

File No. 190356

Committee Item No. 1

Board Item No. 19

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Sub-Committee

Date July 10, 2019

Board of Supervisors Meeting

Date July 23, 2019

Cmte Board

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| <input type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report |
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| <input type="checkbox"/> | <input type="checkbox"/> | Introduction 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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Completed by: Linda Wong Date July 5, 2019

Completed by: Linda Wong Date July 11, 2019

1 [Appropriation - General Obligation Bond Proceeds - San Francisco Seawall Earthquake
2 Safety and Disaster Prevention Program - FY2018-2019 - \$50,000,000]

3 **Ordinance appropriating \$50,000,000 of the Series 2019B Embarcadero Seawall**
4 **Earthquake Safety General Obligation Bond proceeds to the Port of San Francisco in**
5 **FY2018-2019 for planning, site and geotechnical investigations, risk assessment,**
6 **alternatives analysis, program development, identification of potential pilot projects,**
7 **and the San Francisco Waterfront Storm Risk Management Study general investigation**
8 **with the United States Army Corps of Engineers; and placing these funds on**
9 **Controller’s reserve pending sale of the bonds.**

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

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

19 Section 1. The sources of funding outlined below are herein appropriated in Port of San
20 Francisco in Fiscal Year 2018-2019.
21
22
23
24
25

1 **Sources**

Fund /	Project & Activity /	Account	Description	Amount
Department ID	Authority			
XXXXX	10011124-0001	480111	GO Bonds – Series	\$50,000,000
Embarcadero Seawall	PO Seawall & Marginal	Proceeds	2019B Proceeds	
Earthquake Safety	Wharf Repair Project /	from Sale of		
/	12672	Bonds		
232116 PRT Port	PO Seawall & Marginal			
Commission (Portwide)	Wharf Repair			
Total Sources				\$50,000,000

13 Section 2. The uses of funding outlined below are herein appropriated in Port of San
 14 Francisco to reflect the projected funding available for planning, site and geotechnical
 15 investigations, risk assessment, alternatives analysis, program development, identification of
 16 potential pilot projects, and the San Francisco Waterfront Storm Risk Management Study
 17 General Investigation with the United States Army Corps of Engineers in Fiscal Year 2018-
 18 2019.

1 **Uses**

2	Fund /	Project & Activity /	Account	Description	Amount
3	Department ID	Authority			
4	XXXXX	10011124-0001 PO	567000	Seawall Earthquake	\$45,800,000
5	Embarcadero Seawall	Seawall & Marginal	Bldgs, Struct	Safety and Disaster	
6	Earthquake Safety	Wharf Repair Project /	& Imprv Proj-	Prevention	
7	/	12672.	Budget		
8	232116 PRT Port	PO Seawall & Marginal			
9	Commission (Portwide)	Wharf Repair			
10					
11	XXXXX	10034754-0001	581130	CSA 0.2%	\$91,600
12	Embarcadero Seawall	Seawall Bond-Internal	GF-CON-	Controller's Audit	
13	Earthquake Safety	Audit /	Internal Audits	Fund	
14	/	12672			
15	232116 PRT Port	PO Seawall & Marginal			
16	Commission (Portwide)	Wharf Repair			
17					
18	XXXXX	10034755-0001	573110 Bond	Cost of Issuance	\$601,290
19	Embarcadero Seawall	Seawall Bond-Cost of	Issuance		
20	Earthquake Safety	Issuance /	Cost-		
21	/	12672	Unamortized		
22	232116 PRT Port	PO Seawall & Marginal			
23	Commission (Portwide)	Wharf Repair			

