

**MINUTES OF A REGULAR MEETING OF THE
OVERSIGHT BOARD OF THE CITY AND
COUNTY OF SAN FRANCISCO HELD ON THE
11TH DAY OF SEPTEMBER 2023**

The members of the Oversight Board of the City and County of San Francisco met in a regular meeting in person at 11:00 p.m. on the 11th day of September 2023 at City Hall, Room 416, 1 Dr Carlton B. Goodlett Place, San Francisco, CA 94102

The Oversight Board will convene hybrid meetings that will allow in-person attendance, remote access, and public comment via teleconference. Members of the public may provide public comment in-person at the noticed location or remotely via teleconference (detailed instructions available at: <https://sfocii.org/remote-meeting-information>). Members of the public may also submit their comments by email to: commissionsecretary.ocii@sfgov.org; all comments received will be made a part of the official record.

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**TO LISTEN TO THE LIVE MEETING OR TO PROVIDE PUBLIC COMMENT:
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1. CALL TO ORDER/ROLL CALL

The meeting was called to order by Chair Van Degna at 11:03 a.m.

Chair Degna welcomed new member Licinia Iberri, who was recently appointed by the San Francisco Unified School District to serve on the Oversight Board.

Roll call was taken.

Board member Moses Corrette - present
Board member Licinia Iberri - present
Board member Janice Li - present
Board member Shanell Williams - present
Vice-Chair Lydia Ely - absent
Chair Anna Van Degna - present

Vice-Chair Ely was late; all other Board members were present. It was noted that the seat for the City and County of San Francisco was still vacant.

Chair Van Degna read the obligatory land statement.

2. APPROVAL OF MINUTES - Special Meeting of June 29, 2023

PUBLIC COMMENT - None

Board member Li motioned to move Item 2 and it was seconded by Board member Corrette.

Voice vote was taken for Item 2.

Board member Corrette – yes

Board member Iberri – abstained

Board member Li – yes

Board member Williams - abstained

Vice-Chair Ely - yes

Chair Van Degna – yes

ADOPTION: IT WAS VOTED BY FOUR BOARD MEMBERS WITH TWO ABSTENTIONS THAT APPROVAL OF MINUTES FOR THE SPECIAL MEETING OF JUNE 29, 2023, BE ADOPTED.

3. ANNOUNCEMENTS

- A. The next scheduled Board meeting will be a regular meeting held in person at City Hall on Monday, January 8, 2024 at 11:00 am.
- B. Announcement of Prohibition of Sound Producing Electronic Devices during the Meeting:
Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. Announcement of Time Allotment for Public Comments:
Please be advised a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Board adopts a shorter period on any item. We recommend that members of the public who are attending the meeting in person fill out a “Speaker Card” and submit the completed card to the Board Secretary. All dial-in participants from the public will be instructed to call a toll-free number and use their touch-tone phones to register any desire to provide public comment. Audio prompts will signal to dial-in participants when their audio input has been enabled for commenting.

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4. CONSENT AGENDA – None

5. REGULAR AGENDA

- A. Approving, to the extent required by Sections 34180(b) and 34177.5(A)(1) of the California Health and Safety Code, the issuance of Special Tax Bonds secured solely by special taxes received by the Successor Agency to the Redevelopment Agency of the City and County of San Francisco for and on behalf of the Redevelopment Agency of the City and County of San Francisco Community Facilities District No. 6 (Mission Bay South Public Improvements) and related documents and actions, Mission Bay South Redevelopment Project Area (Discussion and Action)(Resolution No. 06-2023)

Presenters: Thor Kaslofsky, Executive Director; John Daigle, Debt Manager, OCII; James Morales, Deputy Director/General Counsel, OCII

Board member Williams referred to the use of the savings and inquired about, since this money was going to be released, whether there was any thought given to what the resources could be used for, since this would present additional funding.

Executive Director Kaslofsky responded that these savings were achieved over time, so it was less tax increment requested from the Controller's Office to pay for debt service. He explained that this was accumulated over time so during the next payment cycle once refunding was concluded, there would be no money left over for OCII to use and it would stay with the City for City purposes.

