

LEGISLATIVE DIGEST

[Authorizing Tax-Exempt and/or Taxable Certificates of Participation - Multiple Capital Improvement Projects - Not to Exceed \$61,395,000]

Ordinance authorizing the execution and delivery of Certificates of Participation, in one or more series on a tax-exempt and/or taxable basis and from time to time, evidencing and representing an aggregate principal amount of not to exceed \$61,395,000 (“Certificates”), to finance and refinance certain capital improvement projects within the City and County of San Francisco’s (“City”) capital plan and generally consisting of critical repairs, renovations and improvements to City-owned buildings, facilities, streets and works maintained and utilized by various City departments; 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 to the Trustee and lease back to the City 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 South Van Ness Avenue within the City and at 1 Moreland Drive, San Bruno, California, together with any other property determined by the City’s Director of Public Finance to be made subject to the lease and lease back arrangements; 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, as defined herein; 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; ratifying previous actions taken in connection therewith, as defined herein; and repealing and rescinding a portion of the authorization to execute and deliver certificates of participation of the City established through the adoption of Ordinance No. 101-23 of the City on June 2, 2023.

Existing Law

This is new law.

Background Information

The proposed Ordinance authorizes the execution and delivery of one or more series of taxable or tax-exempt Certificates of Participation (“COPs”) in a total principal amount not-to-exceed \$61,395,000 at a maximum interest rate not to exceed 12% per annum. Proceeds of

the COPs will be used to finance and refinance certain capital improvement projects within the City, including but not limited to certain projects within the City's capital plan consisting of critical repairs, renovations and improvements to City-owned buildings, facilities, streets and works maintained and utilized by various City departments ("Project"), (ii) fund a debt service or other similar reserve for the Certificates, as appropriate; and (iii) pay costs of execution and delivery of the Certificates.

Under the proposed Ordinance, the City will structure the 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 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 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, the San Bruno Jail Complex located at 1 Moreland Drive, San Bruno and 1 South Van Ness, San Francisco (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 authorizes the Controller or the Director of Public Finance to sell the certificates by complete sale, negotiated sale or direct placement. If sold by competitive sale, the COPs will be awarded to the bidder whose bid constitutes the lowest true interest cost to the City. In the alternative, the proposed Ordinance also authorizes a negotiated sale, provided the compensation to the selected underwriter cannot exceed (0.5%) of the principal amount of the COPs. If sold by direct placement, the COPs will be sold to the bidder whose bid represents the lowest true interest cost to the City.

The proposed Ordinance also approves forms of related standard financing documents: the Preliminary Official Statement (including Appendix A (i.e. the City's demographic and financial information)), Bond Purchase Contract, Notice of Intention to Sell, Official Notice of Sale, the Continuing Disclosure Certificate.

Finally, the proposed Ordinance partially repeals and rescinds Ordinance No. 101-23 adopted June 2, 2023, to reduce and rescind the authority to execute and deliver the remaining \$60,415,000 aggregate principal amount of Refunding Certificates of Participation thereunder.