

File No. 201259

Committee Item No. 3

Board Item No. 5

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date January 13, 2021

Board of Supervisors Meeting

Date January 26, 2021

#### 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 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 type="checkbox"/>	<input 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)

<input type="checkbox"/>	<input checked="" type="checkbox"/>	<u>Department Presentation - January 13, 2021</u>
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Completed by: Linda Wong Date January 8, 2021

Completed by: Linda Wong Date January 15, 2021

[Appropriation - Earthquake Safety and Emergency Response General Obligation Proceeds - Series 2021A - Department of Public Works, San Francisco Public Utilities Commission, and Recreation and Parks Department - FY2020-2021 - \$85,000,000]

**Ordinance appropriating \$85,000,000 of the Series 2021A Earthquake Safety and Emergency Response General Obligation Bond proceeds to the Department of Public Works, San Francisco Public Utilities Commission, and Recreation and Parks Department in Fiscal Year (FY) 2020-2021 for upgrade, replacement, improvement, rehabilitation, and seismic strengthening of City-owned fire, police, emergency, and disaster response facilities, as well as improvements to the City's Emergency Firefighting Water System; and placing these funds on Controller's reserve pending sale of the bonds.**

Note: Additions are single-underline italics Times New Roman; deletions are ~~strikethrough italics Times New Roman~~. Board amendment additions are double underlined. Board amendment deletions are ~~strikethrough 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 projected sources of funding for FY2020-2021.

**SOURCES Appropriation**

Fund /	Project & Activity /	Account	Description	Amount
Department ID	Authority			
15512 CPXCF 20 EQ	10036824-0002 /	480111	Proceeds from	\$49,104,295
SFTY&EMY RE	21569	Proceeds	Bond Sale (DPW)	
S2020E / 207950	PW ESER 2020	from Bond		
DPW BDC Budgetary	Program			
15512 CPXCF 20 EQ	10013164-0004 /	480111	Proceeds from	\$15,855,705
SFTY&EMY RE	21592	Proceeds	Bond Sale (RPD)	
S2020E / 262676	RP 2020 ESER GO	from Bond		
REC Capital Projects	Bond			
26421 WRT CPF 2020	10036892-0001 /	480111	Proceeds from	\$20,040,000
ESER S2020E /	21593	Proceeds	Bond Sale (PUC)	
232396	2020 Auxiliary Water	from Bond		
WTR01 Administration	Supply			
<b>Total SOURCES Appropriation</b>				<b>\$85,000,000</b>

Section 2. The uses of funding outlined below are herein appropriated to Department of Public Works (DPW), San Francisco Public Utilities Commission (SFPUC), and the Recreation and Parks Department (REC) to fund Earthquake Safety and Emergency Response Projects in Fiscal Year 2020-2021.

# **USES Appropriation**

Fund /	Project & Activity /	Account	Description	Amount
Department ID	Authority			
15512 CPXCF 20 EQ	10036824-0002 /	567000	Project Fund	\$43,785,638
SFTY&EMY RE	21569	Bldgs,Struct&	DPW	
S2020E / 207950	PW ESER 2020	Imprv Proj-		
DPW BDC Budgetary	Program	Budget		
15512 CPXCF 20 EQ	10013164-0004 /	567000	Project Fund	\$15,855,705
SFTY&EMY RE	21592	Bldgs,Struct&	RPD	
S2020E / 262676	RP 2020 ESER GO	Imprv Proj-		
REC Capital Projects	Bond	Budget		
15512 CPXCF 20 EQ	10036824 -0002 /	581130	CSA Audit Fee	\$119,283
SFTY&EMY RE	21569	GF-Con-	(0.2% of project	
S2020E / 207950	PW ESER 2020	Internal	fund;	
DPW BDC Budgetary	Program	Audits	DPW+RPD)	
26421 WRT CPF 2020	10036892-0001 /	567000	Project Fund	\$ 20,000,000
ESER S2020E/	21593	GF-	PUC	
232396 WTR01	2020 Auxiliary Water	Bldgs,Struct&		
Administration	Supply	Imprv Proj-		
		Budget		