1	Fund /	Project & Activity /	Account	Description	Amount
2	Department ID	Authority			
3	XXXXX	10034756-0001	573110 Bond	Underwriter's	\$470,100
4	Embarcadero Seawall	Seawall Bond-	Issuance	Discount	
5	Earthquake Safety	Underwriters discount /	Cost-		
6	/	12672	Unamortized		
7	232116 PRT Port	PO Seawall & Marginal			
8	Commission (Portwide)	Wharf Repair			
9					
10	XXXXX	10034757-0001	573110 Bond	Reserve for Market	\$2,990,000
11	Embarcadero Seawall	Seawall Bond-Reserve /	Issuance	Uncertainty	
12	Earthquake Safety	12672	Cost-		
13	/	PO Seawall & Marginal	Unamortized		
14	232116 PRT Port	Wharf Repair			
15	Commission (Portwide)				
16					
17	XXXXX	10034761-0001	581420	GO Bond Oversight	\$47,010
18	Embarcadero Seawall	Seawall Bond-GOBOC	GF-GEN-	Committee	
19	Earthquake Safety	Fee /	GOBOC 0.1%	(GOBOC)	
20	/	12672	Recovery		
21	232116 PRT Port	PO Seawall & Marginal			
22	Commission (Portwide)	Wharf Repair			
23					
24	Total Uses				\$50,000,000
25					

1 Section 3. The Controller is authorized to record transfers between funds and adjust the
2 accounting treatment of sources and uses appropriated in this Ordinance as necessary to
3 conform with Generally Accepted Accounting Principles.

4
5 Section 4. The total uses appropriation outlined above for San Francisco Seawall Earthquake
6 Safety and Disaster Prevention Program in section 2 of \$50,000,000 is placed on Controller's
7 Reserve pending the receipt of actual proceeds from issuance of General Obligation Bonds.

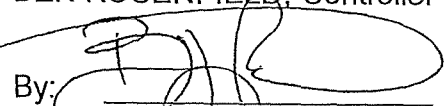
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APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

By: 
BUCK DELVENTHAL
Deputy City Attorney

FUNDS AVAILABLE:
BEN ROSENFELD, Controller

By: 
BEN ROSENFELD
Controller



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller

Todd Rydstrom
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

DATE: Friday, March 29, 2018 *AVD*

SUBJECT: Master Resolution Authorizing the Issuance of General Obligation Bonds (Proposition A, 2018) – Not to Exceed \$425,000,000;

Resolution Authorizing the Sale of General Obligation Bonds (Embarcadero Seawall Earthquake Safety, 2018) Series 2019B – Not to Exceed \$50,000,000;

Ordinance Appropriating Proceeds of General Obligation Bonds, Series 2019B

We respectfully request that the Board of Supervisors (the "Board") consider for review and adoption the resolutions authorizing the issuance of general obligation bonds for the Embarcadero Seawall Earthquake Safety Program in an aggregate amount of \$425,000,000 and the sale of a not-to-exceed par amount of \$50,000,000 in City and County of San Francisco Taxable General Obligation Bonds (Embarcadero Seawall Earthquake Safety, 2018), Series 2019B (the "Bonds"), which will be used to finance planning, design, and some initial construction projects to inform the first phase of needed seismic improvements to the Embarcadero Seawall.

In connection with this request, legislation authorizing the issuance of the bonds, a resolution approving the sale, 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, April 2, 2019. We respectfully request that the items be heard at the scheduled May 8, 2019 meeting of the Budget and Finance Committee.

Background:

Proposition A, 2018: Approved by San Francisco voters on November 6, 2018, the Embarcadero Seawall Earthquake Safety program authorized the sale of up to \$425,000,000 of general obligation bonds intended 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 was to protect the waterfront, BART and Muni, buildings, historic piers, and roads from earthquakes, flooding,

2 / Resolutions Authorizing Issuance and Sale of General Obligation Bonds (Embarcadero Seawall Earthquake Safety) & Ordinance Appropriating the Proceeds

and rising seas by: repairing the 100-year-old Embarcadero Seawall; strengthening the Embarcadero; and fortifying transit infrastructure and utilities serving residents and businesses.

Proceeds from the bonds will partially reimburse planning funds already expended for the initial scoping and development of the seawall improvements, continued planning and design work for the larger seawall improvement program, as well as some pilot projects intended to guide the subsequent phases of the project.