Mr. Daigle responded that the savings were achieved over time and in this case, with the special taxes, those funds could be used to also reimburse the developer for infrastructure costs under the CFD documents.

Board member Williams inquired about whether taxpayers were paying annual taxes under Mello-Roos and whether they would see any savings.

Mr. Daigle responded in the affirmative, that taxpayers were paying annual Mello-Roos taxes to pay this debt service and to build reserves.

Executive Director Kaslofsky responded that currently the payment that property owners paid into the CFD fund were used for paying back outstanding bonds. He explained that there was still remaining infrastructure work to be done in Mission Bay (MB) and that the special tax would not be reduced because there were anticipated new costs for bonds yet to be issued.

Chair Van Degna requested clarification that there were annual pay-as-you-go infrastructure costs that was still eligible to be funded or reimbursed.

Executive Director Kaslofsky responded that this would create room for additional bond issuances for future infrastructure needs.

Mr. Daigle invited Mr. Morales to clarify what the special taxes were versus normal tax allocation funds.

Mr. Morales wanted to correct the record. He explained that these bonds as well as the proposed funding bonds did not touch tax increment and that was why this resolution was unique because the California Department of Finance (DOF) wanted to review this bond action. However, he noted that OCII believed that DOF did not have jurisdiction over these bonds because these were secured by the special assessment that was voted by the electors when this CFD was first formed. There was a 2/3 majority vote by the electors in favor of the special assessment and those were segregated and separate from tax increment. Mr. Morales explained that dissolution law was about restoring tax increment to taxing entities and having former redevelopment agencies finish their projects. This bond did not provide any savings on tax increment but rather just relied on the special assessment totally secured by the special assessments received. He indicated that these were formed in the first place in order to have funding for infrastructure in case the tax increment was delayed in its availability. He further explained that when redevelopment projects were first started, there was no tax increment available, so the CFD was imposed from the very beginning to accumulate funds for capital improvements. Over time there had been tax increment but to reiterate the point, tax increment was not at risk in this action. Mr. Morales went on to state that, for that reason, OCII was asking DOF to clarify their position. He reported that OCII did not put their debt service payments for these bonds on ROPS and no expenditures related to CFD were included on ROPS, so OCII was asking the Board to approve this so that they could take this matter to DOF and clarify what their position was.

Vice-Chair Ely referred to Board member Williams' question. She understood that the interest savings was somewhere around \$17 million, and she understood the value of reissuing the bonds to get the rating and understanding that there was cost of issuance and the underwriters discount, she inquired about what the net savings were after all those costs and benefits were calculated.

Mr. Daigle responded that these were the all-in savings, all-in present value, so that the actual dollar savings would be a higher number, but the present value discounted the future savings as the savings were taken over time. He explained that a dollar in 20 years from now might be discounted to \$.30 but the actual dollar outflow savings would be greater than the \$17 million and it was an all-in net present value.

Board member Ely requested clarification that this meant the net of all the new costs of reissuing the bonds.

Mr. Daigle responded in the affirmative, that this was the present value of all the cash flows.

Board member Williams inquired about whether this was about rebuilding the reserve and about whether there was some need to shore up reserves.

Mr. Daigle responded that there was a general fiduciary duty to realize savings when they were able to.

Executive Director Kaslofsky responded there was no issue with the reserves and that this was not related to replenishing reserves that had been depleted.

Mr. Daigle added that there were different types of reserves. There was debt service reserve and also cash reserves for future expenses and the expected needs for funding would continue to be significant in MB South, so this basically allowed additional money to be available to fund those needs.

Board member Li asked for clarification regarding the issue with DOF. In the timeline on (page) 57, she inquired about whether there was a possibility that DOF's determination could be different than that of general counsel.

