

File No. 200842

Committee Item No. 9

Board Item No. 38

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Appropriations Committee Date August 19, 2020

Board of Supervisors Meeting Date September 15, 2020

Cmte Board

<input type="checkbox"/>	<input type="checkbox"/>	Motion
<input type="checkbox"/>	<input type="checkbox"/>	Resolution
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Ordinance
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Legislative Digest
<input 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
<input type="checkbox"/>	<input type="checkbox"/>	Grant Budget
<input type="checkbox"/>	<input type="checkbox"/>	Subcontract Budget
<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
<input type="checkbox"/>	<input type="checkbox"/>	Application
<input type="checkbox"/>	<input type="checkbox"/>	Public Correspondence

OTHER (Use back side if additional space is needed)

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Completed by: Linda Wong Date August 14, 2020

Completed by: Linda Wong Date September 8, 2020

[Deappropriation - Series 2010A Refunding Certificates of Participation - \$4,636,200;
Appropriation - Including Deappropriated Funds \$102,136,200 and Certificates of Participation
Refunding Proceeds \$97,500,000 - FY2020-2021]

**Ordinance deappropriating \$4,636,200 of Series 2010A Refunding Certificates of
Participation prior reserve funds and appropriating \$102,136,200 of Refunding
Certificates of Participation Series 2020-R1 including deappropriated funds and
\$97,500,000 of one or more series of Refunding Certificates of Participation proceeds
for FY2020-2021.**

Note: Additions are single-underline italics Times New Roman;
deletions are ~~strikothrough italics Times New Roman~~.
Board amendment additions are double underlined.
Board amendment deletions are ~~strikothrough normal~~.

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
funding available in Fiscal Year 2020-2021.

SOURCES Appropriation

Fund / Department ID	Project & Activity/ Authority	Account	Description	Amount
17461 / 230018	10026734 – 0001 /	480121	Proceeds from	\$97,500,000
DSCOP REFUNDING	10000	Proceeds from	Refunding of	
S2020-R1 / GEN	GE General City	Refunding of Bonds	Certificates of	
General City - Unalloc	Services / Operating		Participation	
Total Sources Appropriation				<u>\$ 97,500,000</u>

Section 2. The uses of funding outlined below are herein deappropriated to reflect the funding available in Fiscal Year 2020-2021.

USES De-Appropriation

Fund / Department ID	Project & Activity/ Authority	Account	Description	Amount
17460 / 230018	10026734 – 0001 /	570000	Prior Debt Service	\$4,636,200
DSCOP REFUNDING	10000		Reserve	
S2010A / GEN	GE General City			
General City -	Services / Operating			
Unallocated				
Total Uses De-appropriation				<u>\$4,636,200</u>
Grand Total Sources and Uses De-appropriation				<u>\$102,136,200</u>

Section 3. The uses of funding outlined below are herein appropriated in FY 2020-2021 and reflect the projected uses of funding for the Refunding Certificates of Participation.

USES Appropriation

Fund / Department ID	Project & Activity/ Authority	Account	Description	Amount
17461 / 230018 DSCOP REFUNDING S2020-R1 / GEN General City – Unallocated	10026734 – 0001 / 10000 GE General City Services / Operating	508010 Pmt to Refund Bond Escrow Agnt	Refund of Certificates of Participation Series 2010A	\$93,057,700
17461 / 230018 DSCOP REFUNDING S2020-R1 / GEN General City – Unallocated	10026734 – 0001 / 10000 GE General City Services / Operating	570000	Debt Service Reserve	\$4,750,000
17461 / 230018 DSCOP REFUNDING S2020-R1 / GEN General City – Unallocated	10026734 – 0001 / 10000 GE General City Services / Operating	573110 Bond Issuance Cost - Unamortized	Costs of Issuance	\$1,234,750

Fund /	Project & Activity/	Account	Description	Amount
Department ID	Authority			
17461 / 230018	10026734 – 0001 /	573110	Underwriter's	\$593,750
DSCOP REFUNDING	10000	Bond Issuance Cost	Discount	
S2020-R1 / GEN	GE General City	- Unamortized		
General City –	Services / Operating			
Unallocated				
17461 / 230018	10026734 – 0001 /	573110	Reserve for Market	\$2,500,000
DSCOP REFUNDING	10000	Bond Issuance Cost	Uncertainty	
S2020-R1 / GEN	GE General City	- Unamortized		
General City -	Services / Operating			
Unallocated				
Total Uses Appropriation				\$ 102,136,200

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

Section 5. To the extent that debt service is required in Fiscal Year 2020-21 on previously issued certificates of participation prior to the refunding herein, the Controller is authorized to transfer funds as needed to maintain existing debt service.