Financing Parameters

The proposed legislation will authorize the issuance of bonds for the purposes allowed under the November 2018 Proposition A, approve the sale of the first series of bonds under the program, and approve the appropriation of bond proceeds from that sale. Table 1 below outlines the not-to-exceed sources and uses for the Bonds, based on an estimate provided by Urban Futures Inc., 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 and Uses from the Bonds

Estimated Sources:	
Par Amount	\$47,010,000
Total Estimated Sources:	\$47,010,000
Estimated Uses:	
Project Fund Deposits:	
Project Fund	\$45,800,000
CSA Audit Fee	91,600
Total Project Fund Deposits:	\$45,891,600
Delivery Expenses:	
Costs of Issuance	\$601,290
GOBOC Fee	47,010
Underwriter's Discount	470,100
Total Delivery Expenses	\$1,118,400
Total Estimated Uses	\$47,010,000
Reserve for Market Uncertainty	\$2,990,000
Maximum Not-to-Exceed Par Amount	\$50,000,000

Source: Urban Futures, Inc.

Based upon an estimated market interest rate of 3.94% for tax exempt general obligation bonds, the Office of Public Finance estimates an average annual debt service of approximately \$3,400,000. The estimated

3 / Resolutions Authorizing Issuance and Sale of General Obligation Bonds (Embarcadero Seawall Earthquake Safety) & Ordinance Appropriating the Proceeds

par amount of \$47,010,000 is estimated to generate approximately \$21,700,000 in interest payments and approximately \$68,300,000 in total debt service over the anticipated 20-year term of the Bonds. The Bonds are expected to mature on or before June 15, 2039.

In addition, a portion of the Bonds will pay certain expenses incurred in connection with their issue and delivery, and the periodic oversight and review of the Projects by City Services Auditor ("CSA Audit") the Citizens' General Obligation Bond Oversight Committee ("CJOB OC"). Detailed descriptions of the Projects financed with proceeds of the Bonds are included in the Bond Reports to be prepared by the Port of San Francisco.

Property Tax Impact

For Series 2019B, repayment of annual debt service on the Bonds will be recovered through increases in the annual property tax rate, which is estimated to average \$0.00132 per \$100 of assessed value or \$1.32 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 \$7.81 per year if the anticipated \$47,010,000 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 2018-19 is approximately \$7.78 billion, based on a net assessed valuation of approximately \$259.3 billion. As of March 1, 2019, the City had outstanding approximately \$2.53 billion in aggregate principal amount of general obligation bonds, which equals approximately 0.97% of the net assessed valuation for fiscal year 2018-19. If all of the City's voter-authorized and unissued general obligation bonds were issued, the total debt burden would be 1.40% of the net assessed value of property in the City. If the Board of Supervisors approves the issuance of the Bonds, the debt ratio would increase by approximately 0.02% to 0.99%—within the 3.00% legal debt limit.

Capital Plan:

The Capital Planning Committee approved 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 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 Bonds, the property tax rate for general obligation bonds for fiscal year 2018-19 would be maintained below the fiscal year 2006 rate and within the Capital Planning Committee's approved financial constraint.

Additional Information

The legislation is expected to be introduced at the Board of Supervisors meeting on Tuesday, April 2, 2019. The forms of the related financing documents—including the Notice of Intention to Sell, Official Notice of Sale, Official Statement, Appendix A and Continuing Disclosure Certificate and related documents—will also be submitted.

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 Bonds; form of bids, and delivery of bids; and closing procedures

4 | Resolutions Authorizing Issuance and Sale of General Obligation Bonds (Embarcadero Seawall Earthquake Safety) & Ordinance Appropriating the Proceeds.

and documents.

Exhibit A to the Official Notice of Sale is the form of the official bid for the purchase of the Bonds. Pursuant to the Resolutions, in a competitive sale the Controller 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 2019B 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.

