FILE NO. 031986  ORDINANCE NO. 24-04

[Laguna Honda Hospital General Obligation Bond Issuance.]

Ordinance providing for the issuance of not to exceed $299,000,000 aggregate principal amount of City and County of San Francisco General Obligation Bonds (Laguna Honda Hospital, 1999); providing that such bonds may be issued as fixed or variable interest rate obligations; providing for the levy of a tax to pay the principal and interest of said bonds and authorizing payment of bonds from other legally available funds of the City; authorizing the execution of a Master Trust Agreement and Declaration of Trust which provide for the terms of said bonds; providing for the appointment of depositaries and other agents of said bonds; ratifying certain actions previously taken; and granting general authority to city officials to take necessary actions in connection with the authorization, issuance, sale and delivery of said 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.

WHEREAS, By Resolution No. 577-99 adopted by the Board of Supervisors of the City and County of San Francisco (the "Board of Supervisors") on June 14, 1999, the Board of Supervisors determined and declared that public interest and necessity demands the acquisition, construction and reconstruction of a health care, assisted living and/or other type of continuing care facility or facilities to replace Laguna Honda Hospital; and

WHEREAS, By Ordinance No. 180-99, passed by the Board of Supervisors of the City and County of San Francisco (the "Board of Supervisors") on June 21, 1999 (the "Bond Ordinance"), the Board of Supervisors duly called a special election to be held on November 2, 1999, for the purpose of submitting to the electors of the City and County of San Francisco, California (the "City") a proposition to incur bonded indebtedness to finance all works,

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property and structures necessary or convenient for the acquisition, improvement,
construction and/or reconstruction of a new health care, assisted living and/or other type of
continuing care facility or facilities to replace Laguna Honda Hospital, including, without
limitation, infrastructure or other improvements in the areas appurtenant to, or which provide
access to, such new facility or facilities (the "Project"); and,

WHEREAS, A special election was held in the City on November 2, 1999, for the
purpose of submitting to the qualified voters of the City a proposition for incurring bonded
indebtedness of the City in the aggregate principal amount of $299,000,000 to finance the
Project; and,

WHEREAS, The Registrar of Voters of the City duly and regularly canvassed the return
of said election and, as the result of such canvass, certified to the Board of Supervisors that
more than two-thirds of the votes cast on said proposition favored the incurring of such
bonded indebtedness; and,

WHEREAS, This Board of Supervisors has determined, and does hereby declare that it
is necessary and desirable that all of said Bonds designated generally as City and County of
San Francisco General Obligation Bonds (Laguna Honda Hospital, 1999) (the "Bonds") (each
series to bear such additional or other designation as may be determined by the Director of
Public Finance of the City (the "Director of Public Finance") to be necessary or appropriate to
distinguish such series from every other series and from other bonds issued by the City) in the
aggregate principal amount of $299,000,000, be issued and sold in one or more series from
time to time, for the purposes authorized and on the conditions set forth in this Ordinance of
the Board of Supervisors; and,

WHEREAS, Pursuant to Section 9.106 of the City Charter this Board of Supervisors is
authorized to provide for the issuance of general obligation bonds in accordance with the

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Constitution of the State of California, and such general obligation bonds may be issued and
sold in accordance with a local procedure adopted by ordinance; and,

WHEREAS, This Board of Supervisors finds this Ordinance and the forms of
documents approved hereunder to be a local procedure for the issuance and sale of general
obligation bonds pursuant to Section 9.106 of the City Charter; and,

WHEREAS, The Bonds will be payable from proceeds of a tax levy and any other
available funds as provided herein; and,

WHEREAS, The Bonds are being issued pursuant to the Bond Ordinance of the City
described above, this Ordinance, the Charter of the City and a duly held election; and,

WHEREAS, Pursuant to Section 9.106 of the Charter of the City, there shall be
delivered a certificate of a duly authorized officer of the City, concurrently with the issuance of
each series of the Bonds, stating that the outstanding general obligation bonded indebtedness
of the City, including all series of the Bonds issued and to be issued and outstanding on the
date of delivery of such series, will not exceed three percent of the assessed value of all
taxable real and personal property located within the City and County; and,

