

File No. 170157

Committee Item No. 2

Board Item No. 3

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Sub-Committee Date March 23, 2017

Board of Supervisors Meeting Date April 4, 2017

Cmte Board

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input checked="" 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"/> | Contract/Agreement |
| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
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Completed by: Linda Wong Date March 16, 2017
Completed by: Linda Wong Date March 28, 2017

1 [Appropriation - General Obligation Bonds - San Francisco General Hospital and Trauma
Center Bond Interest Earnings - FY2016-2017 - \$12,807,266]

2
3 **Ordinance appropriating \$12,807,266 of General Obligation Bond Interest Earnings**
4 **for the San Francisco General Hospital and Trauma Center in FY2016-2017 and**
5 **placing \$392,406 on Controller's Reserve pending interest accrual and review of**
6 **arbitrage costs.**

7
8 Note: **Unchanged Code text and uncodified text** are in plain Arial font.
9 **Additions to Codes** are in *single-underline italics Times New Roman font*.
10 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.
11 **Board amendment additions** are in double underlined Arial font.
12 **Board amendment deletions** are in ~~strikethrough Arial font~~.
13 **Asterisks (***)** indicate the omission of unchanged Code subsections
or parts of tables.

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

15 Section 1. The sources of funding outlined below are herein appropriated to reflect
16 funding available for Fiscal Year 2016-2017.

17 **SOURCES Appropriation**

Fund	Index Code / Project Code	Subobject	Description	Amount
3C XCF 08A	*CON3CXCF08A	30150	SFGH Rebuild	\$1,867,588
2008 SFGH	CHGREB IN	Interest Earned	Project – Interest	
Improvement – 1 st		Pooled Cash	Revenue	
Series 2009A				

	Fund	Index Code / Project Code	Subobject	Description	Amount
3	3C XCF 08B	*CON3CXCF08B	30150	SFGH Rebuild	\$1,799,378
4	2008 SFGH	CHGREB 00	Interest Earned	Project Interest	
5	Improvement – 2 nd		Pooled Cash	Revenue	
6	Series 2010A				
7					
8	3C XCF 08C	*CON3CXCF08C	30150	SFGH Rebuild	\$4,635,178
9	2008 SFGH	CHGREB 00	Interest Earned	Project Interest	
10	Improvement – 3 rd		Pooled Cash	Revenue	
11	Series 2010C				
12					
13	3C XCF 08D	*CON3CXCF08D	30150	SFGH Rebuild	\$2,493,140
14	2008 SFGH	CHGREB 00	Interest Earned	Project – Interest	
15	Improvement – 4 th		Pooled Cash	Revenue	
16	Series S2012D				
17					
18	3C XCF 08E	*CON3CXCF08E	30150	SFGH Rebuild	\$2,011,982
19	2008 SFGH	CHGREB 00	Interest Earned	Project – Interest	
20	Improvement – 5 th		Pooled Cash	Revenue	
21	Series S2014A				
22					
23	Total SOURCES Appropriation				\$12,807,266
24					
25					

1 Section 2. The uses of funding outlined below are herein appropriated in Subobject
 2 06700 (Buildings, Structures, and Improvement Project-Budget), and Subobject 081C4 (City
 3 Services Auditor Internal Audits for the Controller's Audit Fund), and reflect the projected
 4 uses to support the building or rebuilding and earthquake safety improvement of the San
 5 Francisco General Hospital and Trauma Center for the Department of Public Health for Fiscal
 6 Year 2016-2017.

7
 8 **USES Appropriation**

Fund	Index Code / Project Code	Subobject	Description	Amount
3C XCF 08A	PWA583CCF08A	06700	San Francisco	\$1,863,853
2008 SFGH	CHGREB XX	Buildings,	General Hospital	
Improvement – 1 st		Structures &	Rebuild	
Series 2009A		Improvement		
		Project-Budget		
3C XCF 08B	PWA583CCF08B	06700	San Francisco	\$1,795,779
2008 SFGH	CHGREB XX	Buildings,	General Hospital	
Improvement – 2 nd		Structures &	Rebuild	
Series 2010A		Improvement		
		Project-Budget		

	Fund	Index Code / Project Code	Subsubject	Description	Amount
3	3C XCF 08C	PWA583CCF08C	06700	San Francisco	\$4,625,908
4	2008 SFGH	CHGREB XX	Buildings,	General Hospital	
5	Improvement – 3 rd		Structures &	Rebuild	
6	Series 2010C		Improvement		
7			Project-Budget		
9	3C XCF 08D	PWA583CCF08D	06700	San Francisco	\$2,488,154
10	2008 SFGH	CHGREB XX	Buildings,	General Hospital	
11	Improvement – 4 th		Structures &	Rebuild	
12	Series S2012D		Improvement		
13			Project-Budget		
15	3C XCF 08E	PWA583CCF08E	06700	San Francisco	\$2,007,957
16	2008 SFGH	CHGREB XX	Buildings,	General Hospital	
17	Improvement – 5 th		Structures &	Rebuild	
18	Series S2014A		Improvement		
19			Project-Budget		
21	3C XCF 08X	XXXXXX	081C4	0.2% allocation for	\$25,615
22	City Facilities		City Services	the Controller's Audit	
23	Improvement Fund		Auditor Cost	Fund	
25	Total USES Appropriation				<u>\$12,807,266</u>