1	<b>Fund /</b>	<b>Project &amp; Activity /</b>	<b>Account</b>	<b>Description</b>	<b>Amount</b>
2	<b>Department ID</b>	<b>Authority</b>			
3	26421 WRT CPF 2020	10036892-0001 /	581130	CSA Audit Fee	\$ 40,000
4	ESER S2020E/	21593	GF-Con-	(0.2% of project	
5	232396 WTR01	2020 Auxiliary Water	Internal	fund;	
6	Administration	Supply	Audits	DPW+RPD)	
7					
8	15512 CPXCF 20 EQ	10036824 -0002 /	573110	Cost of Issuance	\$733,644
9	SFTY&EMY RE	21569	Bond		
10	S2020E / 207950	PW ESER 2020	Issuance		
11	DPW BDC Budgetary	Program	Cost-		
12			Unamortized		
13					
14	15512 CPXCF 20 EQ	10036824 -0002 /	581420	0.1% Allocation	\$ 81,430
15	SFTY&EMY RE	21569	GF-Gen-	for General	
16	S2020E / 207950	PW ESER 2020	Goboc 0.1%	Obligation Bond	
17	DPW BDC Budgetary	Program	Recovery	Oversight	
18				Committee	
19				Audits	
20					
21	15512 CPXCF 20 EQ	10036824 -0002 /	573110	Underwriter's	\$814,300
22	SFTY&EMY RE	21569	Bond	Discount	
23	S2020E / 207950	PW ESER 2020	Issuance		
24	DPW BDC Budgetary	Program	Cost-		
25			Unamortized		

1	<b>Fund /</b>	<b>Project &amp; Activity /</b>	<b>Account</b>	<b>Description</b>	<b>Amount</b>
2	<b>Department ID</b>	<b>Authority</b>			
3	15512 CPXCF 20 EQ	10036824 -0002 /	573110	Reserve for	\$3,570,000
4	SFTY&EMY RE	21569	Bond	Market	
5	S2020E / 207950	PW ESER 2020	Issuance	Uncertainty	
6	DPW BDC Budgetary	Program	Cost-		
7			Unamortized		
8					
9	<b>Total USES Appropriation</b>				<b>\$85,000,000</b>
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Section 4. The total appropriation of \$85,000,000 is placed on Controller's Reserve pending receipt of proceeds of indebtedness.

Section 5. 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.

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

<b>Items 1, 2 and 3</b> <b>Files 20-1259, 20-1294, 20-1295</b>	<b>Departments:</b> Office of Public Finance Department of Public Works (DPW) San Francisco Public Utilities Commission (SFPUC) Recreation and Parks Department (RPD)
<b>EXECUTIVE SUMMARY</b>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <p><b>Files 20-1294 and 20-1295:</b> The proposed resolutions would authorize the issuance of \$628,500,000 aggregate principal amount of 2020 Earthquake Safety and Emergency Response General Obligation Bonds and the sale of \$85,000,000 of the Bonds.</p> <p><b>File 20-1295:</b> The proposed ordinance would appropriate \$85,000,000 of the Series 2021A Earthquake Safety and Emergency Response General Obligation Bond proceeds to the Department of Public Works, San Francisco Public Utilities Commission, and Recreation and Parks Department in FY2020-21 for upgrade, replacement, improvement, rehabilitation, and seismic strengthening of City-owned fire, police, emergency, and disaster response facilities, as well as improvements to the City's Emergency Firefighting Water System.</p> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>The proposed first bond sale of up to \$85,000,000 of the total \$628,500,000 is expected to occur in February 2021 upon Board of Supervisors approval of the bond issuance (File 20-1295). The projects to be funded through the proposed \$628,500,000 bond program include: (1) the Emergency Firefighting Water System; (2) neighborhood fire stations and support facilities; (3) district police stations and support facilities; (4) disaster response facilities – Kezar Pavilion; and (5) the City's 9-1-1 Emergency Call Center.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>Based upon an estimated market interest rate of 3.11 percent for GO bonds, the Office of Public Finance projects an average annual debt service cost of approximately \$5,500,000. The total debt service over the anticipated 20-year life of the bonds is projected to be approximately \$107,520,000. Of this, \$81,430,000 represents the estimated par and the remainder of \$26,090,000 represents estimated interest. Repayment of the annual debt service will be recovered through increases in the annual Property Tax rate, which is estimated to average \$0.00184 per \$100 of assessed value or \$1.84 per \$100,000 of assessed value over the anticipated 20-year term of the bonds.</li> </ul> <p style="text-align: center;"><b>Policy Consideration</b></p> <ul style="list-style-type: none"> <li>The Office of Public Finance does not expect significant challenges to the sale and closing of the Series 2021A Bond transaction despite the impact of the Covid-19 pandemic on underlying economic conditions.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <p>Approve the proposed resolutions (File 20-1294 and File 20-1295) and the proposed ordinance (File 20-1259).</p>	



**MANDATE STATEMENT**

City Charter Section 9.106 states that the Board of Supervisors is authorized to provide for the issuance of general obligation bonds in accordance with the Constitution of the State of California. General obligation bonds may be issued and sold in accordance with state law or any local procedure adopted by ordinance. There shall be a limit on outstanding general obligation bond indebtedness of three percent of the assessed value of all taxable real and personal property, located within the City and County.