WHEREAS, This Board of Supervisors desires to authorize variable interest rate
obligations (including but not limited to initial interest, daily, weekly, auction rate and term
interest rate modes), and fixed interest rate obligations, as determined by the Director of
Public Finance; and,

WHEREAS, This Board of Supervisors finds that the purpose of authorizing variable
interest rate obligations is to provide for a procedure for the issuance and sale of general
obligation bonds that results in a lower cost of borrowing by reducing the interest paid on the
Bonds; and

WHEREAS, If a series of the Bonds are variable rate obligations, such Bonds will be
issued pursuant to either (i) a Master Trust Agreement (the "Master Trust Agreement")

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between the City and a financial institution to be selected as bond trustee (the "Trustee") or (ii) in accordance with Section 4 of this Ordinance, a Declaration of Trust (Variable Rate Bonds) ("Variable Rate Declaration of Trust") to be executed by the Treasurer and other officers of the City; and,

WHEREAS, If a series of the Bonds are issued as fixed rate obligations, such Bonds will be issued pursuant to a Declaration of Trust (Fixed Rate Bonds) (the "Fixed Rate Declaration of Trust") to be executed by the Treasurer and other officers of the City; and,

WHEREAS, There have been presented to this meeting proposed forms of the Master Trust Agreement and the Fixed Rate Declaration of Trust; and,

WHEREAS, This Board has been presented with the form of certain documents referred to herein relating to the Bonds, and the Board has examined and is approving each document and desires to authorize and direct the execution of such documents and the consummation of such financing; and,

WHEREAS, The adoption of this Ordinance shall constitute authorization of the Bonds within the meaning of Section 86401 the California Code of Civil Procedure and any Validation Act that is effective after this Ordinance takes effect; and,

Be It ordained by the People of the City and County of San Francisco, as follows:

Section 1. Recitals. All of the recitals herein are true and correct.

Section 2. Conditions Precedent. All conditions, things and acts required by law to exist, to happen and to be performed precedent to and in the issuance of the Bonds exist, have happened and have been performed in due time, form and manner in accordance with applicable law, and the City is now authorized pursuant to its Charter and applicable law to incur indebtedness in the manner and form provided in this Ordinance (the "Ordinance").

Section 3. Issuance of Bonds. The Board of Supervisors hereby authorizes the issuance and sale of not to exceed $299,000,000 aggregate principal amount of the Bonds for
the acquisition, construction, reconstruction or completion of the real property improvements
set forth in the following proposition:

LAGUNA HONDA HOSPITAL, 1999. Shall the City and County incur bonded debt
and/or other evidences of indebtedness and/or undertake lease financing, in an aggregate
principal amount not exceeding $299,000,000, for the acquisition, improvement, construction
and/or reconstruction of a new health care, assisted living and/or other type of continuing care
facility or facilities to replace Laguna Honda Hospital, and reduce the property tax impact by
requiring the application of available tobacco settlement revenues received by the City and
County, and any state and/or federal grants or funds received by the City and County that are
required to be used to fund these facilities, (a) to finance the acquisition, improvement,
construction and/or reconstruction costs of such facilities, and (b) to pay the principal and
redemption price of, interest on, reserve fund deposits, if any, and/or financing costs for the
obligations authorized hereby?

The Bonds may be sold in one or more series and as variable or fixed interest rate
obligations, as the Director of Public Finance shall determine, and shall be sold on the terms
and conditions approved by the Board of Supervisors in this Ordinance, as supplemented by
such other ordinances or resolutions relating to such series of Bonds. The offering and sale
of the Bonds may be aggregated with the offering and sale of other general obligation bonds
being issued by the City as authorized from time to time by the Board of Supervisors.