Bond Purchase Agreement: The City intends to pursue a competitive sale of the 2019B Bonds; but if market conditions should necessitate a negotiated sale with an underwriter, the Purchase Contract details the terms, covenants, and conditions for the sale of the Bonds through selected underwriter(s), as well as agreements regarding expenses, closing and disclosure documents.

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

A *Preliminary Official Statement* is distributed to prospective bidders prior to the sale of the 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 Bonds.

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 municipal advisors with respect to the 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, major economic development projects, constitutional and statutory limitations on taxes and expenditures, and litigation and risk management. Pursuant to the Resolution, 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 in order to assist initial purchasers of the Bonds in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5).

5 / Resolutions Authorizing Issuance and Sale of General Obligation Bonds (Embarcadero Seawall Earthquake Safety) & Ordinance Appropriating the Proceeds

Financing Timeline:

Milestones:

Capital Planning Committee
Board of Supervisors Introduction
Budget & Finance Committee Hearing
Board Approval of Resolutions; 1st Reading of Appropriation Ordinance
Final Board Approval of Appropriation Ordinance (2nd Reading)
Estimated Sale & Closing

Dates*:

March 25
April 2
May 8
May 14
May 21
June 2019

*Please note that dates are preliminary and may change.

Your consideration of this matter is greatly appreciated. Please contact Anna Van Degna at 415-554-5956 (anna.vandegna@sfgov.org), Vishal Trivedi at 415-554-4862 (vishal.trivedi@sfgov.org) or Bridget Katz at 415-554-6240 (bridget.katz@sfgov.org) if you have any questions.

CC: Ben Rosenfield, Controller
Angela Calvillo, Clerk of the Board
Harvey Rose, Budget Analyst
Ken Roux, City Attorney
Kelly Kirkpatrick, Mayor's Budget Office
Andres Power, Mayor's Office
Katharine Petrucione, Port of San Francisco
Meghan Wallace, Port of San Francisco
Brad Benson, Port of San Francisco

<p>Items 1, 2 and 3 Files 19-0356, 19-0357, 19-0358</p>	<p>Department: Port and Office of Public Finance</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<ul style="list-style-type: none"> • File 19-0357: The proposed resolution would provide for the issuance of \$425,000,000 in Embarcadero Sewall Earthquake Safety General Obligation bonds to fund the first phase of reconstruction of the seawall. • File 19-0358: The proposed resolution would authorize the sale of \$50,000,000 in General Obligations Bonds Series 2019B, and declare the City’s intent to reimburse expenditures incurred prior to the issuance and sale of the Series 2019B Bonds. • File 19-0356: The proposed ordinance would appropriate \$50,000,000 of the Series 2019B Embarcadero Seawall Earthquake Safety General Obligation Bond proceeds to the Port for planning, geotechnical, and other pre-development work, and place these funds on Controller’s Reserve pending the sale of bonds. 	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> • In November 2018, San Francisco voters approved Proposition A, authorizing the City and County of San Francisco to issue up to \$425 million in to fund repairs and improvements to the Embarcadero Seawall and Embarcadero infrastructure and utilities for earthquake and flood safety. Phase 1 of the Embarcadero Seawall Program will be for immediate seismic and flood protection upgrades. The Phase 1 budget, including the \$425 million in General Obligation Bonds, is \$500 million. 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> • Average annual debt service over 20 years on the Series 2019B GO Bonds is expected to be \$3,400,000. The estimated total principal and interest payment over the approximate 20-year life of the GO Bonds is \$68,300,000. • If the Series 2019B GO Bonds are approved, the debt ratio would increase by 0.02 percentage points to 0.99 percent – within the 3 percent legal limit. • Debt service payments will be recovered through increases in the annual Property Tax rate, which, according to the Controller’s Office, would \$1.32 per \$100,000 of assessed value. 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 \$7.81 per year. 	
<p style="text-align: center;">Policy Consideration</p>	
<ul style="list-style-type: none"> • On June 19, 2019, the Superior Court dismissed litigation regarding the Embarcadero Seawall Earthquake Safety General Obligation Bonds. However, because the 60-day period to file an appeal does not end until August 19, 2019, the Office of Public Finance does not plan to sell the bonds until after that date. 	
<p style="text-align: center;">Recommendations</p>	
<ul style="list-style-type: none"> • Request the Office of Public Finance to submit a memorandum to the Board of Supervisors on the status of the potential appeal after the close of the 60-day period to appeal. • Approve the proposed ordinance and resolutions. 	