Section 6. The uses of funding outlined above for \$102,136,200 are herein placed on Controller's Reserve pending sale of the Refunding Certificates of Participation in one or more series.

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

FUNDS AVAILABLE
BEN ROSENFELD, Controller

By: /s/
JON GIVNER
Deputy City Attorney

By: /s/
BEN ROSENFELD
Controller

Items 8 & 9 Files 20-0841 and 20-0842	Department: Controller's Office of Public Finance
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • File 20-0841 authorizes the issuance of up to \$97.5 million Refunding Certificates of Participation (COPs) and approves documents and actions associated with the transaction. • File 20-0842 de-appropriates \$4,636,200 of Series 2010A Refunding COPs, and (b) appropriates \$102,136,200 Series 2020-R1 Refunding COPs. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • COPs are structured as a lease-lease back agreement, in which the City leases City-owned property to a Trustee and then pays to lease back the property. The City maintains a master lease-back agreement to fund existing COPS that includes the property of Laguna Honda hospital; the proposed legislation would add County Jail 5 to that master lease-back agreement. • The proposed ordinance provides for the issuance of up to \$97.5 million Refunding COPs to refinance outstanding Refunding COPs issued in 2010. The COPs would be issued with a 14-year term and with an estimated interest rate of 2.6 percent. • The parameters set by the proposed ordinance for the issuance of the COPs include (a) net debt service savings of not less than 3 percent and (b) a maximum annual debt service ("base rental payment") of \$8,700,000. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Estimated annual debt service on 2021 Refunding COPs is \$8.28 million, which is approximately \$1 million less than debt service on the 2010 COPs of \$9.275. According to the Controller's Office of Public Finance, the estimated debt service savings over the 14-year term would be approximately \$13.8 million, which is greater than the required 3 percent savings threshold (amounting to \$2.7 million) required by authorizing ordinance. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed ordinances. 	

MANDATE STATEMENT

City Administrative Code Section 10.62(b) states that the Board of Supervisors may authorize the issuance of Certificates of Participation (COPs) and other lease financing debt to fund capital projects provided the annual debt service cost of such outstanding general fund appropriation debt does not exceed 3.25 percent of discretionary revenue as determined by the Controller and Director of Public Finance.

City Administrative Code Section 43.8.4 provides for the Board of Supervisors to authorize debt to refinance bonds, revenue bonds or lease obligations and allows the Board of Supervisors to establish a minimum savings to be generated by the refunding debt and to provide the final terms, amounts, maturities, interest rates and other provisions.

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

Charter Section 9.105 states that the Board of Supervisors shall approve by ordinance all amendments to the Annual Appropriation Ordinance after the Controller certifies the availability of funds.

DETAILS OF PROPOSED LEGISLATION

File 20-0841 is an ordinance that would:

- Authorize the execution and delivery of refunding Certificates of Participation (COPs) representing an aggregate principal amount not to exceed \$97,500,000 to refinance certain capital improvement projects;
- Approve the Fourth Supplement to Trust Agreement between the City and County of San Francisco (City) and the U.S. Bank National Association, as trustee (Trustee) (including certain indemnities contained therein);
- Approve the respective forms of a Fourth Supplement to the Property Lease and Project Lease, each between the City and the Trustee for the lease and lease back of 375 Laguna Honda Boulevard in San Francisco and of 1 Moreland Drive in San Bruno (or other property as determined by the Director of Public Finance);
- Approve the form the Escrow Agreement between the City and U.S. National Bank Association, as escrow agent ("Escrow Agent") (including certain indemnities contained therein);
- Approve the form of an Official Notice of Sale and a Notice of Intention to sell the COPs;
- Approve the form of an official statement in preliminary and final form;

- Approve the form of a purchase contract between the City and one or more initial purchases of the COPs; and
- Approve the form of a Continuing Disclosure Certificate.
- Allow the COPs to be sold on a competitive or negotiated sale

The proposed ordinance would also (1) grant general authority to the Mayor, the Treasurer, the City Attorney, the Controller, the City Administrator, the Director of Public Finance and other City officials to take necessary actions in connection with the authorization, sale, execution and delivery of the COPs, and approve modifications to documents; and (2) ratify previous actions.

The parameters set by the proposed ordinance for the issuance of the COPs include (a) net debt service savings of not less than 3 percent and (b) a maximum debt service (“base rental payment”) of \$8,700,000.

