



*San Francisco Public Library*

Date: April 15, 2016

To: Library Commissioners

From: Luis Herrera, City Librarian

**Re: Agenda Item #X – Supplemental appropriation to re-appropriate FY 16 general reserves monies to debt service payment and approve refunding of the Library’s Branch Library Improvement Program lease revenue bonds**

This memo provides background for the discussion and possible action at the April 21, 2016 Library Commission meeting on the proposed supplemental appropriation to re-appropriate FY 16 general reserves monies to debt service payment and approve refunding of the Library’s Branch Library Improvement Program lease revenue bonds. The intent of the supplemental appropriation is to reduce the current debt incurred as a result of the lease revenue bonds totaling approximately \$34.3 million dollars that were used to complete the Branch Library Improvement Program.

**GENERAL RESERVES BUDGET BACKGROUND**

The Library Preservation Fund (LPF) consists of the Annual Set-Aside monies from the property taxes and the General Fund Baseline together with any interest earned. When budgeted LPF revenues are in excess of planned expenditures in a given fiscal year those excess revenue dollars are allocated to general reserves. General reserves are specific to a fiscal year, unlike the LPF Fund Balance, which is an accumulation of unspent LPF property tax Set-Aside monies over time.

The FY 16 approved budget includes an allocation of \$7,566,391 general reserve monies. In order to maximize the direct benefit to the Library of these one-time FY 16 monies the Library is proposing to re-appropriate the general reserves to lease revenue bonds (LRB) debt service. The Controller’s Office of Public Finance has indicated that the Library could refund (or refinance) our current LRBs and apply this one-time source to reduce the principal amount due. In addition, the anticipated interest rates are expected to be lower (between 2.699 percent and 3.479 percent) than the rate under the original sale. The original LRB sale took place in March 2009 for approximately \$34.3M at an interest rate of 5.384 percent. The remaining principal due is roughly \$28M. See Table 1 for two refunding scenarios and the estimated savings under a 15-year repayment term with a \$7.6M principal reduction. The actual savings will depend on the market conditions at the time of the refunding.

**Table 1: Lease Revenue Bonds Refunding Scenarios**

Original Par - \$34,265,000	Outstanding Par - \$28,045,000	Outstanding Par - \$28,045,000
	Advanced Ref / Current Rates	Advanced Ref / Current Rates + 100bps
Delivery Date - 4/1/2009	Delivery Date - 7/1/2016	Delivery Date - 7/1/2016
Call date - 6/15/2018	Call date - 6/15/2018	Call date - 6/15/2018
Final Maturity - 6/15/2034	Final Maturity - 6/15/2031	Final Maturity - 6/15/2031
	Shortened Term by 3 years	Shortened Term by 3 years

Date	Old Debt Service	Current Interest Rates: Adv. Refunding + \$7,566,391 + Shorter Term		Potential Interest Rates: Adv. Refunding + \$7,566,391 + Shorter Term	
		Scenario A Debt Service	Scenario A Savings	Scenario B Debt Service	Scenario B Savings
		6/15/2016	\$ 1,722,867.50	1,722,867.50	-
6/15/2017	\$ 2,471,735.00	1,848,766.67	622,968.33	1,966,577.78	505,157.22
6/15/2018	\$ 2,471,135.00	1,850,000.00	621,135.00	1,967,500.00	503,635.00
6/15/2019	\$ 2,471,297.50	1,848,250.00	623,047.50	1,967,750.00	503,547.50
6/15/2020	\$ 2,471,797.50	1,849,250.00	622,547.50	1,965,500.00	506,297.50
6/15/2021	\$ 2,468,610.00	1,847,750.00	620,860.00	1,965,750.00	502,860.00
6/15/2022	\$ 2,466,610.00	1,843,750.00	622,860.00	1,963,250.00	503,360.00
6/15/2023	\$ 2,468,860.00	1,847,250.00	621,610.00	1,963,000.00	505,860.00
6/15/2024	\$ 2,467,860.00	1,847,750.00	620,110.00	1,964,750.00	503,110.00
6/15/2025	\$ 2,468,610.00	1,850,250.00	618,360.00	1,963,250.00	505,360.00
6/15/2026	\$ 2,469,405.00	1,849,500.00	619,905.00	1,963,500.00	505,905.00
6/15/2027	\$ 2,469,845.00	1,850,500.00	619,345.00	1,965,250.00	504,595.00
6/15/2028	\$ 2,471,125.00	1,853,000.00	618,125.00	1,963,250.00	507,875.00
6/15/2029	\$ 2,467,137.50	1,846,750.00	620,387.50	1,962,500.00	504,637.50
6/15/2030	\$ 2,471,462.50	1,852,000.00	619,462.50	1,967,750.00	503,712.50
6/15/2031	\$ 2,470,412.50	1,848,000.00	622,412.50	1,963,500.00	506,912.50
6/15/2032	\$ 2,471,512.50		2,471,512.50		2,471,512.50
6/15/2033	\$ 2,471,337.50		2,471,337.50		2,471,337.50
6/15/2034	\$ 2,469,262.50		2,469,262.50		2,469,262.50
<b>True Interest Cost</b>		<b>5.384%</b>	<b>2.699%</b>		<b>3.479%</b>

**SUMMARY AND ACTION REQUESTED:**

In summary, staff is recommending that the Library Commission approve the resolution recommending that the Board of Supervisors adopt an ordinance to de-appropriate \$7,566,391 of FY 16 general reserves monies and re-appropriate said monies to debt service payment; and recommend that the Board of Supervisors approve refunding of the Library’s Branch Library Improvement lease revenue bonds.

This approach supports strong and prudent fiscal management by reducing the debt obligation associated with the issuance of the lease revenue bonds that were necessary to fund the completion of the successful Branch Library Improvement Program.