MANDATE STATEMENT

City Charter Section 9.105 provides that the issuance and sale of General Obligation (GO) bonds is subject to Board of Supervisors approval in accordance with State law or local procedures adopted by ordinance.

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

The Embarcadero Seawall, which is over 100 years old, supports San Francisco’s piers, wharves, businesses, tourist destinations, recreational amenities, and key infrastructure, including Bay Area Rapid Transit, Muni Metro, and ferry networks. The Embarcadero Seawall is the foundation of three miles of the city’s waterfront, stretching from Mission Creek to Fisherman’s Wharf. The Seawall also provides flood protection to downtown San Francisco.

In November 2018, San Francisco voters approved Proposition A, authorizing the City and County of San Francisco to issue up to \$425 million in bonds at an estimated tax rate of \$0.013 per \$100 of assessed value to fund repairs and improvements to the Embarcadero Seawall and Embarcadero infrastructure and utilities for earthquake and flood safety.

The first bond sale is expected to occur in June 2019 upon approval of File 19-0358. Table 1 below shows the proposed timeline for the total \$425,000,000 in bond sales.

Table 1: Embarcadero Seawall and Infrastructure GO Bond Sale Schedule

	Date	Amount	Series
Proposed First Bond Issuance	FY 2018-19	50,000,000	Series 2019B
Future Second Bond Issuance	FY 2021-22	250,000,000	
Future Third Bond Issuance	FY 2023-24	125,000,000	
Total Bond Issuances		425,000,000	

DETAILS OF PROPOSED LEGISLATION

File 19-0357: The proposed resolution would (a) provide for the issuance of not to exceed \$425,000,000 aggregate principal amount of City and County of San Francisco General Obligation Bonds; (b) authorize the issuance and sale of the bonds; (c) provide for the levy of a tax to pay the principal and interest of the bonds; (d) provide for the appointment of depositories and other agents; (e) adopt findings under the California Environmental Quality Act (CEQA), and San Francisco Administrative Code Chapter 31; (f) find that the proposed project is in conformity with the priority policies of Planning Code Section 101.1(8) and with the General Plan consistency requirement of Charter Section 4.105 and Administrative Code 2A.53; (g) ratify certain actions previously taken; and (h) grant general authority to City officials to take necessary actions in connection with the issuance and sale of said bonds.

File 19-0358: The proposed resolution would (a) authorize the issuance and sale of not to exceed \$50,000,000 aggregate principal amount of City and County of San Francisco General Obligations Bonds Series 2019B, (b) prescribe the form and term of such bonds; (c) provide for the appointment of depositories and other agents for the bonds; (d) provide for the establishment of accounts related to the bonds, (e) authorize the sale of the bonds by competitive or negotiated sale, (f) approve the forms of the Official Notice of Sale and Intention to Sell Bonds, (g) approve the purchase contract, (h) approve the form of Preliminary Official Statement and the execution of the Continuing Disclosure Certificate, (i) approve the form of the continuing disclosure certificate, (j) authorize and approve modifications to such documents, (k) ratify actions taken previously, and (l) grant general authority to City officials to take necessary actions in connection with the authorization, issuance, sale and delivery of bonds.

In addition, the proposed resolution would declare the City's intent to reimburse expenditures incurred prior to the issuance and sale of the Series 2019B Bonds in connection with the project or portions thereof.

File 19-0356: The proposed ordinance would appropriate \$50,000,000 of the Series 2019B Embarcadero Sewall Earthquake Safety General Obligation Bond Proceeds to the Port of San Francisco in FY 2018-19 for planning, site, and geotechnical investigations, risk assessment, and other pre-development work, and placing these funds on Controller's Reserve pending the sale of bonds.