Mr. Morales responded that it was possible that they could have a difference of opinion. In fact, he noted that in 2014, while reviewing CFD bonds of the Agency, DOF stated that it did not have oversight over CFD bonds because OCII was acting under Mello-Roos and not under dissolution law. Therefore, the Agency under Mello-Roos was acting separately from a successor agency under dissolution law. He explained that from that point forward, OCII assumed and acted in a manner that did not require that OCII ask the Board or DOF for oversight review of CFD matters. In preparing for this action, OCII bond counsel contacted DOF counsel and received a different viewpoint for the first time. After much discussion, it was decided by DOF counsel that because the successor agency was formed under dissolution law, even though OCII was a separate authority, DOF somehow still had review over it. Mr. Morales contended that OCII disagreed with that conclusion and since OCII had been acting in a different manner in the past, this needed to be clarified and they would make their case again when they had the opportunity. Mr. Morales stipulated, however, that they did not want to delay this refunding because it provided a benefit for the taxpayers and was part of the fiduciary duty of the Agency.

Board member Li inquired about what would happen if the DOF determination held.

Mr. Morales responded that generally when DOF made a final determination that the successor agency disagreed with, the next step would be to request a Meet and Confer, which was a formal process meeting with DOF members. He explained that this would be similar to an appeal but more informal. He reported that OCII had been to a Meet and Confer before, but had never gone past that step, so the next step would be to litigate the matter. Mr. Morales advised that, in this case, that would probably not be worth it.

Chair Van Degna inquired about whether the bonds would be issued prior to receiving the final determination from DOF.

Mr. Morales responded in the negative and stated that OCII could not act until DOF approved it. He emphasized that this delay, if there was one, could represent a problem. They had up to 65 days to review this matter, but if DOF took the full time for review, given the volatility of the markets and interest rates, it might change some of the facts that were the basis for this action.

Vice-Chair Ely inquired about whether this was the first time that OCII was proposing to reissue the CFD bonds without DOF participation.

Mr. Morales responded that in 2014, as was mentioned, when DOF stated that it did not have jurisdiction, it did involve refunding of CFD bonds, but not since then. He clarified that CFD bonds have been issued but not refunded.

Chair Van Degna stated that this looked like an exciting amount of savings if they could lock in \$17 million.

Board member Corrette stated that what it sounded like was that they really did not need to have this meeting, but they were doing it anyway to be on the good side in case it was necessary.

Mr. Morales responded that it was prudent for the successor agency to act consistently with DOF and to do what DOF was telling them to do, even if they disagreed with it. He reiterated that they also did not want to hold up the refunding and that there was a keen interest by all parties to make sure everything was in order.

Mr. Corrette referred to the presentation package they had received. He pointed out that in the attachments from A onward, there were no dollar figures/numbers, just blanks and inquired about why that was.

Mr. Daigle responded that the documents were “in the form of” and they would not have the numbers until the transaction was actually completed.

Board member Corrette clarified that those numbers would be updated on the day the contracts were signed.

Mr. Daigle responded in the affirmative.

Executive Director Kaslofsky added that the number given for the \$17 million in cost savings was an estimate and that the precise numbers would be known at the point of sale of the bonds.

Board member Corrette requested clarification that some of those rough numbers on pages 4 and 6 of the presentation would be formalized later.

Mr. Daigle responded in the affirmative. He explained that those numbers had been run about a month earlier and allowed for a 25-basis point leeway and they had taken up 23 points of that. He reported that the number on the day of this meeting was very close and that the savings number that morning was \$16 million, just about \$300,000 under.

Executive Director Kaslofsky added that what they were looking at was an agreement which was a form and explained that those numbers did not get filled out until the transaction was finalized. They had taken their projections and put them into the presentation, but the agreement was not populated until the contract was actually executed.

Mr. Daigle clarified that no one knew how these bonds would be priced until the date they went to market on the day of pricing when the underwriter committed to buy, based on what they would get from their investors. He explained that by the end of that day, they got the final numbers which would go into the bond purchase agreement which was essentially a purchase

and sale agreement with all the specifics. He asserted that this could not be filled out ahead of time since it would be misleading to put in temporary numbers.

Vice-Chair Ely inquired about when they would be discussing this request for the Board to seek to clarify the scope and in what cases DOF would review matters and in what cases it would not. She stated that she had more questions about that.