Refunding Certificates of Participation

COPs are structured as a lease-lease back, in which the City leases the City-owned property to the Trustee and leases back the property. The proposed ordinance provides for the issuance of up to \$97,500,000 to refund outstanding COPs issued in 2010. The City would enter into the Fourth Supplement to existing Property and Project Leases and Trust Agreement with U.S. Bank National Association, in which the City-owned Laguna Honda Hospital campus at 375 Laguna Honda Boulevard and the San Bruno Jail Complex at 1 Moreland Drive in San Bruno would serve as the leased property to secure the Refunding COPs under the proposed ordinance, as discussed below.

Fourth Supplement to Property and Project Leases, and Trust Agreement

The City and U.S. Bank National Association entered into the original Property and Project Leases for 375 Laguna Honda Boulevard and the original Trust Agreement in 2009 for the issuance of COPs. The City entered three prior supplements to these agreements in 2009 and 2012 for the issuance of COPs to finance multiple capital improvement projects, and in 2019 to refund the previously issued 2009 COPs. Under the proposed ordinance, the City will enter into the Fourth Supplement for the respective lease and trust agreements, using the same lease-lease back structure as the City's existing Series 2009A COPs, Series 2009B COPs, Series 2012A COPs, and Series 2019-R1 Refunding COPs.

Series 2010A COPs

The City entered into Property and Project Leases and a Trust Agreement with U.S. Bank National Association in 2010 to issue Refunding COPs (Series 2010A), in which the San Bruno Jail Complex at 1 Moreland Drive served as the leased property to secure the COPs. The Series 2010A COPs refunded the previously issued COPs:

- COPs, Series 1997 (2789 25th Street)
- COPs, Series 1999 (555 7th Street Property)
- COPs, Series 2000 (San Bruno Jail Replacement Project)
- Refunding COPs, Series 2001-1 (SF Courthouse and 25 Van Ness Avenue Project)

According to the Controller's Office of Public Finance, the Series 2010A COPs have an outstanding balance of \$90.5 million, with annual interest rate of approximately 5.0 percent and maturity date of 2033. Annual debt service is \$9.275 million.

File 20-0842 is an ordinance (a) de-appropriating \$4,636,200 of Series 2010A Refunding COPs, and (b) appropriating \$102,136,200 Series 2020-R1 Refunding COPs. Table 1 below summarizes the intended uses of the proposed Refunding COPs and change in appropriations for the monies set-aside for the 2010 Refunding COPs debt service reserve so that they may be used for debt service reserve for the proposed 2021 Refunding COPs.

Table 1: Refunding COPs Appropriation

Sources	
De-appropriation Series 2010A Refunding COPs	\$4,636,200
Appropriation - Series 2020-R1 Refunding COPs	<u>97,500,000</u>
Total Sources	\$102,136,200
Uses	
Refund Series 2010A Refunding COPs	\$93,057,700
Debt Service Reserve	4,750,000
Costs of Issuance	1,234,750
Underwriter's Discount	593,750
Reserve for Market Uncertainty	<u>2,500,000</u>
Total Uses	\$102,136,200

Source: File 20-0842

Note: Cost of Issuance refers to legal fees, municipal advisory fees, trustee fees, rating agency fees, printing costs, and other issuance costs.

The Office of Public Finance anticipates issuing \$97,500,000 in 2021 Refunding COPs; the total authorized amount of \$102,136,200 includes a re-appropriation of the 2010 debt service reserve and \$2,500,000 as a reserve for market uncertainty (such as an increase in interest rates). All funds would be placed on Controller's Reserve pending receipt of COPs proceeds.

FISCAL IMPACT

According to the Controller's Office of Public Finance, the City would issue the Series 2020 R-1 Refunding COPs in approximately November 2020. The COPs would be issued with a 14-year term and with an estimated interest rate of 2.6 percent¹. Estimated annual debt service on COPs proceeds of \$94.325 million² is \$8.28 million, which is approximately \$1 million less than debt service on the Series 2010A COPs of \$9.275. The authorizing ordinance for refunding of debt requires at least three percent savings of the par value of the debt to be refunded, which for the outstanding Series 2010A COPs would be \$2.7 million. According to the Controller's Office of Public Finance, the estimated debt service savings over the 14-year term would be approximately

¹ The estimated 2.6 percent interest rate represents the "all-in true interest cost" which incorporates total loan costs, including issuance, underwriters discount, and other costs.

