MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Tiffany Bohee
Executive Director

SUBJECT: Amending the Office of Community Investment and Infrastructure’s (“OCII’s”) Debt Policy to Reflect Redevelopment Dissolution Law, OCII’s Responsibilities for Community Facilities District Debt Administration, and New Federal Disclosure Requirements for Issuers of Public Debt

EXECUTIVE SUMMARY

OCII is currently operating under the former SFRA debt policy last updated on March 16, 2004. The updated policy includes authorization for the Executive Director to enter into arrangements with the City and County of San Francisco Controller’s Office of Public Finance to support OCII with issuance and administration of debt, and reflects new requirements stemming from Redevelopment Dissolution Law and federal disclosure requirements for issuers of public debt.

DISCUSSION

Following dissolution of the SFRA, former administrative policies of the SFRA remained in effect for the Successor Agency to the SFRA (“OCII”), including the SFRA’s debt policy, last updated on March 16, 2004 (Attachment 1).

The proposed new policy adds the following debt management objective:

- Comply with the provisions of Section 34177.5 of the California Health and Safety Code, established by California Assembly Bill 1484 in June 2012 (together with other statutes, known as “Redevelopment Dissolution Law,”), which establish the parameters under which Successor Agencies may refund preexisting debt and issue new debt;

The other objectives contained in the policy are substantially similar to those of the existing policy, with minor editorial changes for clarity. They are:

- Maintain cost-effective access to capital markets through prudent debt management policies and practices;
- Fund significant capital acquisitions or improvements through debt financing and, if cost effective, alternate financing mechanisms such as public/private partnerships.
- Structure long term financings to minimize transaction specific risk and total debt portfolio risk to the OCII.
- Maintain good investor relationships and uphold contractual obligations through the timely dissemination of material financial information and timely response to requests
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Changes in the new policy are as follows:

- Language is included to reflect the post-dissolution legal framework;
- A section referencing the OCII Amended and Restated Local Goals and Policies for Community Facilities Districts ("CFDs") as the governing policy for CFD bonds is included;
- Debt approval procedures are expanded to include Oversight Board and DOF processes;
- The Debt Structuring section is simplified to reflect the current constraints and practices;
- The Permitted Investments section is simplified by reference to the California Government Code, debt related contractual constraints and OCII's Investment Policy;
- The Secondary Market Disclosure section includes language specific to CFD bonds.
- Post Issuance Debt Administration is expanded in response to guidance given by the Securities and Exchange Commission;
- The City's Disclosure Policies and Procedures Appendix to its Debt Policy is appended as a best practice template, to be followed as it pertains to the OCII debt portfolio;
- The current OCII practice of having required secondary market disclosure tables prepared by a Fiscal Consultant is adopted as policy;
- The "Swap/Derivative" Policy appended to the 2004 Policy is deleted as such transactions have not been appropriate to our debt portfolio and are not expected to be going forward.

External Reviews

The proposed policy has been reviewed and concurred to by:
- The San Francisco Controller’s Office of Public Finance;
- OCII’s Bond Counsel for its current tax allocation bond refunding effort, Jones Hall; and
- OCII’s Financial Advisors for its current tax allocation bond refunding effort, Public Financial Management, Inc.

Staff Recommendation

Staff recommends Commission approval of the resolution.

(Originated by Leo Levenson, Deputy Director, Finance and Administration)

Tiffany Bohee
Executive Director

Attachment 1: Debt Policy of the Redevelopment Agency of the City and County of San Francisco Updated March 16, 2004