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**

On March 3, 2020, a two-thirds majority of voters of the City approved Proposition B, the Earthquake Safety and Response General Obligation (GO) Bond. Proposition B authorizes the City to issue \$628,500,000 in GO bonds to improve fire, earthquake, and emergency response by improving, constructing, and/or replacing the following: deteriorating cisterns, pipes, and tunnels, and related facilities to ensure firefighters a reliable water supply for fires and disasters; neighborhood fire and police stations and supporting facilities; the City's 911 Call Center; and other disaster response and public safety facilities, and to pay related costs.

The proposed first bond sale of up to \$85,000,000 of the total \$628,500,000 is expected to occur in February 2021 upon Board of Supervisors approval of the bond issuance (File 20-1295). The projects to be funded through the proposed \$628,500,000 bond program include: (1) renovation, expansion and seismic upgrading of the City's Emergency Firefighting Water System; (2) improvement and rehabilitation of neighborhood fire stations and replacement of the firefighter training facility currently located on Treasure Island; (3) seismic, safety and operations improvements to district police stations and City-owned Police Department support facilities; (4) upgrading or replacement of critical City-owned disaster response facilities; and (5) expansion of the City's 9-1-1 Emergency Call Center. Specific project activities to be funded through the proposed first bond sale of \$85,000,000 include the following:

- **Emergency Firefighting Water System (SFPUC):** planning, design, bid process, and partial construction;
- **Neighborhood Fire Stations and Support Facilities (DPW):** planning and pre-design;
- **District Police Stations and Support Facilities (DPW):** planning, design, bid process, and partial construction;
- **Disaster Response Facilities - Kezar Pavilion (RPD):** investigative studies, concept development planning, design, permits, and bid process; and
- **9-1-1 Call Center (DPW):** planning, design, bid process, and construction

**DETAILS OF PROPOSED LEGISLATION**

**File 20-1294:** The proposed resolution would:

1. Provide for the issuance of not-to-exceed \$628,500,000 aggregate principal amount of 2020 Earthquake Safety and Emergency Response General Obligation Bonds;
2. Authorize the issuance and sale of the bonds;
3. Provide for the levy of a tax to pay the principal and interest;
4. Provide for the appointment of depositories and other agents for the bonds;
5. Provide for the establishment of accounts related to the bonds;
6. Adopt findings under the California Environmental Quality Act (CEQA), the CEQA Guidelines and Administrative Code, Chapter 31;
7. Find that the proposed project is in conformity with the priority policies of Planning Code, Section 101.1 and with the General Plan consistency requirement of Charter, Section 4.105, and Administrative Code, Section 2A.53;
8. Ratify certain actions previously taken; and
9. Grant general authority to City officials to take necessary actions in connection with the issuance and sale of the bonds.

**File 20-1295:** The proposed resolution would:

1. Authorize the sale of not-to-exceed \$85,000,000 aggregate principal amount of 2020 Earthquake Safety and Emergency Response General Obligation Bonds (Series 2021A);
2. Prescribe the form and terms of the bonds;
3. Provide for the appointment of depositories and other agents for the bonds;
4. Provide for the establishment of accounts related to the bonds;
5. Provide for the manner of sale of the bonds by competitive or negotiated sale;
6. Approve the forms of Official Notice of Sale and Notice of Intention to Sell Bonds;
7. Direct the publication of the Notice of Intention to Sell Bonds;
8. Approve the form of the Purchase Contract;
9. Approve the form of the Preliminary Official Statement and the execution of the Official Statement relating to the sale of the bonds;
10. Approve the form of the Continuing Disclosure Certificate;
11. Authorize and approve modifications to such documents;

12. Waive the deadline for submission of Bond Accountability Reports;
13. Ratify certain actions previously taken; and
14. Grant authority to City officials to take necessary actions for the authorization, issuance, sale, and delivery of the bonds.

**File 20-0516:** The proposed ordinance would appropriate \$85,000,000 of the Series 2021A Earthquake Safety and Emergency Response General Obligation Bond proceeds to the Department of Public Works, San Francisco Public Utilities Commission, and Recreation and Parks Department in FY2020-21 for upgrade, replacement, improvement, rehabilitation, and seismic strengthening of City-owned fire, police, emergency, and disaster response facilities, as well as improvements to the City's Emergency Firefighting Water System. The \$85,000,000 appropriation would be placed on Controller's Reserve pending sale of the bonds.