The Bonds shall be signed by the Mayor of the City (the "Mayor") and the Treasurer of
the City (the "Treasurer") and countersigned by the Clerk of the Board of Supervisors. The
Treasurer is hereby authorized to authenticate Bonds. All signatures may be facsimile or
manual, except for the Treasurer's authentication of the Bonds, which shall be a manual
signature.

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Section 4. **Approval of the Master Trust Agreement.** The proposed form of the Master Trust Agreement, on file with the Clerk of the Board of Supervisors, is hereby approved. Such approval includes approval of procedures for issuance of bonds with variable interest rate provisions for one or more series of the Bonds pursuant to Section 9.106 of the Charter. The Mayor, the Controller of the City (the "Controller") and the Treasurer are hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Master Trust Agreement in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. Supplements to the Master Trust Agreement for the purpose of providing for the terms of a series of bonds or such other purposes as are permitted under such Agreement may be approved by resolution of this Board.

The City may issue one or more series of variable rate Bonds by executing a Variable Rate Declaration of Trust and without executing a Master Trust Agreement or a Supplement to the Master Trust Agreement with respect to such series, but only if the Director of Public Finance in consultation with the Treasurer determines that (i) the City can provide for the performance of all of the trustee-related duties set forth in the form of Master Trust Agreement and (ii) the lack of a private institution serving as bond trustee would not adversely affect the marketability of the Bonds. Upon such a determination, the Director of Public Finance, the Treasurer and the City Attorney shall coordinate the drafting of a Variable Rate Declaration of Trust, which shall delete all references to the private bond trustee but which shall be in all other material respects substantially identical to the form of Master Trust Agreement on file with the Clerk of the Board. In such a situation, the Mayor, the Controller and the Treasurer are hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Variable Rate Declaration of Trust in substantially said form, with such

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changes therein as such officer may require or approve, such approval to be conclusively
evidenced by the execution and delivery thereof.

Section 5. **Approval of the Fixed Rate Declaration of Trust.** The proposed form of a
Fixed Rate Declaration of Trust, on file with the Clerk of the Board of Supervisors, is hereby
approved. The Mayor, the Controller and the Treasurer are hereby authorized and directed,
for and in the name and on behalf of the City, to execute and deliver a Fixed Rate Declaration
of Trust in substantially said form for one or more series of the Bonds, with such changes
therein as such officer may require or approve, such approval to be conclusively evidenced by
the execution and delivery thereof.

Section 6. **Tax Levy.** For the purpose of paying the principal of and interest on the
Bonds, and subject to the provisions below, the Board of Supervisors at the time of fixing the
general tax levy shall fix, and in the manner provided for such general tax levy, levy and
collect annually until the Bonds are paid, or until there shall be a sum set apart for that
purpose in the treasury of the City or on deposit with the Trustee sufficient to meet all sums
coming due for payment of principal of and interest on the Bonds, a tax sufficient to pay the
annual interest on the Bonds as the same becomes due and also such part of the principal
thereof as becomes due before the proceeds of a tax levied at the time for making the next
general tax levy can be made available for the payment of such interest or principal.

While a series of the Bonds is in a variable interest rate mode, this Board of
Supervisors shall annually levy taxes for the payment of principal and interest based on the
estimated interest rate recommended by the Director of Public Finance of the City in
consultation with the Controller and Treasurer. The levy of taxes for the Bonds shall also take
into account amounts on deposit in the Bond Account (defined below) and available tobacco
settlement revenues (as defined in the Bond Ordinance) that will be available to pay debt
service on the Bonds during such year as estimated by the Director of Public Finance. The

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Board of Supervisors shall also levy taxes sufficient to fund the annual costs of remarketing agents, broker dealers, liquidity facility providers and paying agents or trustees and other similar costs that are directly related to the Bonds as estimated by the Director of Public Finance.

Said tax shall be in addition to all other taxes levied for City purposes, shall be collected at the same time and in the same manner as other taxes of the City are collected, and shall be used only for the payment of the Bonds, the interest thereon and other directly related costs as provided herein.

