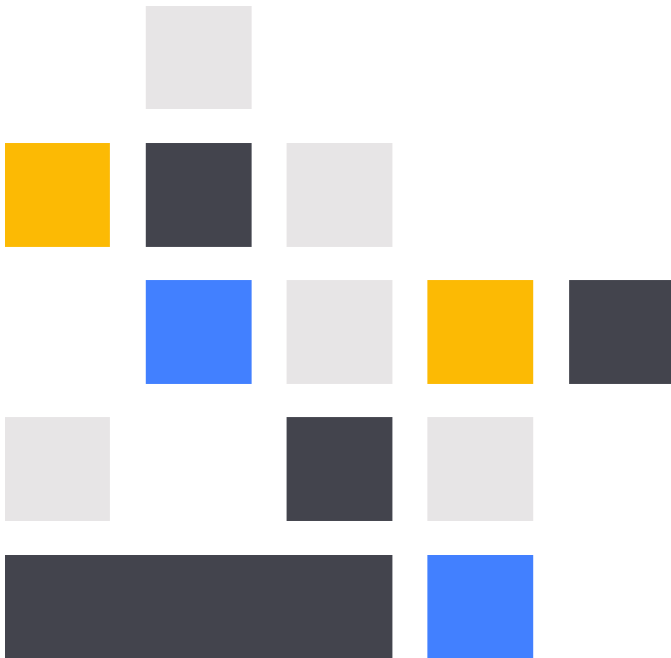


# Judgment Obligation Bonds – Not to Exceed \$995,000,000

## BUDGET AND FINANCE COMMITTEE

- Authorizing Resolution: Resolution authorizing the issuance of not to exceed \$995,000,000 aggregate principal amount of City and County of San Francisco Judgement Obligation Bonds to pay the costs of a potential judgment associated with litigation related to Proposition C (2018) (Commercial Rent Tax for Childcare and Early Education), subject to specified conditions, as defined.



**December 9, 2020**

City and County of San Francisco  
Office of the Controller  
Office of Public Finance

# Background

- Proposition C, 2018: In June 2018, voters approved the Commercial Rent Tax for Childcare and Early Education.
  - 85% of funds designated for childcare and education of children from birth to 5 years of age
  - 15% of funds available for general City purposes
- Legal challenge: Latest ruling in June 2020 by California's First District Court of Appeals upheld the Superior Court's prior ruling holding that Proposition C was correctly approved by a simple majority requirement. Complainants are seeking review by the California Supreme Court.
- Proposition F, 2020: In November 2020, 67% of voters approved the *Business and Tax Regulation Amendment* which, among other things, would impose contingent commercial and warehouse taxes if Proposition C (2018) were to be struck down.

# Judgment Obligation Bonds

- State Constitution allows local jurisdictions to issue bonds to fund an obligation imposed by law.
- The FY 2020-21 and 2021-22 budget appropriated the proceeds of Proposition C (2018) and placed the expenditures on Controller's Reserve.
  - As a prudent budgetary measure, the Controller is seeking Board approval of a resolution to authorize Judgment Obligation Bonds in the event that there is an adverse ruling in the courts and the City is otherwise unable to repay the value of expended funds.
- Controller's Office of Public Finance would return to the Board for approval of financing documents in advance of issuance.

# Estimated Sources and Uses of Funds

*Table 1: Estimated Sources & Uses of the Proposed Bonds*

Sources:

<u>Estimated Bond Proceeds</u>	
Estimated Par Amount	\$990,420,000
<b>Total Sources</b>	<b>\$990,420,000</b>

Uses:

Net Proceeds for Judgement	\$843,280,000
Debt Service Reserve Fund	\$92,266,275
Capitalized Interest Fund	\$51,144,188
<u>Delivery Date Expenses</u>	
Cost of Issuance	\$1,253,487
Underwriter's Discount	\$2,476,050
<b>Total Uses</b>	<b>\$990,420,000</b>

Note: Resolution authorizes not-to-exceed PAR amount of \$995M to account for potential market fluctuations.



# Judgment Obligation Bonds

Questions?