The proposed resolution (File 20-1295) waives the deadline for submission of accountability reports required under Administrative Code Section 2.71(a). According to Mr. Vishal Trivedi, Financial Analyst in the Office of Public Finance, the waiver was to ensure that the sale would not be delayed if the bond accountability report was not submitted 60 days prior to appropriation of the bond proceeds. Pursuant to Administrative Code Section 2.71, DPW submitted the Earthquake Safety & Emergency Response 2020 GO Bond Sale Accountability Report to the Board of Supervisors on November 12, 2020.

Table 1 below outlines anticipated sources and uses for the Series 2021A bonds.

**Table 1: Sources and Uses of Series 2021A Bond Proceeds**

<b>Estimated Sources:</b>	
Par Amount	\$81,430,000
Reserve for Market Uncertainty	\$3,570,000
<b>Total Estimated Sources:</b>	<b>\$85,000,000</b>
<b>Estimated Uses:</b>	
<i>Administrative Costs</i>	
Costs of Issuance	\$733,644
Controller's Audit Fund	\$159,283
Underwriter's Discount	\$814,300
Citizens' GO Bond Oversight Committee Fee	\$81,430
Reserve for Market Uncertainty	\$3,570,000
<b>Administrative Costs Subtotal</b>	<b>\$5,358,657</b>
<i>Project Costs</i>	
Emergency Firefighting Water System <sup>1</sup>	\$20,000,000
Neighborhood Fire Stations & Support Facilities	\$2,900,000

<sup>1</sup> The \$628.5 million Earthquake Safety and Emergency Response General Obligation Bond includes \$153.5 million for Emergency Firefighting Water System projects, of which \$20 million is appropriated in this ordinance (see Table 2 below). The initial appropriation of \$20 million will be used for planning, design, bid, and partial construction of the Westside Phase I system project.

District Police Stations & Support Facilities	\$32,022,200
Disaster Response Facilities	\$15,855,705
9-1-1 Response Facilities	\$8,863,438
<b>Project Costs Subtotal</b>	<b>\$79,641,343</b>
<b>Total Estimated Uses:</b>	<b>\$85,000,000</b>

Source: Office of Public Finance and Department of Public Works

As shown in Table 2 below, with the proposed \$85,000,000 appropriation in Series 2021A GO bond proceeds, \$543,500,000 of the total \$628,500,000 in 2020 Earthquake Safety and Emergency Response GO Bonds will be issued in amounts to be determined at a later date. The Attachment shows the specific project activities to be funded by the proposed Series 2021A GO bond issuance.

**Table 2: 2020 Earthquake Safety and Emergency Response General Obligation Bonds Funds Allocation**

<b>Projects</b>	<b>Proposed Bond Authorization</b>	<b>Proposed Bond Budget</b>	<b>Proposed 1st Bond Issuance (Series 2021A)</b>	<b>Remainder to be Allocated</b>
Emergency Firefighting Water System (SFPUC)	\$153,500,000	\$151,170,852	\$20,000,000	\$131,170,852
Neighborhood Fire Stations & Support Facilities (DPW)	275,000,000	270,827,260	2,900,000	267,927,260
District Police Stations & Support Facilities (DPW)	121,000,000	119,163,994	32,022,200	87,141,794
Disaster Response Facilities (RPD)	70,000,000	68,937,848	15,855,705	53,082,143
9-1-1 Response Facilities (DPW)	9,000,000	8,863,438	8,863,438	0
<b>Project Subtotal</b>	<b>\$628,500,000</b>	<b>\$618,963,392</b>	<b>\$79,641,343</b>	<b>\$539,322,050</b>
Cost of Issuance/Oversight/Underwriter's Discount/Audit Fund	-	5,966,608	1,788,657	4,177,951
Reserve for Market Uncertainty	-	3,570,000	3,570,000	-
<b>Administrative Subtotal</b>	<b>-</b>	<b>\$9,536,608</b>	<b>\$5,358,657</b>	<b>\$4,177,951</b>
<b>Total</b>	<b>\$628,500,000</b>	<b>\$628,500,000</b>	<b>\$85,000,000</b>	<b>\$543,500,000<sup>2</sup></b>

Source: Office of Public Finance and Department of Public Works

<sup>2</sup> Figure may not add due to rounding.

**Citizens' General Obligation Bond Oversight Committee Annual Report**

Under the proposed resolution (File 20-1295), the Citizens' General Obligation Bond Oversight Committee shall conduct an annual review of bond spending and shall provide an annual report on the management of the program to the Mayor and the Board of Supervisors.