The proposed resolution (File 19-0358) ratifies all actions previously taken for the \$50 million in Series 2019B Embarcadero Sewall Earthquake Safety General Obligation Bond Proceeds. According to Mr. Mark Blake at the City Attorney's office, these actions include engaging bond counsel, the hiring of municipal advisors by the Controller's Office, and Port staff work.

Table 2 below outlines anticipated sources and uses for the bonds.

Table 2: Sources and Uses of Series 2019B Bond Proceeds

Sources	
Par Amount	\$47,010,000
Reserve Proceeds	2,990,000
Total Sources	\$50,000,000
Uses	
<i>Administrative Costs*</i>	
Costs of Issuance	\$601,290
Underwriter's Discount	470,100
Controller's Audit Fund (0.2%)	91,600
Citizens' GO Bond Oversight Committee	47,010
Reserve for Market Uncertainty	2,990,000
Administrative Costs Subtotal	\$4,200,000
<i>Projects</i>	
United States Corp of Engineers Flood Study	\$8,875,000
Planning	14,965,000
Preliminary Design and Approvals, Phase 1	15,070,000
Regulatory Approvals	983,000
Program Management	5,907,000
Projects Subtotal	\$45,800,000
Total Uses	\$50,000,000

*Numbers are based on estimate provided by Urban Future Inc., a municipal advisory firm registered with the municipal Securities Rulemaking Board (MSRB)

According to Mr. Trivedi, the Port has not yet allocated the \$375 million remaining bond proceeds. The first bond issuance will go towards planning, geotechnical investigations, and preliminary design and approvals. The Port plans to allocate the remaining bond proceeds based on the results from the initial planning, investigation, and preliminary design.

Phase 1 Project Costs

Phase 1 of the Embarcadero Seawall Program will be for immediate seismic and flood protection upgrades. The original budget for Phase 1, including the \$425 million in General Obligation Bonds, is \$500 million. As of April 18, 2019, the Port has secured \$446 million of the \$500 million, as shown in Table 3 below.

Table 3: Phase 1 Funding Sources

Funding Sources	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2021-22	FYs 2023-27	Total
Port Capital	\$2,900,000		\$1,100,000			10,000,000	\$14,000,000
City Revolving Fund	1,000,000	3,000,000	5,000,000	(6,000,000)	(3,000,000)		\$0
SFMTA Contribution	500,000	500,000					\$1,000,000
Planning Department	500,000	250,000	250,000				\$1,000,000
State Sources			5,000,000				\$5,000,000
2018 GO Bond (File 19-0356-8)			50,000,000		250,000,000	125,000,000	\$425,000,000
Gap						54,000,000	\$54,000,000
Total Planned Sources	\$4,900,000	\$3,750,000	\$61,350,000	(\$6,000,000)	\$247,000,000	\$189,000,000	\$500,000,000

The Port plans to fund the gap of \$54 million through a combination of State Resilience Bonds, state cap and trade revenue, state general fund budget requests, and development of a Mello-Roos District¹ along the waterfront. Phase 1 is expected to be completed by 2026.

The entire project consists of three phases, and will cost approximately \$5 billion in total.

FISCAL IMPACT

Annual Debt Service

As shown above in Table 2, the Office of Public Finance expects to sell \$47,010,000 in par value Series 2019B bonds.

The proposed resolution authorizes the Director of Public Finance to determine the sale date, interest rates, principal amount, and maturity dates of the bonds, subject to the following conditions: (1) the true interest cost shall not exceed 12 percent; and (2) the maturity date shall not be after thirty years of their date of issuance, approximately June 15, 2039.

The Office of Public Finance estimates that, based on a conservative estimate of 3.94 percent interest rate, that the average annual debt service over 20 years on the Series 2019B GO Bonds is \$3,400,000. The anticipated par value of \$47,010,000 is estimated to result in approximately \$21,700,000 in interest payments over the 20 year life of the bond. The estimated total principal and interest payment over the approximate 20-year life of the GO Bonds is \$68,300,000, of which \$21,700,000 is interest and \$47,010,000 is principal.