All taxes collected pursuant to this Section 6 shall be deposited forthwith in a special account to be designated as the "General Obligation Bonds (Laguna Honda Hospital, 1999) Bond Account" (the "Bond Account") and each and every series of Bonds shall be equally and ratably secured by the taxes collected pursuant to this Section. Such account shall be administered by the Treasurer and kept separate and apart from all other accounts. The Treasurer may establish such additional accounts and subaccounts within the Bond Account or with any agent, including but not limited to the Trustee, as may be necessary or convenient in connection with the administration of any series of the Bonds.

The Treasurer shall also deposit in the Bond Account from the proceeds of sale of the Bonds, any moneys received on account of interest accrued on the Bonds to the date of payment of the purchase price thereof, and such other moneys, if any, as may be made available as provided below or as specified in the resolution or ordinance of the Board authorizing and directing the sale of each series of Bonds. So long as any of the Bonds are outstanding, moneys in the Bond Account shall be used and applied by the Treasurer solely for the purpose of paying the principal of and interest on the Bonds as such principal and interest shall become due and payable, or for purchase of Bonds as permitted by the Master Trust Agreement, the Variable Rate Declaration of Trust, the Fixed Rate Declaration of Trust

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or a resolution or ordinance providing for the sale of such series of Bonds; provided, however, that when all of the principal of and interest on the Bonds have been paid, any moneys then remaining in said account shall be transferred to the General Fund of the City. The Board of Supervisors shall take such actions annually as are necessary or appropriate to cause the debt service on the Bonds due in any fiscal year and the tax levies needed to pay such debt service to be included in the budget for such fiscal year and to make the necessary appropriations therefor.

Pursuant to Section 9.113 of the Charter, in the event the proceeds of the annual tax levy for the Bonds are not sufficient to pay the debt service then due on the Bonds, the Controller is authorized to transfer on a temporary basis amounts sufficient to pay debt service on the Bonds from legally available funds therefor. This authorization shall not in any way be construed to be a debt of the City in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the City, nor shall such authorization constitute a pledge of the general tax revenues, funds or moneys of the City. Such transfer shall be made only from funds which are legally available for the purpose of making such transfer. By undertaking such authorization, the City has not pledged the full faith and credit of the City, the State of California or any agency or department thereof to the making of such transfers.

To the extent there is a failure to pay principal of or interest on the Bonds when due as a result of insufficient available ad valorem taxes or available tobacco settlement revenues (as defined in the Bond Ordinance), the Board of Supervisors shall levy taxes at the next general tax levy for the payment of such amounts in the manner provided in the first sentence of this Section 6. Further, to the extent funds other than ad valorem taxes or available tobacco settlement revenues (as defined in the Bond Ordinance) are used for the payment of the principal of or interest on the Bonds, the Board of Supervisors shall levy taxes at the next

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general tax levy for the reimbursement of such funds in the manner provided in the first sentence of this Section 6.

Section 7.  Treasurer Permitted to Act as Paying Agent. Pursuant to a Fixed Rate Declaration of Trust, a Variable Rate Declaration of Trust, the Master Trust Agreement and/or a resolution of this Board in connection with a series of the Bonds, the Treasurer may act as paying agent, trustee or co-trustee, tender agent and/or registrar for a series of the Bonds, hold and administer bond accounts and project accounts and take such other actions as may be necessary or convenient in connection with a series of Bonds issued pursuant to such document.

Section 8.  Appointment of Depositories and Other Agents. The Treasurer is hereby authorized and directed to appoint one or more depositories as he or she may deem desirable.

The Treasurer is hereby also authorized and directed to appoint one or more agents as he or she may deem necessary or desirable. To the extent permitted by applicable law and under the supervision of the Treasurer, such agents may serve as paying agent, fiscal agent, trustee, escrow agent or registrar for the Bonds or may assist the Treasurer in performing any or all of such functions and such other duties as the Treasurer shall determine including such duties and responsibilities of the Treasurer provided for in this Ordinance. Such agents shall serve under such terms and conditions as the Treasurer shall determine. The Treasurer may at any time remove or replace agents appointed pursuant to this paragraph, as provided in the Master Trust Agreement.