1 Section 3. \$392,406 of the appropriation is herein placed on Controller's
2 Appropriation Reserve by subfund. Release of appropriation reserves by the Controller is
3 subject to interest accrual and review of arbitrage costs by the Controller's Office of Public
4 Finance. All arbitrage costs will be de-appropriated from this amount and re-appropriated
5 for that purpose.

6
7 Section 4. The Controller is authorized to record transfers between funds and adjust
8 the accounting treatment of sources and uses appropriated in this ordinance as necessary
9 to conform with Generally Accepted Accounting Principles.

10
11 APPROVED AS TO FORM:
12 DENNIS J. HERRERA, City Attorney

FUNDS AVAILABLE
BEN ROSENFELD, Controller

13
14 By:



THOMAS OWEN
Buck DeLuca

By:



BEN ROSENFELD

<p>Item 2 File 17-0157</p>	<p>Department: General Services Agency - Department of Public Works (DPW)</p>
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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would appropriate \$12,807,266 of General Obligation Bond interest earnings for the Zuckerberg San Francisco General Hospital and Trauma Center in FY 2016-17, including \$12,388,121 for final change orders to close out the construction contract, and would place \$392,406 on Controller’s Reserve pending interest accrual and review of arbitrage costs.

Key Points

- In 2008, a two-thirds majority of voters of the City of San Francisco approved Proposition A, which authorized the issuance of not-to-exceed \$887,400,000 in General Obligation bonds to build and improve the earthquake safety of San Francisco General Hospital and Trauma Center. All bonds have been sold and previously appropriated by the Board of Supervisors.
- The Zuckerberg San Francisco General Hospital (SFGH) Rebuild Project constructed a new 284-bed acute care hospital and trauma center that conforms to State seismic and safety requirements. The new hospital construction began in May 2009 and was substantially completed in July 2016. The Department of Public Health received the operational license for the new hospital in May 2016, and patients were moved into the hospital the same month.
- The proposed appropriations would be used to fund change orders in order to close out the existing construction contract. These change orders include patient and staff safety, nursing station modifications, code changes related to fire and life safety, licensing requirements, and equipment changes due to technology upgrades.

Fiscal Impact

- Of the \$12,807,266 appropriation, \$12,388,121 would be used to fund change orders in order to close out the existing construction contract. An additional \$25,615 would be allocated to the Controller’s Audit Fund and \$1,124 would be allocated for future follow-on projects and scopes. \$392,406 of the total \$12,807,266 would be placed on Controller’s Reserve, pending interest accrual and review of arbitration costs.
- The proposed appropriation of the bond interest earnings will result in a new total budget for the entire San Francisco General Hospital rebuild project of \$900,207,266, \$12,807,266 more than the \$887,400,000 that was originally appropriated in 2008.

Recommendation

- Approve the proposed ordinance.

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.

BACKGROUND**Zuckerberg San Francisco General Hospital Rebuild Project**

The Zuckerberg San Francisco General Hospital (SFGH) Rebuild Project constructed a new 284-bed acute care hospital and trauma center that conforms to State seismic and safety requirements. The new hospital construction began in May 2009 and was substantially completed in July 2016. The Department of Public Health received the operational license for the new hospital in May 2016, and patients were moved into the hospital the same month.

Prior Bond Sales Appropriation

In 2008, a two-thirds majority of voters of the City of San Francisco approved Proposition A, which authorized the issuance of not-to-exceed \$887,400,000 in General Obligation bonds to build and improve the earthquake safety of San Francisco General Hospital and Trauma Center.

The City has sold four series in five separate sales of General Obligation Bonds, totaling \$887,400,000, as shown in Table 1 below. The first bond series was issued in March 2009, while the fourth and final series was issued in January, 2014.

Table 1: Prior Bond Sales

Bond Sale Series	Date	Amount
2009A (First series)	March 2009	\$131,650,000
2010A (Second series)	March 2010	120,890,000
2010C (Second series)	March 2010	173,805,000
2012D (Third series)	August 2012	251,100,000
2014A (Fourth series)	January 2014	209,955,000
Total Authorization		\$887,400,000

The Board of Supervisors previously appropriated \$887,400,000 in bond proceeds to fund the SFGH Rebuild Project and associated financing costs, of which \$874,265,716 has been spent or encumbered and \$13,134,284 is the remaining balance, as shown in Table 2 below.