¹ Mello-Roos is a form of financing that can be used by cities, counties, and special districts (such as school districts). Mello-Roos Community Facilities Districts (CFDs) raise money through special taxes that must be approved by 2/3rds of the voters within the district. A CFD is formed to finance major improvements and services within the district which might include schools, roads, libraries, police and fire protection services, or ambulance services. The taxes are secured by a continuing lien and are levied annually against property within the district.

The Office of Public Finance intends to sell the GO Bonds through a competitive sale process, but in the case of significant change in market conditions, reserves the option to seek a negotiated sale with underwriter(s) selected competitively.

Debt Limit

Section 9.106 of the City Charter limits the amount of GO bonds the City can have outstanding at any given time to 3 percent of the total assessed value of property in San Francisco. 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 gross general obligation debt limit for FY 2018-19 is approximately \$7.78 billion, based on a net assessed valuation of approximately \$259.3 billion.

As of March 1, 2019, the City had outstanding approximately \$2.53 billion in aggregate principal amount of GO bonds, which equals approximately 0.97 percent of the net assessed valuation for FY 2018-19. If the Board of Supervisors approves the issuance of the Series 2019B GO Bonds, the debt ratio would increase by 0.02 percentage points to 0.99 percent – within the 3 percent legal limit. If all of the City's authorized and unissued bonds were issued, the total debt burden would be 1.40 percent of the net assessed value of property in the City.

Property Taxes

For Series 2019B, repayment of the annual debt service will be recovered through increases in the annual Property Tax rate, which, according to the Controller's Office, would be \$0.00132 per \$100 of assessed value or \$1.32 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 \$7.81 per year if the anticipated \$47,010,000 Bonds are sold.

Capital Plan

Under financial constraints adopted by the City's Capital Planning Committee, debt service on approved and issued GO bonds may not increase property owners' long-term property tax rates above FY 2005-06 levels. The FY 2005-06 property tax rate for the GO bond fund was \$0.1201 per \$100 of assessed value. If the Board of Supervisors approves the issuance of the Series 2019B GO Bonds, the property tax rate for GO bonds for FY 2018-19 would remain below the FY 2005-06 rate and within the Capital Planning Committee's approved financial constraint.

POLICY CONSIDERATION

According to Mr. Vishal Trivedi, Financial Analyst in the Office of Public Finance, there has been a delay in hearing this legislation due to a court case challenging the validity of the bond measure. On June 19, 2019, the Superior Court of the State of California ruled in favor of the City and dismissed the suit. However, because the 60-day period to file an appeal does not end until August 19, 2019, the Office of Public Finance does not plan to sell the bonds until after that date.

RECOMMENDATIONS

1. Request the Office of Public Finance to submit a memorandum to the Board of Supervisors on the status of the potential appeal after the close of the 60-day period to appeal.
2. Approve the proposed ordinance and resolutions.

OFFICE OF THE MAYOR
SAN FRANCISCO



LONDON N. BREED
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Sophia Kittler
RE: Appropriation – General Obligation Bond Proceeds – San Francisco
Seawall Earthquake Safety and Disaster Prevention Program – FY2018-
19 - \$50,000,000
DATE: April 2, 2019 *SK*

Ordinance appropriating \$50,000,000 of the Series 2019B Embarcadero Seawall Earthquake Safety General Obligation Bond Proceeds to Port of San Francisco in FY2018-19 for planning, site and geotechnical investigations, risk assessment, alternatives analysis, program development, identification of potential pilot projects, and the San Francisco Waterfront Storm Risk Management Study General Investigation with the United States Army Corps of Engineers; and placing these funds on Controller's Reserve pending sale of the bonds.

Please note that Supervisor Peskin is a co-sponsor of this legislation.

Should you have any questions, please contact Sophia Kittler at 415-554-6153.

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