**FISCAL IMPACT****Annual Debt Service**

As shown above in Table 1, the Office of Public Finance expects to sell \$81,430,000 in par value Series 2021A Bonds. The proposed resolution (File 20-1295) 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 Series 2021A Bonds shall have a final maturity date no later than 30 years after the date of issuance.

Based upon an estimated market interest rate of 3.11 percent for GO bonds, the Office of Public Finance projects an average annual debt service cost of approximately \$5,500,000. The total debt service over the anticipated 20-year life of the bonds is projected to be approximately \$107,520,000. Of this, \$81,430,000 represents the estimated par and the remainder of \$26,090,000 represents estimated interest.

According to Mr. Trivedi, the Office of Public Finance anticipates issuing the Series 2021A Bonds via competitive sale based on the recommendations of the City's municipal advisors. In a competitive sale, the bonds will be awarded to the bidder providing the lowest true interest cost to the City and that meets the terms as specified in the Official Notice of Sale. However, Mr. Trivedi states that if tax-exempt municipal market conditions deteriorate significantly or other credit considerations change, the Director of the Office of Public Finance, in consultation with the Controller and the City's municipal advisors, may choose to pursue a negotiated sale through the City's Underwriting Pool<sup>3</sup>, which was selected via a competitive Request for Qualifications process. As a negotiated sale, the City and its finance team will review comparable sales of financings recently sold with comparable ratings and par amount size to the Series 2021A Bonds. The City and the financial advisor will negotiate the final interest rates with the underwriting team to achieve the lowest true interest cost to the City based on recent comparable sales, orders received during the order period and overall conditions of the market at the time of sale.

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<sup>3</sup> According to Mr. Trivedi, the City maintains a pre-qualified pool of underwriters. If the City were to pursue a negotiated transaction, the underwriter selection would be based on a holistic evaluation of written proposals submitted by underwriters in the pool. The pre-qualified underwriter pool was established in accordance with the City's contracting procedures through a competitive Request for Qualifications process, with an evaluation panel reviewing and scoring the submittals based on approved guidelines and overseen by the Contract Monitoring Division.

**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 general obligation debt limit for FY 2020-21 is approximately \$9.04 billion, based on a net assessed valuation of approximately \$301.4 billion. This net assessed valuation is based on the Controller's Certificate of Assessed Valuation, as of August 1, 2020.

As of December 31, 2020, the City had outstanding approximately \$2.50 billion in aggregate principal amount of GO bonds, which equals approximately 0.83 percent of the net assessed valuation for FY 2020-21. If all of the City's voter-authorized and unissued GO bonds were issued, the total debt burden would be 1.44 percent 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 0.03 percent, to 0.86 percent, which is within the 3 percent legal debt limit.

**Property Tax Rates**

For Series 2021A, repayment of the annual debt service will be recovered through increases in the annual Property Tax rate, which is estimated to average \$0.00184 per \$100 of assessed value or \$1.84 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 \$10.90 per year if the anticipated amount of \$81,430,000 of Bonds are sold.

**Capital Plan**

The Capital Planning Committee approved a financial constraint regarding the City's planned use of GO bonds such that debt service on approved and issued GO bonds would 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 2021A GO Bonds, the property tax rate for GO bonds for FY 2020-21 would be maintained at or below the FY 2005-06 rate and within the Capital Planning Committee's approved financial constraint.

**POLICY CONSIDERATION**

According to Mr. Trivedi, the Covid-19 pandemic is continuing to impact underlying economic conditions which inform the municipal bond market and interest rates, and it may have some impact on the timeline for completion of the Earthquake Safety & Emergency Response bond projects. Mr. Trivedi states that current protocols also create minor logistical challenges for closing the bond transaction, but based on prior experiences with bond sales during the

pandemic, the Office of Public Finance does not expect significant challenges to the sale and closing of the Series 2021A Bond transaction.

**RECOMMENDATION**

Approve the proposed resolutions (File 20-1294 and File 20-1295) and the proposed ordinance (File 20-1259).