² Estimated COPs proceeds include \$93.1 million to refund outstanding COPs and \$1.2 million in issuance costs.

\$13.8 million, which is higher than the minimum three percent debt service savings required by the proposed legislation. Finally, the proposed decrease in debt service complies with City policy to limit annual debt service to less than 3.25 percent of General Fund expenditures.

RECOMMENDATION

Approve the proposed ordinances.



TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Sophia Kittler
RE: Deappropriation - \$4,636,200 in Series 2010A Refunding; Appropriation -
\$102,136,200 including Deappropriated Funds and \$97,500,000 in
Certificates of Participation Refunding Proceeds – FY2020-21
DATE: July 31, 2020

Ordinance deappropriating \$4,636,200 of Series 2010A Refunding Certificates of Participation prior reserve funds and appropriating \$102,136,200 of Refunding Certificates of Participation Series 2020-R1 including deappropriated funds and \$97,500,000 of one or more series of Refunding Certificates of Participation proceeds.

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



To: Angela Calvillo, Clerk of the Board of Supervisors
From: Ashley Groffenberger, Acting Mayor's Budget Director
Date: July 31, 2020
Re: Mayor's FY 2020-21 and FY 2021-22 Budget Submission

Madam Clerk,

In accordance with the Seventh Supplement to the Mayoral Proclamation Declaring the Existence of a Local Emergency dated February 25, 2020, the Mayor's Office hereby submits the Mayor's proposed budget by August 1, corresponding legislation, and related materials for Fiscal Year 2020-21 and Fiscal Year 2021-22.

In addition to the Mayor's Proposed FY 2020-21 and FY 2021-22 Budget Book, the following items are included in the Mayor's submission:

- The Annual Appropriation Ordinance and Annual Salary Ordinance, along with Administrative Provisions, physical copies of which will be delivered by the Controller's Office
- The proposed budget for the Office of Community Investment and Infrastructure for FY 2020-21
- 21 separate pieces of trailing legislation (see list attached)
- A Transfer of Function letter detailing the transfer of positions from one City department to another
- A letter addressing funding levels for nonprofit corporations or public entities for the coming two fiscal years

Please note the following:

- There are no Interim Exceptions proposed.
- Technical adjustments to the budget are being prepared, but are not submitted with this set of materials.

If you have any questions, please contact my office.

Sincerely,

Ashley Groffenberger
Acting Mayor's Budget Director

cc: Members of the Board of Supervisors
Budget and Legislative Analyst
Controller

Department	Item	Relevance to Budget	Type
HOM	Homelessness and Supportive Housing Fund Expenditure Plan for 2020-21 and 2021-22	Expenditure plan included in budget.	Resolution
CON	Neighborhood Beautification Fund	Neighborhood Beautification Fund contribution levels assumed in budget.	Ordinance
CON	Access Line Tax CPI increase	Sets Access Line Tax. Revenues assumed in budget.	Resolution
CON	Prop J Certification - previously approved	Costs related to Prop J services assumed in budget.	Resolution
CON	Prop J Certification - new	Costs related to Prop J services assumed in budget.	Resolution
PUC	Hetch Hetchy Capital Budget	Appropriates funds to support PUC Hetch Hetchy capital budget expenditures.	Ordinance
PUC	CleanPowerSF Capital Budget	Appropriates funds to support PUC CleanPowerSF capital budget expenditures.	Ordinance
PUC	Wastewater Capital Budget	Appropriates funds to support PUC Wastewater Enterprise capital budget expenditures.	Ordinance
PUC	Water Capital Budget	Appropriates funds to support PUC Water Enterprise capital budget expenditures.	Ordinance
PUC	Power Debt Authorization	Authorizes debt issuance for Hetch Hetchy and CleanPowerSF capital projects.	Ordinance
PUC	Wastewater Debt Authorization	Authorizes debt issuance for Wastewater Enterprise capital projects.	Ordinance
PUC	Water Debt Authorization	Authorizes debt issuance for Water Enterprise capital projects.	Ordinance
LIB	In-Kind Grant of Friends of San Francisco Public Library	Grant assumed in budget.	Resolution
ADM	Medical Examiner Fees	Fee revenue assumed in budget.	Ordinance
ADM	Permit Center Fees	Fee revenue assumed in budget.	Ordinance
ADM	COP Refunding Authorization	Debt savings assumed in budget.	Ordinance
ADM	COP Refunding Appropriation	Appropriates and de-appropriates COP savings.	Ordinance
ADM	County Clerk Fee	Fee revenue assumed in budget.	Resolution
DPH	DPH Patient Rates	Fee revenue assumed in budget.	Ordinance
MOHCD	ESG Cares 2	Grant assumed in budget.	Resolution
CON	BSIF Reserve Use	Use of reserve assumed in budget.	Resolution

