

LEGISLATIVE DIGEST

[Authorizing Refunding Certificates of Participation, Series 2023-R1 - Multiple Capital Improvement Projects - Not to Exceed \$275,000,000]

Ordinance authorizing the execution and delivery of refunding Certificates of Participation, in one or more series from time to time (“Certificates”), in an aggregate amount not to exceed \$275,000,000 to prepay certain certificates of participation that financed and refinanced various capital improvement projects within the City and County of San Francisco (“City”); approving the form of a Supplement to Trust Agreement between the City and U.S. Bank Trust Company, National Association (as successor-in-interest to U.S. Bank National Association), as trustee (“Trustee”) (including certain indemnities contained therein); approving respective forms of a Supplement to Property Lease and a Supplement to Project Lease, each between the City and the Trustee, for the lease and lease back of all or a portion of certain real property and improvements owned by the City and located at 375 Laguna Honda Boulevard within the City, at 1 Moreland Drive, San Bruno, California, and/or any other property as shall be determined by the City’s Director of Public Finance; approving the form of Escrow Agreement (including certain indemnities contained therein), between the City and U.S. Bank Trust Company, National Association, as escrow agent (“Escrow Agent”); approving the form of an Official Notice of Sale and a Notice of Intention to Sell the Certificates; approving the form of an Official Statement in preliminary and final form; approving the form of a purchase contract between the City and one or more initial purchasers of the Certificates; approving the form of a Continuing Disclosure Certificate; granting general authority to City officials to take necessary actions in connection with the authorization, sale, execution and delivery of the Certificates; approving modifications to documents; and ratifying previous actions taken in connection therewith, as defined herein.

Existing Law

This is new legislation.

Background Information

The proposed Ordinance authorizes the execution and delivery of one or more series of taxable or tax-exempt Certificates of Participation (“2023 Refunding COPs”) to refund to refund the outstanding 2012A, 2014-R2, 2015A, and 2015-R1 COPs on or after their respective call dates. The 2023 Refunding COPs will only be issued if the transaction produces minimum debt service savings of at least 3% of the par value of the refunded bonds on a net present value basis, using the refunding issue’s true interest cost (“TIC”) as the discount rate.

As interest rates change, one or more of the outstanding series proposed to be refunded may be dropped from the transaction to achieve a higher level of savings. The proposed Ordinance provides authorization to refund any outstanding series not refunded by the 2023 Refunding COPs at a later date.

BOARD OF SUPERVISORS

Page 1

5/12/2023

Under the proposed Ordinance, the City will structure the 2023 Refunding COPs using a lease-lease back structure. This lease will be a supplemental to a lease (“Master Lease”) which currently supports certain City outstanding certificates of participation delivered to fund other capital projects of the City (“Master Lease COPs”). The 2023 Refunding COPs will be delivered under supplement agreements as permitted by the Original Trust Agreement, Original Property Lease, and Original Project Lease, each by and between the City and a third-party trustee, currently U.S. Bank National Association (“Trustee”), which are the legal documents which have been used for the outstanding Master Lease certificates of participation (COPs).

The Master Lease currently secures any COPs (i.e. provides the basis for the City to make lease payments) delivered under its terms by the City-owned Laguna Honda Hospital campus located at 375 Laguna Honda Boulevard, San Francisco, and the San Bruno Jail Complex located at 1 Moreland Drive, San Bruno (collectively, “Leased Properties”). Under the Master Lease, the Director of the Controller’s Office of Public Finance is authorized to designate additional properties to be added as assets under the Master Lease as needed.

The proposed Ordinance also approves forms of related standard financing documents: the Preliminary Official Statement, Escrow Agreement, Bond Purchase Contract, Notice of Intention to Sell, Appendix A, the Continuing Disclosure Certificate.