## Attachment – Files 20-1294 and 20-1295

Projects	Proposed 1st Bond Sale (Series 2021A)	Expenditures (pre-bond)	Balance	Future Bond Issuance(s)	Total Bond Issuances Combined
<b>Emergency Firefighting Water System (SFPUC)</b>	<b>\$20,000,000</b>	-	<b>\$20,000,000</b>	<b>\$131,170,852</b>	<b>\$151,170,852</b>
Planning, Design, Bid/Award	5,200,000	-	5,200,000	6,400,000	11,600,000
Construction, Close out <sup>4</sup>	14,800,000	-	14,800,000	124,770,852	139,570,852
<b>Neighborhood Fire Stations &amp; Support Facilities (DPW)</b>	<b>2,900,000</b>	<b>1,043,581</b>	<b>1,856,419</b>	<b>267,927,260</b>	<b>270,827,260</b>
Planning, Pre-design	2,900,000	1,043,581	1,856,419	-	2,900,000
Design, Bid/Award, Construction, Close out	-	-	-	267,927,260	267,927,260
<b>District Police Stations &amp; Support Facilities (DPW)</b>	<b>32,022,200</b>	<b>1,382,612</b>	<b>30,639,588</b>	<b>87,141,794</b>	<b>119,163,994</b>
Surge Facility #1	4,240,000	-	4,240,000	-	4,240,000
Ingleside Station	11,027,200	-	11,027,200	66,422,800	77,450,000
Taraval Station	6,000,000	-	6,000,000	-	6,000,000
Lake Merced Range	5,280,000	-	5,280,000	18,720,000	24,000,000
Focused Scope – Mission Station	970,000	-	970,000	-	970,000
Pre-bond Efforts & Component Reserve <sup>5</sup>	4,505,000	1,382,612	3,122,388	1,998,994	6,503,994
<b>Disaster Response Facilities (RPD)</b>	<b>15,855,705</b>	<b>500,000</b>	<b>15,355,705</b>	<b>53,082,143</b>	<b>68,937,848</b>
Planning, Design, Bid/Award	15,855,705	500,000	15,355,705	2,092,756	17,948,461
Construction, Close out	-	-	-	50,989,387	50,989,387
<b>9-1-1 Response Facilities (DPW)</b>	<b>8,863,438</b>	<b>500,000</b>	<b>8,363,438</b>	-	<b>8,863,438</b>
Planning, Design, Bid/Award	852,316	500,000	352,316	-	852,316
Construction, Close out	8,011,122	-	8,011,122	-	8,011,122
<b>Subtotal</b>	<b>\$79,641,343</b>	<b>\$3,426,193</b>	<b>\$76,215,150</b>	<b>\$539,322,050</b>	<b>\$618,963,392</b>
Cost of Issuance/Oversight/Underwriter's Discount/Audit Fund	1,788,657	-	1,788,657	4,177,951	5,966,608
Reserve for Market Uncertainty	3,570,000	-	3,570,000	-	3,570,000
<b>Total</b>	<b>\$85,000,000</b>	<b>\$3,426,193</b>	<b>\$81,573,807</b>	<b>\$543,500,001</b>	<b>\$628,500,000</b>

Source: Office of Public Finance and Department of Public Works

<sup>4</sup> The Emergency Firefighting Water System's 1st bond issuance for construction planned to fund the following project(s): Potable Emergency Firefighting Water System pipeline and/or fireboat manifold projects

<sup>5</sup> This is a pre-bond reimbursement and component reserve (set aside for project costs yet to be identified at this time).





San Francisco  
**Water**  
**Power**  
**Sewer**

# Earthquake Safety & Emergency Response 2020 Bond Program

Presentation to the Budget & Finance Committee

January 13, 2021

# Earthquake Safety and Emergency Response 2020 Bond Program (ESER 2020)

## Request for approval of:

- Resolutions authorizing issuance of Not to Exceed \$628,500,000 and approving the sale of Not to Exceed \$85,000,000 in general obligation bonds (first bond sale) for the Earthquake Safety & Emergency Response 2020 Bond Program.
- Ordinance appropriating \$85,000,000 of the Series 2021A Earthquake Safety and Emergency Response General Obligation Bond proceeds; and placing these funds on Controller's reserve pending sale of the bonds.

**Bond Authorization Total :** \$628,500,000

**Proposed Issuance:** \$85,000,000

**Proposed Date of Issuance:** *February 2021*

# Earthquake Safety and Emergency Response 2020 Bond Program (ESER 2020)

## ***Sources and Uses for GO Bonds Series 2021A (ESER 2020)***

<b>Maximum Not to Exceed Amount:</b>	<b>85,000,000.00</b>
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<i>Reserve for Market Uncertainty</i>	<i>3,570,000.00</i>
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### **Estimated Sources:**

Par Amount	81,430,000.00
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<b>Total Estimated Sources:</b>	<b>85,000,000.00</b>
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### **Estimated Uses:**

