aggregate principal amount of City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 2000-1, Series 2000-2, and Series 2000-3 (collectively, the “Prior Bonds”). Proceeds from the Prior Bonds along with other City monies financed the acquisition, construction, and improvements to a free-standing expansion of the City’s George R. Moscone Convention Center known as Moscone West located on the northwest corner of Howard and Fourth Streets in the City. Moscone West added approximately 300,000 square feet of exhibit and meeting space to the Moscone Center, increasing the Center’s capacity to approximately 900,000 square feet of exhibit space and meeting rooms.

On August 12, 2008, the Board of Supervisors adopted and the Mayor on August 22, 2008 approved Ordinance No. 203-08 authorizing the issuance, execution and delivery of the City’s Variable Rate Lease Revenue Refunding Bonds, (Moscone Center Expansion Project) Series 2008-1 and Series 2008-2 (the “Series 2008 Bonds”) to refinance the Prior Bonds.

On September 11, 2008, the City issued \$145,340,000 of 2008 Bonds to refund \$144,300,000 of the Prior Bonds. Simultaneous with the issuance of the 2008 Bonds, the City replaced Ambac with letters of credit, one from Bank of America N.A. and the other from State Street Bank and Trust Corporation (“State Street”) pursuant to separate but identical reimbursement agreements for Series 2008-1 and Series 2008-2. On October 1, 2014, the letter of credit from Bank of America N.A. that supported Series 2008-1 was replaced by a letter of credit from State Street, and the State Street letter of credit supporting Series 2008-2 was renewed. In 2019, both State Street letters of credit for Series 2008-1 and Series 2008-2 were extended from their expiration date of October 7, 2019 to an expiration date of October 7, 2022. The proposed resolution is intended to approve new letter of credit agreements in support of the Series 2008 Bonds to replace the expiring agreements. As of March 1, 2022, the remaining outstanding principal balance of the 2008 Bonds is \$65,400,000. The proposed resolution approves new letter of credit agreements in support of the Series 2008 Bonds to replace the expiring agreements, and associated actions.

The City is currently working with its municipal advisors on a competitive solicitation to select Remarketing Agents for the Series 2008 Bonds. The forms of Remarketing Agreements are included for approval with this Resolution, and the selected firms will be identified at the Budget & Finance Committee hearing for this item once the solicitation has been concluded.

Financing Structure

Following a competitive solicitation, the Controller’s Office of Public Finance selected and has reached agreement with TD Bank, N.A. (“TD Bank”) on the terms and conditions of substitute direct-pay letters of credit. The following is a general summary of the terms and conditions of the Reimbursement Agreements and Fee Agreements in connection with proposed remarketing of the Series 2008 Bonds:

1. Commitment Fee: The annualized Commitment Fee to be paid by the City for the TD Bank letter of credit agreements is 0.22% of the principal amount of the facility, payable quarterly in arrears through the 5-year term of the letter of credit agreements. The current commitment fee for the existing State Street direct pay letters of credit is 0.35% for the Series 2008 Bonds.

3 | Office of Public Finance – Resolution Authorizing Issuance and Delivery of TD Bank, N.A. Letter of Credit Facilities to Support Moscone Series 2008 Bonds

2. Commitment Fee Schedule: In the event the Series 2008 Bonds credit ratings are downgraded, the Commitment Fee payable by the City for the letters of credit increases according the following schedule:

**Table 1: Moscone Series 2008 Bonds
TD Bank Letters of Credit Fee Structure**

Level	S&P Rating	Moody's Rating	Commitment Fee Rate
Level 1	AA+ or above	Aa1 or above	0.22%
Level 2	AA	Aa2	0.32%
Level 3	AA-	Aa3	0.42%
Level 4	A+	A1	0.52%
Level 5	A	A2	0.67%
Level 6	A-	A3	0.82%
Level 7	BBB+	Baa1	0.97%
Level 8	BBB	Baa2	1.12%

3. Interest Rate: In the event a letter of credit is drawn, the interest rate for such drawing has been revised to the highest of (i) the sum of the Prime Rate in effect on such day *plus* two percent (2.00%) per annum, (ii) the sum of the Federal Funds Rate, *plus* two percent (2.00%) per annum and (iii) seven percent (7.00%) per annum.

Upon their remarketing, the Series 2008-1 and Series 2008-2 Bonds will be supported by direct-pay letters of credit issued by TD Bank. The Remarketing Supplement summarizes the substitute letters of credit contained in the Reimbursement Agreements.

Additional Information

The forms of the related financing documents—including the Letter of Credit and Reimbursement Agreement(s), Fee Agreement(s), First Supplement to the Indenture of Trust, first amendment to the Project Lease, Remarketing Agreement, Remarketing Supplement, Custodian Agreement, and related documents—will also be submitted, as described below.