Table 2: Appropriation and Expenditure of Bond Proceeds

	Appropriation	Previously Spent or Encumbered	Balance
Construction			
Hospital Construction Contract	\$658,161,001	\$658,009,173	\$151,828
Other Construction Contracts	15,400,481	14,335,717	1,064,764
Temporary Relocation Construction	274,281	274,281	0
Art Enrichment	6,721,095	6,160,314	560,781
IT Requirements	2,896,627	2,192,469	704,158
Construction Subtotal	683,453,485	680,971,954	2,481,531
Project Controls			
Project Management (DPH/Public Works)	22,421,056	21,435,919	985,137
City Services - Support Services	1,303,222	914,857	388,365
Environmental and Regulatory Approvals	15,458,696	11,639,275	3,819,421
Architectural/ Engineering Services	152,927,452	152,159,633	767,819
Project Controls Subtotal	192,110,426	186,149,684	5,960,742
Other Program Costs ¹	4,071,247	0	4,071,247
Finance Costs	7,764,842	7,144,078	620,764
Total	\$887,400,000	\$874,265,716	\$13,134,284

Source: Department of Public Works

According to Mr. Joe Chin, Project Manager at Public Works, the balance of \$13,134,286 is expected to be fully expended through the completion of the project.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would appropriate \$12,807,266 of General Obligation Bond interest earnings for the Zuckerberg San Francisco General Hospital and Trauma Center in FY 2016-17, including \$12,388,121 for final change orders to close out the construction contract, and would place \$392,406 on Controller's Reserve pending interest accrual² and review of arbitrage costs.³

¹ According to Mr. Chin, the \$4,071,247 in Other Program Costs will fund patient safety, security, life safety, and emergency power improvement for the new hospital requested by the Department of Public Health.

² Accrued interest is the amount of interest that has been earned by a bond holder, but has not yet been paid.

³ Arbitrage on municipal bonds is the difference between (a) the investment earnings that would have accrued if the bond proceeds were invested at a rate equal to the bond yield, and (b) the actual investment earnings accrued when bond proceeds are invested in higher yielding taxable securities. This difference is considered to be profit by the federal Internal Revenue Service and therefore is taxable.

FISCAL IMPACT**General Obligation Bond Interest Earnings**

According to Mr. Vishal Trivedi, Senior Financial Analyst for the Office of Public Finance, interest earnings on the bond proceeds accrue between the date that the bond proceeds are invested by the Treasurer and the date that the bond proceeds are spent. The total bond series interest earnings are detailed below in Table 3.

Table 3: Bond Series Interest Earnings

Bond Series	Total Anticipated Interest Earnings
2009A	\$1,867,588
2010A	1,799,378
2010C	4,635,178
S2012D	2,493,140
S2014A	2,011,982
Total	\$12,807,266

Source: Office of Public Finance

Of the \$12,807,266 appropriation, \$12,388,121 would be used to fund change orders in order to close out the existing construction contract. These change orders include patient and staff safety, nursing station modifications, code changes related to fire and life safety, licensing requirements, and equipment changes due to technology upgrades. An additional \$25,615 would be allocated to the Controller's Audit Fund and \$1,124 would be allocated for future follow-on projects and scopes. \$392,406 of the total \$12,807,266 would be placed on Controller's Reserve, pending interest accrual and review of arbitrage costs. Expenditure of \$12,807,266 is summarized in Table 4 below.

Table 4: Proposed Appropriation of Bond Series Interest Earnings

Use of Appropriation	Amount
Final change orders to closeout construction contract	\$12,388,121
Allocation to Controller's Audit Fund	25,615
Future follow-on projects and scopes	1,124
Controller's Reserves	392,406
Total	\$12,807,266

Source: Department of Public Works

The proposed appropriation of the bond interest earnings will result in a new total budget for the entire Zuckerberg San Francisco General Hospital rebuild project of \$900,207,266, \$12,807,266 more than the \$887,400,000 that was originally appropriated in 2008.


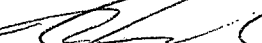
RECOMMENDATION

Approve the proposed ordinance.

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM:  Mayor Edwin M. Lee 
RE: Appropriation - \$12,807,266 of General Obligation Bonds for the San Francisco General Hospital and Trauma Center Bond Interest Earnings for FY 2016-2017
DATE: February 7, 2017

Attached for introduction to the Board of Supervisors is an ordinance appropriating \$12,807,266 of General Obligation Bond Interest Earnings for the San Francisco General Hospital and Trauma Center in FY2016-2017 and placing \$392,406 on Controller's Reserve pending interest accrual and review of arbitrage costs.

Should you have any questions, please contact Mawuli Tugbenyoh (415) 554-5168.

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