#### Project Fund Deposits:

Project Fund	79,641,343.00
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CSA Audit Fee	159,282.69
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Total Project Fund Deposits:	79,800,625.69
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Cost of Issuance	733,644.31
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Underwriter's Discount	814,300.00
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CGOBOC Fee	81,430.00
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Total Delivery Expense:	1,629,374.31
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<i>Reserve for Market Uncertainty</i>	<i>3,570,000.00</i>
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<b>Total Estimated Uses:</b>	<b>85,000,000.00</b>
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# Earthquake Safety and Emergency Response 2020 Bond Program (ESER 2020)

## ***Fiscal Impact of Proposed GO Bonds Series 2021A (ESER 2020)***

- Estimated Financing Costs\*

**Projected par:** \$81,430,000

**Estimated interest rate:** 3.11%

**Estimated total interest cost:** \$26,100,000

**Estimated Annual Property Tax Impact:** \$1.84 per \$100,000 (\$10.90 for \$600K home)

- Debt Capacity

**Certified Net Assessed Valuation (Net AV) for FY20-21:** \$301,409,160,689

**3% GO Debt Capacity:** \$9,042,274,820.67

**GO Debt Currently Outstanding:** \$2,502,746,740.00 (0.83% of Net AV)

**GO Debt with proposed 2021A Bonds:** \$2,584,176,740.00 (0.86% of Net AV)

- Capital Planning Constraint

Issuance of 2021A bonds is consistent with FY2006 property tax rate cap policy

*\* Interest rate and cost estimates provided by Urban Futures Inc., an MSRB-registered municipal advisory firm*

# ESER 2020 Bond Program Overview

Bond Component	Description & Key Deliverables	Project Selection Process	1st Bond Sale Planned Efforts (incl. pre-bond)
<b>Emergency Firefighting Water System</b>	Renovate, expand, and seismically upgrade the City's <b>Emergency Firefighting Water System</b>	Projects selected by SFPUC Management Oversight Committee and accepted by the Executive Steering Committee are Potable Emergency Firefighting Water System (PEFWS), Fireboat Manifolds, and system studies.	Planning, design, and construction of assigned projects
<b>Neighborhood Fire Stations and Support Facilities</b>	Strengthen, improve, and rehabilitate <b>Neighborhood Fire Stations and Support Facilities</b> , including the replacement of the firefighter training facility currently located on Treasure Island	Fire Department projects are selected from among the list of stations and other facilities that are identified as in most need from operational and state of condition assessments. The replacement Fire Training Facility is driven by the fact that it must vacate its current location on Treasure Island by 2026. Other projects to be named will align with exigent operational and state of condition needs.	Planning and pre-design
<b>District Police Stations and Support Facilities</b>	Make seismic, safety and operations improvements to district police stations and City-owned <b>District Police Stations and Support Facilities</b>	Police Department projects are selected from among the list of stations and other facilities that are identified as in most need from operational and state of condition assessments. The projects selected pose a life-safety hazard as they are at-risk of partial or substantial collapse from the effect of a major earthquake.	Planning, design, and construction of early projects
<b>Disaster Response Facilities</b>	Upgrade or replace critical City-owned <b>Disaster Response Facilities</b> to assure the City can deploy aid, provide shelter, and coordinate emergency response activities	Kezar Pavilion was selected as a facility with high seismic vulnerabilities and opportunities to serve multiple disaster-response functions. The project benefits a vulnerable asset while augmenting the City's emergency preparedness capabilities and expanding program opportunities for general public use.	Concept development, planning, design, investigation studies, permits, bid process
<b>911 Call Center</b>	Expand the <b>9-1-1 Response Facilities</b> to provide more dispatchers, new technologies and increased efficiencies	The City's Emergency Operations Center requires a major upgrade and expansion of its 9-1-1 Call Center to best align with the service needs of a growing San Francisco begins to respond to its functional mission.	Planning, Design, and construction of project

## Issuance Summary

ESER 2020 Components / Projects	Bond Authorization	Bond Budget	Proposed 1st Bond Issuance*	Future Bond Sales**
Emergency Firefighting Water System	\$153,500,000	\$151,170,852	\$20,000,000	\$131,170,852
Neighborhood Fire Stations and Support Facilities	\$275,000,000	\$270,827,260	\$2,900,000	\$267,927,260
District Police Stations and Support Facilities	\$121,000,000	\$119,163,994	\$32,022,200	\$87,141,794
Disaster Response Facilities	\$70,000,000	\$68,937,848	\$15,855,705	\$53,082,143
911 Call Center	\$9,000,000	\$8,863,438	\$8,863,438	\$0
<b>Subtotal Project Components</b>	<b>\$628,500,000</b>	<b>\$618,963,392</b>	<b>\$79,641,343</b>	<b>\$539,322,049</b>
Oversight, Accountability, COI		\$9,536,608	\$1,788,657	\$4,177,951
Reserve for Market Uncertainty			\$3,570,000	
<b>TOTAL</b>	<b>\$628,500,000</b>	<b>\$628,500,000</b>	<b>\$85,000,000</b>	<b>\$543,500,000</b>

