OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Greg Wagner
Controller
ChiaYu Ma
Deputy Controller
Anna Van Degna
Director of Public Finance

MEMORANDUM

TO: Honorable Members, Board of Supervisors

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

DATE: Tuesday, October 8, 2024

SUBJECT: Ordinance Appropriating $571,000,000 of the Series 2024ABCD General Obligation Bond Proceeds

Resolution Authorizing the Issuance and Sale of General Obligation Bonds (Embarcadero Seawall, 2018) Series 2024A in an amount not to exceed $124,000,000

Resolution Authorizing the Issuance and Sale of General Obligation Bonds (Earthquake Safety & Emergency Response, 2020) Series 2024B in an amount not to exceed $225,000,000

Resolution Authorizing the Issuance and Sale of General Obligation Bonds (Affordable Housing, 2019) Series 2024C in an amount not to exceed $70,000,000

Resolution Authorizing the Issuance and Sale of General Obligation Bonds (Affordable Housing, 2024) Series 2024D in an amount not to exceed $152,000,000

Resolution Providing for the Issuance of not to exceed $300,000,000 Aggregate Principal Amount of City and County of San Francisco General Obligation Bonds (Affordable Housing, 2024)

Recommended Action:
We respectfully request that the Board of Supervisors (the "Board") consider for review and adoption the resolutions authorizing the issuance and approving the sale of general obligation ("GO") bonds for the following bond programs: 1) For the 2018 Embarcadero Seawall bond program, a third issuance in

an amount not to exceed $124,000,000 (the "2024A Bonds"); 2) For the 2020 Earthquake Safety and Emergency Response ("ESER") bond program, a third issuance in an amount not to exceed $225,000,000 (the "2024B Bonds"); 3) For the 2019 Affordable Housing bond program, a third issuance in an amount not to exceed $70,000,000 (the "2024C Bonds"); 4) for the 2024 Affordable Housing bond program, a first issuance in an amount not to exceed $152,000,000 (the "2024D Bonds"); and 5) for the 2024 Affordable Housing bond program, an authorizing resolution allowing the issuance of bonds from the $300,000,00 program.

In connection with this request, a supplemental appropriation ordinance to appropriate the bond proceeds, and related supporting documents are expected to be introduced at the Board of Supervisors meeting on Tuesday, October 8, 2024. We will request that the items be heard at the scheduled Budget and Finance Committee meeting on October 30, 2024.

Background

On November 6, 2018, a two-thirds majority of voters of the City and County of San Francisco (the "City") approved Proposition A, the Embarcadero Seawall Earthquake Safety General Obligation Bond. Proposition A authorized the sale of up to $425,000,000 of general obligation bonds to finance the construction, reconstruction, acquisition, improvement, demolition, seismic strengthening and repair of the Embarcadero Seawall and other critical infrastructure. The purpose of the program is to protect the waterfront, BART and Muni, buildings, historic piers, and roads from earthquakes, flooding, and rising seas by: repairing the 100-year-old Embarcadero Seawall; strengthening the Embarcadero; and fortifying transit infrastructure and utilities serving residents and businesses. From this authorization, $88,695,000 of bonds have been issued to date, and $336,305,000 remains unissued.

On March 3, 2020, a two-thirds majority of voters of the City approved Proposition B, the San Francisco Earthquake Safety and Response General Obligation Bond. Proposition B authorizes the sale of up to $628,500,000 of general obligation bonds to fund capital projects including: (i) renovation, expansion and seismic upgrading of the City's Emergency Firefighting Water System; (ii) improvement and rehabilitation of neighborhood fire stations and replacement of the firefighter training facility currently located on Treasure Island; (iii) seismic, safety and operations improvements to district police stations and City-owned Police Department support facilities; (iv) upgrading or replacement of critical City-owned disaster response facilities; and (v) expansion of the City's 9-1-1 Emergency Call Center. From this authorization, $167,805,000 of bonds have been issued to date, and $460,695,000 remains unissued.

On November 5, 2019, a two-thirds majority of voters of the City approved Proposition A, the San Francisco Affordable Housing General Obligation Bond. Proposition A authorizes the sale of up to $600,000,000 of general obligation bonds to finance the construction, development, acquisition, and preservation of housing, affordable to extremely-low, low and middle-income households through programs that will prioritize vulnerable populations in the City and prevent the displacement of residents; to repair and reconstruct distressed and dilapidated public housing developments and their underlying infrastructure; to assist the City's middle-income residents or workers in obtaining affordable rental or home ownership opportunities including down payment assistance and support for new construction of affordable housing for San Francisco Unified School District and City College

of San Francisco employees; and to pay related costs. From this authorization, $425,365,000 of bonds have been issued to date, and $174,635,000 remains unissued.

