

File No. 1120467

Committee Item No. 22

Board Item No. 12

### COMMITTEE/BOARD OF SUPERVISORS

#### AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date May 25, 2016

Board of Supervisors Meeting

Date June 7, 2016

#### Cmte Board

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| <input type="checkbox"/>            | <input type="checkbox"/>            | Motion                                       |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Resolution                                   |
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| <input type="checkbox"/>            | <input type="checkbox"/>            | Legislative Digest                           |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report        |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Youth Commission Report                      |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Introduction Form                            |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/>            | <input type="checkbox"/>            | MOU                                          |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Grant Information Form                       |
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| <input type="checkbox"/>            | <input type="checkbox"/>            | Form 126 – Ethics Commission                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Award Letter                                 |
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OTHER (Use back side if additional space is needed)

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Library Commission Resolution</u> |
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Completed by: Linda Wong Date May 20, 2016  
 Completed by: Linda Wong Date May 31, 2016

[De-Appropriation and Re-Appropriation - General Reserve to Debt Service - \$7,566,391 - FY2015-2016]

**Ordinance de-appropriating \$7,566,391 surplus revenue designated for General Reserve from the Public Library and re-appropriating as debt service payment in FY2015-2016.**

Note: **Unchanged Code text and uncodified text** are in plain Arial font.  
**Additions to Codes** are in *single-underline italics Times New Roman font*.  
**Deletions to Codes** are in *strikethrough italics Times New Roman font*.  
**Board amendment additions** are in double underlined Arial font.  
**Board amendment deletions** are in ~~Arial font~~.  
**Asterisks (\*\*\*)** indicate the omission of unchanged Code subsections or parts of tables.

Be it ordained by the People of the City and County of San Francisco:

Section 1. The sources of funding outlined below are herein appropriated to reflect the projected sources of funding for FY2015-2016.

**USES De-Appropriation**

Fund	Index/Project Code	Subobject	Description	Amount
2S LIB NPR	415034	098GR	Designated for General	\$7,566,391
PUBLIC LIBRARY			Reserve	
PRESERVATION FUND				
<b>Total USES De-Appropriation</b>				<b>\$7,566,391</b>

1 **USES Appropriation**

2

Fund	Index/Project Code	Subobject	Description	Amount
3 2S LIB CPR	410338	07121	LOAN PRINCIPAL	\$7,566,391
4 LIBRARY FUND -	CLBDEBLRBP16		REPAYMENT	
5 CONTINUING PROJECTS				
6				
7 <b>Total USES Appropriation</b>				<u><u>\$7,566,391</u></u>

8

9 Section 3. The Controller is authorized to record transfers between funds and adjust

10 the accounting treatment of sources and uses appropriated in this Ordinance as necessary to

11 conform with Generally Accepted Accounting Principles.

12

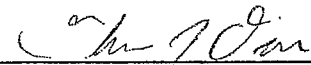
13

14 APPROVED AS TO FORM:

15 DENNIS J. HERRERA, City Attorney


FUNDS AVAILABLE:

BEN ROSENFELD, Controller

16 By: 

17 THOMAS OWEN

18 Deputy City Attorney

By: 

BEN ROSENFELD

Controller

<b>Item 22</b> <b>File 16-0467</b>	<b>Department:</b> Public Library (LIB)
<b>EXECUTIVE SUMMARY</b>	
<p><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• The proposed ordinance (File 16-0467) would authorize the transfer of \$7,566,391 of currently appropriated funds from the General Reserve for payment of debt service. The Public Library requests \$7,566,391 be de-appropriated from General Reserve to debt service payment to refund the City and County San Francisco Finance Corporation Lease Revenue Bonds, Series 2009A that was used to partially finance the Branch Library Improvement Program.</li> </ul> <p><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• The Public Library is requesting authority to transfer \$7,566,391 from General Reserve to debt service payment in order to pay a portion of the outstanding principal on the lease revenue bonds, together with the refunding (i.e. refinancing) of the Branch Library Improvement Program lease revenue bonds, which has a current outstanding total of approximately \$28 million.</li> <li>• The intent of the legislation is to reduce the current debt incurred as a result of the lease revenue bonds that had an original par amount of approximately \$34.3 million.</li> <li>• The Department anticipates being able to obtain a lower interest rate as compared to the original sale as a result of the lease revenue bond refunding and shortening the term of the outstanding debt service.</li> </ul> <p><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• This request has no new impact on the General Fund as all funds are currently appropriated to various accounts.</li> <li>• The Department anticipates long term savings of between \$14,984,937 and \$16,725,248 over the next 18 years due to this legislation and a refunding of the lease revenue bonds.</li> </ul> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>• Approve the proposed ordinance.</li> </ul>	

## MANDATE STATEMENT / BACKGROUND

### Mandate Statement

City Charter Section 9.105 states that amendments to the Annual Appropriation Ordinance are subject to Board of Supervisors approval by ordinance after the Controller certifies the availability of funds.