\*Includes pre-bond funding to be reimbursed by first bond sale

\*\*Future bond sales only pertaining to components/projects, Oversight, Accountability, and COI

# ESER 2020 Bond Program Budget

Bond Component	Bond Budget	Proposed 1st Bond Issuance	1st Issuance as % of Program Budget	Projected Expenditures Year 1	Projected Expenditures Year 2	Projected Expenditures Year 3
Emergency Firefighting Water System	\$151,170,852	\$20,000,000	13%	\$2,000,000	\$9,600,000	\$8,400,000
Neighborhood Fire Stations and Support Facilities	\$270,827,260	\$2,900,000	1%	\$2,900,000		
District Police Stations and Support Facilities	\$119,163,994	\$32,022,200	27%	\$14,925,600	\$15,956,600	\$1,140,000
Disaster Response Facilities	\$68,937,848	\$15,855,705	23%	\$2,685,169	\$7,852,473	\$5,318,063
911 Call Center	\$8,863,438	\$8,863,438	100%	\$852,316	\$7,956,719	\$54,403
<b>Subtotal</b>	<b>\$618,963,392</b>	<b>\$79,641,343</b>	<b>13%</b>	<b>\$23,363,085</b>	<b>\$41,365,792</b>	<b>\$14,912,466</b>
Accountability/Issuance Costs (CBOC/CSA/COI, etc.)	\$9,536,608	\$1,788,657	19%			
Reserve for Market Uncertainty		\$3,570,000				
<b>Total</b>	<b>\$628,500,000</b>	<b>\$85,000,000</b>	<b>14%</b>			

# Program Schedule Overview

Bond Component	Planning / Design / Permits	Bid / Award	Construction
Emergency Firefighting Water System*	In Progress – 12/23	01/22 – 06/24	07/22 – 12/25
Neighborhood Fire Stations and Support Facilities*	01/21 – 12/23	07/21 – 09/24	04/22 – 10/26
District Police Stations and Support Facilities*	01/21 – 04/23	04/21 – 10/23	10/21 – 07/25
Disaster Response Facilities – Kezar Pavilion	01/21 – 07/23	07/23 – 12/23	01/24 – 09/25
911 Call Center	01/21 – 09/21	10/21 – 12/21	01/22 – 12/22

\*Bond component includes Multiple Projects



## Challenges & Risks

- EFWS – unforeseen field conditions may delay project schedule and increase cost.
- NFS – Fire Training Facility
  - Securing the prospective property for the project
  - Aligning completion of facility with the target exit from Treasure Island in 2026
- All projects: COVID-19 related impacts
  - Labor and material costs
  - Delays due to supply-chain interruptions or labor force illness or SF Health Department Order(s)
  - Enhanced sanitization and safety protocols for project sites

**From:** [Peacock, Rebecca \(MYR\)](#)  
**To:** [BOS Legislation, \(BOS\)](#)  
**Cc:** [Kittler, Sophia \(MYR\)](#); [Patil, Lillian \(MYR\)](#); [Trivedi, Vishal \(CON\)](#); [Catapang, Ysabel \(CON\)](#)  
**Subject:** Mayor -- [Ordinance] -- [Appropriation – Proceeds from Earthquake Safety and Emergency Response General Obligation – Series 2021A to the Department of Public Works (DPW), San Francisco Public Utilities Commission (SFPUC), and the Recreation and Parks Dep]  
**Date:** Tuesday, November 3, 2020 4:08:20 PM  
**Attachments:** [\(2\) Ord\\_CON\\_ESER Bond Supplemental.zip](#)

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Attached for introduction to the Board of Supervisors is an **ordinance appropriating \$85,000,000 of the Series 2021A Earthquake Safety and Emergency Response General Obligation Bond proceeds to the Department of Public Works (DPW), San Francisco Public Utilities Commission (SFPUC), and the Recreation and Parks Department (REC) in FY2020-2021 for upgrade, replacement, improvement, rehabilitation, and seismic strengthening of City-owned fire, police, emergency, and disaster response facilities, as well as improvements to the City's Emergency Firefighting Water System; and placing these funds on Controller's reserve pending sale of the bonds.**

Please let me know if you have any questions.

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**Rebecca Peacock** ([they/them](#))  
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Office of Mayor London N. Breed  
City & County of San Francisco