Mr. Morales responded that this issue was before them today because they would take it up with DOF when they reviewed it. He stressed that they needed clarity as soon as possible because DOF's position would be a significant change in how OCII handled their CFD expenditures, which typically were not reported to DOF.

Vice-Chair Ely inquired about how the Board would undertake that analysis and about what resources and tools they would have to address that issue.

Executive Director Kaslofsky responded that they would comply with whatever the DOF was requesting and seek clarity through the approval process. They were asking the Board today to give the approval and allow OCII to work through that process and, if necessary, hold a meet and confer with DOF and see what that process yielded. He clarified that they were not asking the Board to opine over this. He added that, presumably, if this were to be the practice of DOF in the future, the Board would start seeing bond issuances and refundings come before it in reviewing CFD expenditures.

Board member Williams inquired about whether anything significant had happened with DOF to trigger this issue.

Executive Director Kaslofsky responded that they did not know the answer to this question and hoped to get clarification through the process.

PUBLIC COMMENT - None

Board member Williams motioned to move Item 5A and it was seconded by Vice-Chair Ely.

Voice vote was taken for Item 5A.

Board member Corrette – yes
Board member Iberri – yes
Board member Li - yes
Board member Williams - yes
Vice-Chair Ely - yes
Chair Van Degna - yes

ADOPTION: IT WAS VOTED BY SIX BOARD MEMBERS THAT RESOLUTION NO. 06-2023, APPROVING, TO THE EXTENT REQUIRED BY SECTIONS 34180(B) AND 34177.5(A)(1) OF THE CALIFORNIA HEALTH AND SAFETY CODE, THE ISSUANCE OF SPECIAL TAX BONDS SECURED SOLELY BY SPECIAL TAXES RECEIVED BY THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO FOR AND ON BEHALF OF THE REDEVELOPMENT AGENCY OF

THE CITY AND COUNTY OF SAN FRANCISCO COMMUNITY FACILITIES DISTRICT NO. 6 (MISSION BAY SOUTH PUBLIC IMPROVEMENTS) AND RELATED DOCUMENTS AND ACTIONS, MISSION BAY SOUTH REDEVELOPMENT PROJECT AREA, BE ADOPTED.

6. NEW MATTERS FOR FUTURE CONSIDERATION

Board member Corrette referred to the presentation package and to the memo from the Executive Director regarding funding for the Mexican Museum. He pointed out that item was not included on the agenda for this meeting. Mr. Corrette suggested that it be included on the agenda for the next meeting.

Executive Director Kaslofsky responded to Board member Corrette's suggestion and stated that this issue would be included on the agenda for the next meeting.

Executive Director Kaslofsky announced that they had hired Marc Slutzkin (Project Manager, Mission Bay (MB)) as the new Deputy Director. He reported that the position had been vacant since Nadia Sesay had left the Agency. Mr. Kaslofsky reported that Mr. Slutzkin had been with the Agency a long time leading the MB project and had extensive experience in affordable housing and development. He asked Mr. Slutzkin to come before the Board to introduce himself.

Mr. Slutzkin came up to the podium and introduced himself. He stated that he was excited about the new position and to be working with all the project areas as well as with affordable housing.

Chair Van Degna congratulated Mr. Slutzkin and stated that she looked forward to working with him.

Chair Van Degna requested that Executive Director Kaslofsky let the Board know about the outcome of the meeting with DOF over the previous item at their next meeting.

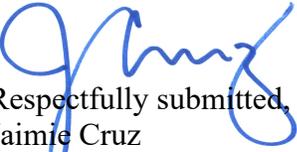
Executive Director Kaslofsky responded in the affirmative and stated that he would do that.

7. PUBLIC COMMENT ON NON-AGENDA ITEMS - None

8. ADJOURNMENT

Board member Li motioned to move Item 8 and it was seconded by Board member Corrette.

The meeting was adjourned by Chair Van Degna at 11:47 a.m.


Respectfully submitted,
Jaimie Cruz
Board Secretary