Charter Section 16.109 established the Library Preservation Fund and the annual property tax set-aside to be deposited into the Fund. The property tax set-aside is in addition to the General Fund baseline amounts allocated to the Library in the annual budget. Charter Section 16.109 also authorizes the issuance of revenue bonds, subject to Board of Supervisors approval, to pay for construction and renovation of library facilities.

### Background

In November 2007, the voters passed Proposition D, which amended and restated Section 16.109 of the City Charter to authorize the use of Library Preservation Fund monies to provide library services and to construct, maintain, and operate library facilities.

The City issued \$34,265,000 in lease revenue bonds in 2009 (Series 2009A Lease Revenue Bonds) to partially fund the Branch Library Improvement Program with a term of 25 years. The current outstanding amount of these lease revenue bonds is \$28,045,000 at an interest rate of 5.384 percent.

## DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would amend the Annual Appropriation Ordinance for FY 2015-16 to de-appropriate \$7,566,391 from the Library's General Reserve<sup>1</sup> and re-appropriate \$7,566,391 to debt service payment (loan principal repayment) to pay a portion of the outstanding principal together with the refunding of the Series 2009A Lease Revenue Bonds (Branch Library Improvement Program).

The Library and the Controller's Office of Public Finance determined that there would be a savings to refund the Series 2009 A Lease Revenue Bonds. The Department and Controller's Office of Public Finance anticipate that the re-appropriated funds of \$7,566,391 would enable the City to pay a portion of the principal amount outstanding on the Series 2009A Lease Revenue Bonds and shorten the bond term by up to three years as part of a refunding (i.e. refinancing). The Department and the Controller's Office of Public Finance also anticipate that the refunded lease revenue bonds are expected achieve a lower interest rate (between 2.699 percent and 3.479 percent) compared to the original 2009 sale (5.384 percent) as a result of improved market conditions.

<sup>1</sup> The Library Preservation Fund consists of the annual property tax set-aside and the General Fund baseline allocation. When budgeted Library Preservation Fund revenues are in excess of planned expenditures in a given fiscal year, those excess revenue dollars are allocated to the Library's General Reserve. The General Reserve is specific to a fiscal year, unlike the Library Preservation Fund balance, which is an accumulation of unspent property tax set-aside monies over time.

According to Ms. Nadia Sesay, Controller’s Office Director of Public Finance, the Library has not yet submitted legislation to the Board of Supervisors to authorize the refunding bonds to refund the outstanding Series 2009A Lease Revenue Bonds. Ms. Sesay noted that additional legislation will be brought to the Board of Supervisors separately in the months preceding the proposed refunding transaction.

**FISCAL IMPACT**

As shown in Table 1 below, the Department and the Controller’s Office of Public Finance anticipate savings of between \$14,984,937 and \$16,725,248 as a result of the proposed legislation to re-appropriate funds and the pending legislation for the refunding of the Series 2009A Lease Revenue Bonds. The Department anticipates that these savings would result from: (1) use of the re-appropriated \$7,566,391 for advanced principal reduction; (2) a subsequent reduction in the term of the bonds by three years; and, (3) a refunding of the lease revenue bonds, which could result in an estimated lower interest rate of between 2.699 percent to 3.479 percent as compared to the current interest rate of 5.384 percent.

**Table 1: Refunding 2009A Lease Revenue Bonds Cost Savings Estimates**

	Original Debt Service (No Action Taken)	Refunded Debt Service at Current Rates	Refunded Debt Service at Potentially Higher Rate
Debt Service Timeframe	April 2009 to June 2034	April 2009 to June 2031	April 2009 to June 2031
Total Number of Payments <sup>2</sup>	25	22	22
Interest Rate	5.384%	2.699%	3.479%
Total of Remaining Payments	\$46,180,883	\$29,455,634 <sup>3</sup>	\$31,195,945 <sup>4</sup>
Total Potential Savings	N/A	\$16,725,248 <sup>5</sup>	\$14,984,937 <sup>6</sup>

**RECOMMENDATION**

Approve the proposed ordinance.

<sup>2</sup> Includes past and future payments. Does not include the proposed re-appropriation of \$7,566,391 for advanced principal repayment.

<sup>3</sup> Assumes refunding at current rates and the proposed re-appropriation of \$7,566,391 for advanced principal repayment.