From: [Wong, Linda \(BOS\)](#)
To: [BOS Legislation. \(BOS\)](#)
Cc: [Somera, Alisa \(BOS\)](#)
Subject: FW: Mayor's FY 2020-21 and FY 2021-22 Budget Submission
Date: Friday, July 31, 2020 2:38:42 PM
Attachments: [Budget Legislation FY 21+22 Submission.zip](#)

From: Groffenberger, Ashley (MYR) <ashley.groffenberger@sfgov.org>

Sent: Friday, July 31, 2020 1:23 PM

To: Yee, Norman (BOS) <norman.yee@sfgov.org>; Fewer, Sandra (BOS) <sandra.fewer@sfgov.org>; Ronen, Hillary <hillary.ronen@sfgov.org>; Walton, Shamann (BOS) <shamann.walton@sfgov.org>; Mandelman, Rafael (BOS) <rafael.mandelman@sfgov.org>; Haney, Matt (BOS) <matt.haney@sfgov.org>; Peskin, Aaron (BOS) <aaron.peskin@sfgov.org>; Stefani, Catherine (BOS) <catherine.stefani@sfgov.org>; Safai, Ahsha (BOS) <ahsha.safai@sfgov.org>; Mar, Gordon (BOS) <gordon.mar@sfgov.org>; Preston, Dean (BOS) <dean.preston@sfgov.org>; Kittler, Sophia (MYR) <sophia.kittler@sfgov.org>; Rosenfield, Ben (CON) <ben.rosenfield@sfgov.org>; Allersma, Michelle (CON) <michelle.allersma@sfgov.org>; Low, Jen (BOS) <jen.low@sfgov.org>; Hsieh, Frances (BOS) <frances.hsieh@sfgov.org>; Boilard, Chelsea (BOS) <chelsea.boilard@sfgov.org>; Beinart, Amy (BOS) <amy.beinart@sfgov.org>; Temprano, Tom (BOS) <tom.temprano@sfgov.org>; Gallardo, Tracy (BOS) <tracy.gallardo@sfgov.org>; Campbell, Severin (BUD) <severin.campbell@sfgov.org>; Goncher, Dan (BUD) <dan.goncher@sfgov.org>; Sandler, Risa (CON) <risa.sandler@sfgov.org>; Mahogany, Honey (BOS) <honey.mahogany@sfgov.org>; Angulo, Sunny (BOS) <sunny.angulo@sfgov.org>; Mullan, Andrew (BOS) <andrew.mullan@sfgov.org>; Chinchilla, Monica (BOS) <monica.chinchilla@sfgov.org>; Quan, Daisy (BOS) <daisy.quan@sfgov.org>; Snyder, Jen (BOS) <jen.snyder@sfgov.org>; Wong, Linda (BOS) <linda.wong@sfgov.org>; Calvillo, Angela (BOS) <angela.calvillo@sfgov.org>; Peacock, Rebecca (MYR) <rebecca.peacock@sfgov.org>

Subject: Mayor's FY 2020-21 and FY 2021-22 Budget Submission

President Yee, Chair Fewer, Madam Clerk, & Members of the Board of Supervisors

In accordance with the Seventh Supplement to the Mayoral Proclamation Declaring the Existence of a Local Emergency dated February 25, 2020, the Mayor's Office hereby submits the Mayor's proposed budget by August 1, corresponding legislation, and related materials for Fiscal Year 2020-21 and Fiscal Year 2021-22.

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- The Annual Appropriation Ordinance and Annual Salary Ordinance, along with Administrative Provisions, physical copies of which will be delivered by the Controller's Office
- The proposed budget for the Office of Community Investment and Infrastructure for FY 2020-21
- 20 separate pieces of trailing legislation

A Transfer of Function letter detailing the transfer of positions from one City department to another

- A letter addressing funding levels for nonprofit corporations or public entities for the coming two fiscal years

Please note the following:

- There are no Interim Exceptions proposed.
- Technical adjustments to the budget are being prepared, but are not submitted with this set of materials.

If you have any questions, please contact my office.

Sincerely,
Ashley Groffenberger

Ashley Groffenberger | Acting Budget Director
Office of Mayor London N. Breed
City & County of San Francisco | 415.554.6511