On March 5, 2024, a two-thirds majority of voters of the City approved Proposition A, the San Francisco Affordable Housing General Obligation Bond. Proposition A authorizes the sale of up to $300,000,000 of general obligation bonds to finance the construction, development, acquisition, and/or rehabilitation of rental housing, including workforce housing and senior housing, that will be affordable to households ranging from extremely low-income to moderate-income households; and to pay related costs. The proposed issuance would be the first issuance under the authorization.

Financing Parameters

The proposed legislation will approve the issuance and sale of the Series 2024A, 2024B, 2024C and 2024D bonds (together the "Series 2024ABCD Bonds") under 2018 Embarcadero Seawall Proposition A, 2020 Earthquake Safety and Emergency Response Proposition B, 2019 Affordable Housing Proposition A, and 2024 Affordable 'Housing Proposition A, and appropriation of the bond proceeds from the sale. Table 1 below outlines the sources and uses for the Series 2024ABCD Bonds, based on an estimate provided by Public Resources Advisory Group, a municipal advisory firm registered with the Municipal Securities Rulemaking Board (MSRB). The information below is intended to advise the Board of Supervisors regarding the proposed financing in accordance with Section 5852.1 of the California Government Code.

Table 1: Estimated Sources & Uses of the Series 2024ABCD Bonds

Estimated Sources:	Series 2024A (2018 Embarcadero Seawall)	Series 2024B (2020 Earthquake Safety & Emergency Response)	Series 2024C (2019 Affordable Housing)	Series 2024D (2024 Affordable Housing)	Total
Not-to-Exceed Par Amount	$124,000,000	$225,000,000	$70,000,000	$152,000,000	$571,000,000
Estimated Par	$120,470,000	$218,705,000	$67,435,000	$147,875,000	$554,485,000
Reserve for Market Uncertainty	$3,530,000	$6,295,000	$2,565,000	$4,125,000	$16,515,000
Total Sources	**$124,000,000**	**$225,000,000**	**$70,000,000**	**$152,000,000**	**$571,000,000**
Estimated Uses:					
Project Fund Deposit					
Project Fund	$119,267,000	$216,525,733	$66,758,347	$146,400,000	$548,951,080
CSA Audit Fee	$238,534	$433,052	$133,517	$292,800	$1,097,902
Total Project Fund Deposits	**$119,505,534**	**$216,958,785**	**$66,891,864**	**$146,692,800**	**$550,048,982**
Delivery Date Expenses					
Cost of Issuance	$241,646	$433,985	$138,526	$294,950	$1,109,108
CGOBOC Fee	$120,470	$218,705	$67,435	$147,875	$554,485
Underwriter's Discount	$602,350	$1,093,525	$337,175	$739,375	$2,772,425
Total Delivery Date Expenses	**$964,466**	**$1,746,215**	**$543,136**	**$1,182,200**	**$4,436,018**
Reserve for Market Uncertainty	$3,530,000	$6,295,000	$2,565,000	$4,125,000	$16,515,000
Total Uses	**$124,000,000**	**$225,000,000**	**$70,000,000**	**$152,000,000**	**$571,000,000**

Source: Public Resources Advisory Group

Based upon an estimated market interest rate of 5.18% for the Series 2024ABCD Bonds, the Office of Public Finance estimates that this would result in an average annual debt service cost of about $45,420,000. The anticipated par amount of $554,485,000 is estimated to generate about $330,780,000 in interest payments, resulting in approximately $885,264,000 in total debt service over the anticipated 20-year term of the bonds.

Detailed descriptions of the projects to be financed with proceeds of the Series 2024ABCD Bonds are included in the Bond Accountability Reports to be prepared by the Port of San Francisco, Mayor's Office of Housing and Community Development, Department of Public Works, and Public Utilities Commission. In addition, a portion of the Bond proceeds will be used to pay certain expenses incurred in connection with the issuance and delivery of the Bonds, and the periodic oversight and review of the Projects by City Services Auditor ("CSA Audit") and the Citizens' General Obligation Bond Oversight Committee ("CGOBOC").

Property Tax Impact

Repayment of annual debt service on the Series 2024ABCD Bonds will be recovered through increases in the annual property tax rate, which is estimated to average $0.01293 per $100 of assessed value or $12.93 per $100,000 of assessed value over the anticipated 20-year term of the bonds. The owner of a residence with an assessed value of $600,000, assuming a homeowner's exemption of $7,000, would pay average additional property taxes to the City of approximately $76.67 per year if the proposed amount of $554,485,000 of Series 2024ABCD Bonds are sold.