<sup>4</sup> Ibid

<sup>5</sup> Includes an estimated cost of issuance of \$350,000 for refunding transaction and the \$7,566,391 proposed re-appropriation for advanced principal repayment.

<sup>6</sup> Ibid



*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:		Potential Interest Rates:	
		Adv. Refunding + \$7,566,391 + Shorter Term		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		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.



**SAN FRANCISCO LIBRARY COMMISSION**

**RESOLUTION NO. 2016-01**

RESOLUTION RECOMMENDING THE BOARD OF SUPERVISORS ADOPT AN ORDINANCE THAT DE-APPROPRIATES FY 2016 GENERAL RESERVES MONIES AND RE-APPROPRIATES SAID MONIES TO DEBT SERVICE; AND RECOMMENDING THAT THE BOARD OF SUPERVISORS APPROVE REFUNDING OF THE LIBRARY'S BRANCH LIBRARY IMPROVEMENT PROGRAM LEASE REVENUE BONDS

WHEREAS, On November 6, 2007, the voters of the City and County of San Francisco ("City") passed Proposition D, "Library Preservation Fund" ("Prop. D"), amending and restating Section 16.109 of the City Charter to authorize the use of Library Preservation Fund monies to provide library services and to construct, maintain and operate library facilities; and,

WHEREAS, The City issued \$34,265,000 in lease revenue bonds to partially fund the Branch Library Improvement Program in 2009; and,

WHEREAS, The Library wishes to refund its current outstanding lease revenue bonds which have an estimated \$28,045,000 remaining amount due to reduce its annual debt service costs; and,

WHEREAS, The fiscal year 2016 Library budget includes \$7,566,391 in general reserves monies; and,

WHEREAS, The City Librarian now proposes to de-appropriate \$7,566,391 in general reserves and re-appropriate said monies to debt service payment to reduce the principal amount due; now therefore be it,

RESOLVED, That the Library Commission hereby recommends that the Board of Supervisors approve a supplemental appropriation that would de-

appropriate \$7,566,391 in general reserves and re-appropriate said monies to debt service payment; and be it

FURTHER RESOLVED, That the Library Commission hereby recommends that the Board of Supervisors approve refunding of the Library's lease revenue bonds pursuant to Section 9.109 of the San Francisco Charter.

Approved on April 21, 2016

By a vote of: 5-0

Ayes: Commissioners Dunning, Lee, Mall, Ono and Wardell-Ghirarduzzi



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Sue Blackman  
Library Commission Secretary

OFFICE OF THE MAYOR  
SAN FRANCISCO



EDWIN M. LEE  
MAYOR

May 2, 2016

Angela Calvillo, Clerk of the Board of Supervisors  
City Hall, 1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

Dear Ms. Calvillo:

Attached is the Mayor's proposed May 1 Budget comprised of the following 13 departments: Airport Commission, Board of Appeals, Child Support Services, Environment, Law Library, the Public Library, Municipal Transportation Agency, Port, Public Utilities Commission, Rent Board, Retirement System, and Office of County Education. Also attached are the following 11 pieces of legislation:

- One supplemental appropriation ordinance for the Two-Year Capital Budgets for the Municipal Transportation Authority (MTA)
- One resolution approving the issuance and sale of revenue bonds by the MTA
- One supplemental appropriation ordinance for Mission Bay Improvement Fund for Warrior Arena Improvement Capital Projects for the MTA
- One supplemental appropriation ordinance for surplus revenue and reappropriation for debt service payment for the Public Library
- Three supplemental appropriation ordinances for the Two-Year Capital Budgets of each of the Public Utilities Commission (PUC) Enterprises – Water, Wastewater, and Hetch Hetchy
- Three resolutions approving the issuance and sale of Power, Water, and Wastewater revenue bonds by the PUC
- One Proposition J Contract/Certification resolution of Specified Contracted-Out Services Previously Approved for Enterprise Departments (MTA, PUC, Airport, and Port)

Additionally, there are two letters attached; one memo from the Controller related to the MTA budget and a release of reserve request for the PUC. We request that all items be scheduled for the May 18, 2016 Budget and Finance meeting.

If you have any questions please feel free to contact me at 554-6253.

Sincerely,

A handwritten signature in black ink, appearing to read "Melissa Whitehouse".

Melissa Whitehouse  
Mayor's Budget Director, Acting

cc: Members of the Board of Supervisors  
Harvey Rose  
Controller

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200  
SAN FRANCISCO, CALIFORNIA 94102-4681  
TELEPHONE: (415) 554-6141

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