

**LEGISLATIVE DIGEST**

(Amendment of the Whole, dated 10/26/2011)

[Administrative Code – Certificates of participation and Commercial Paper Debt Policies]

**Ordinance amending the San Francisco Administrative Code by adding Section 10.62 to adopt a binding financial policy under Charter Section 9.120 regarding Certificates of Participation and Commercial Paper.**

Existing Law

The City issues from time to time Certificates of Participation to finance certain capital improvements. Certificates of Participation are non-voter approved indebtedness.

The City also issues from time to time Commercial Paper to provide initial funding for certain of its capital projects.

The City does not have an official policy regarding the issuance of COPs or Commercial Paper Notes.

Amendments to Current Law

The proposed ordinance formalizes provisions of the Debt Policy of the Controller's Office of Public Finance relating to Certificates of Participation ("COPs") and Commercial Paper.

Under the Ordinance, the City could cause the issuance of COPs for, without limitation:

- the acquisition or improvement of existing facilities and/or construction of new facilities that result in immediate or future savings in payments currently made or to be made by the City's General Fund;
- Leveraging grant and other monies to reduce operating costs of the City;
- Constructing, improving or acquiring facilities to address legal mandates; or,

- Constructing, improving, or acquiring facilities for critical public health and safety needs.

COPs could not be issued to finance operating costs of the City.

In connection with the issuance of COPs, the Director of Public Finance would be required to identify specific revenue sources within the General Fund as internal repayment sources. COPs and other lease financing debt could be used as funding sources for capital projects provided the annual debt service cost of all such indebtedness did not exceed 3.25 percent of General Fund discretionary revenues. The Board of Supervisors could suspend this requirement upon a two-thirds vote for the current or upcoming budget year, and could suspend its provisions for individual transactions.

Under the Ordinance, the Director of Public Finance could also issue tax-exempt and taxable commercial paper notes to provide interim funds to finance the acquisition, construction, and rehabilitation of capital improvements and for capital equipment. The Director of Public Finance could not issue commercial paper notes of the City for any project unless that project and related financing plan had received prior approval from the Board of Supervisors and the Mayor. The Ordinance would require the Director of Public Finance to file a written report with the Board annually on the use and performance of the Commercial Paper program.

### Background Information

Proposition A, adopted by the voters in November 2009, added Section 9.120 to the City Charter. Section 9.120 requires the Controller to propose, and the Mayor and the Board of Supervisors to adopt, long-range financial policies for the City. The policies must be in the form of ordinances approved by the Mayor and passed by a two-thirds' vote of the Board of Supervisors. The proposal would be such an ordinance.

The City may not adopt a budget that the Controller determines is inconsistent with any of the provisions of such an ordinance. Upon a two-thirds' vote, the Board of Supervisors by resolution may suspend, in whole or in part, a financial policy ordinance, including the proposal, for the succeeding fiscal year.

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*This amendment of the whole, dated 10/26/2011, clarifies and expands upon certain provisions of the legislation on file, dated 9/13/2011. In particular, the amendment of the whole clarifies the determination of "discretionary revenues" for purposes of the 3.25 percent cap on the issuance of COPs and other lease-financing debt.*