Letter of Credit and Reimbursement Agreement(s) and Fee Agreement(s): The Resolution approves the execution and delivery of letter of credit and reimbursement agreements for the Series 2008 Bonds, and delegates to OPF the authority to execute and delivery this and related agreements related to the Bonds. The Letter of Credit and Reimbursement Agreements are a type of Credit Facility that allows for draws to be made in support of the bonds under specific conditions in accordance with the terms of the Indenture of Trust. OPF currently expects to enter into Letter of Credit and Reimbursement Agreement(s) with a term not less than five (5) years with a cost, per the Fee Agreements, of not to exceed 0.22% of the Stated Amount of the Letter of Credit for each day during the related fee period and actual number of days elapsed, paid by the City quarterly in arrears.

4 | Office of Public Finance – Resolution Authorizing Issuance and Delivery of TD Bank, N.A. Letter of Credit Facilities to Support Moscone Series 2008 Bonds

First Supplement to the Indenture of Trust: Pursuant to the Original Indenture of Trust between the City and the Trustee, the Trustee administers and disburses payments with respect to the Series 2008 Bonds and enforces the covenants and remedies in the event of a default by the City. The Trustee holds proceeds disburses payments for the costs incurred associated with the administration of the bonds, as directed by authorized City representatives. The First Supplement to the Indenture of Trust is intended to revise the definitions and terms of the Indenture of Trust in accordance with the proposed terms and conditions of the replacement Letter of Credit and Reimbursement Agreement(s) with T.D. Bank.

First Supplement to the Project Lease: Pursuant to the Site and Facilities Lease, the Corporation leases a City-owned property (or properties) from the City. Pursuant to the Project Lease, the City leases back the leased property, together with the improvements thereon, from the Corporation. The City is then required to make annual Base Rental payments to the Corporation for use and occupancy of the Project, and such Base Rental has been and shall be used to reimburse the Credit Provider for drawings on the Credit Facility used to pay debt service on the Bonds, or to pay debt service on the Bonds. The First Supplement to the Project Lease is intended to revise the definitions and terms of the Indenture of Trust in accordance with the proposed terms and conditions of the replacement Letter of Credit and Reimbursement Agreement(s) with T.D. Bank.

Remarketing Agreement(s) and Remarketing Supplement: A Remarketing Agent is a municipal securities dealer selected by issuers to set the interest rate for a variable rate issue, and typically is responsible for reselling to investors securities that have been tendered for purchase by their owner. The Form of Remarketing Agreement appoints a Remarketing Agent for each series of bonds and sets the fees and other terms and conditions for the selected Remarketing Agent. The Remarketing Supplement is a disclosure document providing certain information to the holders of the Series 2008 Bonds, and will be posted publicly for the benefit of bondholders by the City in connection with the mandatory tender of the bonds required by the substitution of the Credit Facility.

Custodian Agreement: As a condition to the provision of the Letter of Credit, the incumbent trustee and custodian Wells Fargo Bank, N.A. has been retained as custodian and agent with respect to Bank Bonds, if any, for the new letter of credit bank, T.D. Bank. The Custodian Agreement sets forth the terms and conditions upon which the Bank Bonds will be held, remarketed, and/or released. It also specifies that the Custodian will only take direction with respect to such Bank Bonds from the letter of credit bank rather than the City or the Corporation. This revised agreement must be approved to reflect the new Letter of Credit bank.

Anticipated Timeline

The Resolution is expected to be introduced at the March 22, 2022 Board of Supervisors Meeting and will be requested to be heard at the Budget and Finance ("B&F") Committee on April 20, 2022. The Series 2008 Bonds are expected to be remarketed with new letters of credit and substitute remarketing agreements by June of 2022. This timeline will give OPF sufficient lead time ahead of the early October mandatory tender date, in case unforeseen market conditions cause a delay in the execution.

5 | Office of Public Finance – Resolution Authorizing Issuance and Delivery of TD Bank, N.A. Letter of Credit Facilities to Support Moscone Series 2008 Bonds

Milestones	Dates*
• Introduction of Resolution	March 22, 2022
• San Francisco Finance Corporation Meeting	March 25, 2022
• B&F Committee Meeting	April 20, 2022
• Board Considers Approval of the Resolution	April 26, 2022
• Execution of Agreements and New Letters of Credit for Series 2008 Bonds	May/June 2022
• Closing of Substitute Letters of Credit and Remarketing Agent Agreements and Remarketing of the Series 2008 Bonds	May/June 2022

*Please note that dates are estimated unless otherwise noted.

Please contact Anna Van Degna (Anna.VanDegna@sfgov.org) or Vishal Trivedi (Vishal.Trivedi@sfgov.org) if you have any questions. Your consideration of this matter is greatly appreciated.

cc: Angela Calvillo, Clerk of the Board of Supervisors
Tom Paulino, Mayor's Office, Liaison to the Board of Supervisors
Ashley Groffenberger, Mayor's Budget Director
Severin Campbell, Budget Analyst
Ben Rosenfield, Controller
Ken Bukowski, Deputy City Administrator
Mark Blake, Deputy City Attorney
Kenneth Roux, Deputy City Attorney