Section 9.  Project Account. There is hereby established a project account to be designated as the "General Obligation Bonds (Laguna Honda Hospital, 1999) Project Account" (the "Project Account"). The Project Account shall be maintained by the Treasurer, as a separate account, segregated and distinct from all other accounts. The Treasurer may
establish such accounts and subaccounts within the Project Account as may be necessary or convenient in connection with the administration of the Project or the Bonds.

All of the proceeds of the sale of the Bonds, excluding any premium and accrued interest received thereon, shall be deposited by the Treasurer to the credit of the Project Account and shall be applied exclusively to the objects and purposes specified in the proposition set forth in Section 3 hereof. When such objects and purposes have been accomplished, any moneys remaining in such account shall be transferred to the Bond Account established pursuant to Section 6 hereof and applied to the payment of the principal of and interest on any series of Bonds. Amounts in the Project Account may be applied to the payment of costs of issuance of the Bonds, including, without limitation, bond and financial printing expenses, mailing and publication expenses, rating agency fees, and the fees and expenses of credit and liquidity facility providers, remarketing agents, auction rate broker-dealers, auction agent, paying agents, registrars, financial consultants, bond counsel and other counsels.

Section 10. Other Terms and Provisions Relating to the Bonds. The resolution of the Board providing for the sale of any series of Bonds may provide for (a) the purchase of bond insurance or other credit enhancement or liquidity facility relating to such series of Bonds and the establishment of such additional terms and procedures as may be necessary to provide for the application of such bond insurance or other credit enhancement for the benefit of the Bondholders; (b) the investment of moneys held in any fund or account relating to the Bonds in specific categories or types of investments, so long as such investments are legal investments for the City and in compliance with any policy or guideline of the City applicable thereto; (c) approval of supplements and amendments to the Master Trust Agreement or changes to the form of the Fixed Rate or Variable Rate Declaration of Trust as may be necessary or desirable in the judgment of the Director of Public Finance to provide for the

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terms of a series of the Bonds, including but not limited to provisions relating to interest rates, payment dates, credit enhancement or liquidity, redemption or tender provisions, funds and accounts, trustee provisions, investments or other similar matters; and (d) the adoption of any supplemental resolutions relating solely to such series of Bonds.

Section 11. Ratification. All actions heretofore taken by officials, employees and agents of the City with respect to the sale and issuance of the Bonds are hereby approved, confirmed and ratified.

Section 12. General Authority. The Clerk of the Board of Supervisors, the Finance Committee of the Board of Supervisors, the Mayor, the Treasurer, the City Administrator, the City Attorney, the Director of Public Finance of the City and the Controller are each hereby authorized and directed in the name and on behalf of the City to take any and all steps and to issue and deliver any and all certificates, requisitions, agreements, notices, consents, and other documents, including but not limited to, agreements with credit and liquidity facility providers and letters of representations to any depository or depositories, which they or any of them might deem necessary or appropriate in order to consummate the lawful issuance, sale and delivery of the Bonds and otherwise to give effect to this Ordinance.

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

By: THERESA A. HACKETT
Deputy City Attorney

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February 3, 2004  Board of Supervisors — PASSED ON FIRST READING
Ayes: 11 - Alioto-Pier, Ammiano, Daly, Dufty, Gonzalez, Hall, Ma, Maxwell, McGoldrick, Peskin, Sandoval

February 10, 2004  Board of Supervisors — FINALLY PASSED
Ayes: 10 - Alioto-Pier, Ammiano, Daly, Dufty, Gonzalez, Hall, Ma, Maxwell, McGoldrick, Peskin
Absent: 1 - Sandoval
I hereby certify that the foregoing Ordinance was FINALLY PASSED on February 10, 2004 by the Board of Supervisors of the City and County of San Francisco.

Gloria L. Young
Clerk of the Board

Mayor Gavin Newsom