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. For purposes of this provision of the Charter, the City calculates its debt limit on the basis of total assessed valuation net of non-reimbursable and homeowner exemptions. On this basis, the City's general obligation debt limit for fiscal year 2024-25 is approximately $10.54 billion, based on a net assessed valuation of approximately $351.3 billion. As of October 1, 2024, the City had outstanding approximately $2.23 billion in aggregate principal amount of general obligation bonds, which equals approximately 0.63% of the net assessed valuation for fiscal year 2024-25. If all of the City's voter-authorized and unissued general obligation bonds were issued, the total debt burden would be 1.08% of the net assessed value of property in the City. If the Board of Supervisors approves the issuance of the Series 2024ABCD Bonds and they are issued, the debt ratio would increase by approximately 0.16%, to 0.79% — within the 3.00% legal debt limit.

Capital Plan

The City's adopted Capital Plan includes 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 associated with repayment of debt service in a given year 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. If the Board of Supervisors approves the issuance of the Series 2024ABCD Bonds, the property tax rate for general obligation bonds for fiscal year 2025-26 would be maintained below the fiscal year 2006 rate and within the Capital Planning Committee's approved financial constraint.

Additional Information

The appropriation ordinance and resolutions are expected to be introduced at the Board of Supervisors meeting on Tuesday, October 8, 2024. The forms of the related financing documents — including the Bond Purchase Contract, Preliminary Official Statement, Appendix A, the Continuing Disclosure Certificate and related documents — will also be submitted at that time.

Bond Purchase Contract: The City intends to pursue a competitive sale of the Series 2024ABCD Bonds; however, should bond structure or market conditions indicate the preferability of a negotiated transaction, the Bond Purchase Contract details the terms, covenants, and conditions for the sale of the Series 2024ABCD Bonds through selected underwriter(s), as well as agreements regarding expenses, closing and disclosure documents.

Official Notice of Sale: The Official Notice of Sale announces the date and time for a competitive bond sale, including the terms relating to sale of the Series 2024ABCD Bonds; form of bids, and delivery of bids; and closing procedures and documents. Exhibit A to the Official Notice of Sale is the form of the official bid for the purchase of the Series 2024ABCD Bonds. Pursuant to the Resolutions, in a competitive sale the Controller's Office is authorized to award the 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.

Notice of Intention to Sell: The Notice of Intention to Sell provides legal notice to prospective bidders of the City's intention to sell the Series 2024ABCD Bonds. Such Notice of Intention to Sell would be published once in "The Bond Buyer" or another financial publication generally circulated throughout the State of California.

Official Statement: The Official Statement provides information for prospective bidders and investors in connection with the public offering by the City of the Series 2024ABCD Bonds. The Official Statement describes the Series 2024ABCD Bonds, including sources and uses of funds; security for the Series 2024ABCD 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 Annual Comprehensive 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 Series 2024ABCD Bonds.

A *Preliminary Official Statement* is distributed to prospective bidders prior to the sale of the Series 2024ABCD Bonds and within seven days of the public offering, 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 Series 2024ABCD Bonds.

Prior to the distribution of the Preliminary and Final Official Statements, the documents will be thoroughly and critically reviewed by City staff (in consultation with the City's professional advisors, including the City's co-disclosure counsel) to provide the most current material financial and other material information available.

Board members have a responsibility under federal securities laws to ensure that staff is aware of unique information that Board members may have by virtue of their capacity as board members that would have a material bearing of the capacity of the City to repay the bonds. Board members cannot approve a Preliminary Official Statement if they are aware that it contains material misstatements or omissions. The Board of Supervisors and the Mayor, in adopting and approving the Resolutions, approve and authorize the use and distribution of the Official Statement by the financial advisor with respect to the Series 2024ABCD Bonds. For purposes of the Securities and Exchange Act of 1934, the Controller certifies, on behalf of the City, that the Preliminary and Final Official Statements are final as of their dates.

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, constitutional and statutory limitations on taxes and expenditures, and litigation and risk management. Pursuant to the Resolutions, City staff will revise the Official Statement, including the Appendix A.

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 to assist initial purchasers of the Series 2024ABCD Bonds in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5).

Financing Timeline

Milestones:	Dates*:
Capital Planning Committee Hearing of Resolutions	Oct 7 & Oct 21
Board of Supervisors (BoS) Introduction	October 8
Budget & Finance Committee Hearing	October 30
BoS Consideration of Resolutions and First Reading of Ordinance	November 5
BoS Second Reading of Ordinance	November 19
Estimated Sale & Closing	December 2024

**Please note that dates are preliminary and may change.*

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