File No. 120379

Committee Item No. 6
Board Item No. 5

COMMITTEE/BOARD OF SUPERVISORS

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Committee: Budget and Finance Sub-Committee **Date:** April 25, 2012

Board of Supervisors Meeting **Date** 5/8/12

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Completed by: Victor Young **Date:** April 20, 2012
Completed by: Victor Young **Date:** 4-26-12

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

[Appropriating $58,700,580 Consisting of $45,000,000 of Certificate of Participation Proceeds, $4,539,337 of Fund Balance and Re-Appropriating $9,161,243 to the Port Commission in FY2011-2012]

Ordinance appropriating $58,700,580 consisting of $45,000,000 of Certificate of Participation 2012 Series A and B proceeds, $4,539,337 of fund balance and re-appropriating $9,161,243 from 2010 Revenue Bond funded projects to the Port Commission in FY2011-2012 for the development of the Cruise Terminal Project at Pier 27 and infrastructure and mitigation requirements related to the 34th America's Cup event and the Cruise Terminal Project; and placing $45,000,000 on Controller's Reserve pending sale of the Certificates of Participation.

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 funding available in Fiscal Year 2011-2012.

SOURCES Appropriation

Fund	Index/Project Code	Subobject	Description	Amount
5P XXX XXX COP, 2012 Series A Non-AMT	TBD	80111	Proceeds from Certificates of Participation	$5,277,000
5P XXX XXX COP, 2012 Series B AMT/ Private Activity	TBD	80111	Proceeds from Certificates of Participation	$39,723,000

Fund	Index/Project Code	Subobject	Description	Amount
5P AAA AAA Port - Operating - Non-Project – Controlled	*PRT5PAAAAAA	99999B	Fund Balance	$4,539,337
Total SOURCES Appropriation				**$49,539,337**

Section 2. The uses of funding outlined below are herein appropriated in the Subobjects 06700 (Buildings, Structures, and Improvement Project-Budget), 07311 (Cost of Bond Issuance), 07DISC (Discount on Issuance of Debts), 07000 (Debt Service - Budget), and reflects the projected uses of funding to support the Port Commission in the development of the Mixed-Use Cruise Terminal at Pier 27 and infrastructure and mitigation requirements related to the 34th America's Cup event and Cruise Terminal project.

USES Appropriation – 5P XXX XXX

Fund	Index Code / Project Code	Subobject	Description	Amount
5P XXX XXX PORT COP ISSUANCE	TBD/ CPO76910	06700 Buildings, Structures, and Improvement Project-Budget	Pier 27 Mixed-Use Cruise Terminal Project	$21,048,760
5P XXX XXX PORT COP ISSUANCE	TBD/ CPO927	06700 Buildings, Structures, and Improvement Project-Budget	AC34 Improvements and Environmental Mitigation	$7,860,544

Fund	Index Code / Project Code	Subobject	Description	Amount
5P XXX XXX PORT COP ISSUANCE	TBD/ CPO928 02	06700 Buildings, Structures, and Improvement Project-Budget	Pier 70 Shoreside Power Installation	$5,700,000.00
5P XXX XXX PORT COP ISSUANCE	TBD	07311 Bond Issuance Cost – Unamortized	Cost of Bond Issuance	$655,886
5P XXX XXX PORT COP ISSUANCE	TBD	07311 Bond Issuance Cost – Unamortized	Reserve Pending Bond Sales	$6,540,000
5P XXX XXX PORT COP ISSUANCE	TBD	07DISC Discount on Issuance of Debts	Underwriter's Discount	$288,450
5P XXX XXX PORT COP ISSUANCE	TBD	07000 Debt Service – Budget	Debt Service Reserve Fund	$2,906,360
Total Uses Appropriation – 5P XXX XXX				**$45,000,000**

Section 3. The uses of funding outlined below are herein appropriated in FY 2011-2012 in Subobject 06700 (Buildings, Structures, and Improvement Project-Budget), 081C4 (GF - CON - Internal Audits), and reflect the projected uses of funding to support the Port Commission in the development of the Mixed-Use Cruise Terminal at Pier 27, and infrastructure and mitigation requirements of the 34th America's Cup Event.

USES Appropriation – 5P AAA AAA and 5P AAA ACP

Fund	Index / Project Code	Subobject	Description	Amount
5P AAA ACP Port – Continuing Project Operating Fund	392601 CPO769 10	06700 Buildings, Structures, and Improvement Project-Budget	Pier 27 Mixed-Use Cruise Terminal Project	$1,500,000
5P AAA ACP Port – Continuing Project Operating Fund	392601 CPO927	06700 Buildings, Structures, and Improvement Project-Budget	AC34 Improvements and Environmental Mitigation	$2,434,118
5P AAA ACP Port – Continuing Project Operating Fund	392601 CPO625 20	06700 Buildings, Structures, and Improvement Project-Budget	CARGO Maintenance Dredging	$536,000
5P AAA AAA Port – Operating Fund	390408 XXXXXX	081C4 – Controller Internal Audit	City Services Auditor 0.2% allocation for the Controller's Audit Fund	$69,219
Total USES Appropriation - 5P AAA AAA and 5P AAA ACP				**$4,539,337**

Section 4. The uses of funding outlined below are herein de-appropriated to reflect the funding available in Fiscal Year 2011-2012

USES De-appropriation

Fund	Index / Project Code	Subobject	Description	Amount
5P CPF 09A Port Rev Bonds 2009 – Series 2010A – Tax Exempt	390910 CPO921 9ABA01	06C00 Capital Projects Budget	De-Appropriation of 2010 Revenue Bond Project	$33,029
5P CPF 09A Port Rev Bonds 2009 – Series 2010A – Tax Exempt	390910 CPO920 9APL01	06C00 Capital Projects Budget	De-Appropriation of 2010 Revenue Bond Project	$149,154
5P CPF 09A Port Rev Bonds 2009 – Series 2010A – Tax Exempt	390910 CPO921 9ARI01	06C00 Capital Projects Budget	De-Appropriation of 2010 Revenue Bond Project	$600,000
5P CPF 09A Port Rev Bonds 2009 – Series 2010A – Tax Exempt	390910 CPO921 9ARJ01	06C00 Capital Projects Budget	De-Appropriation of 2010 Revenue Bond Project	$469,060

Fund	Index / Project Code	Subobject	Description	Amount
5P CPF 09B Port Rev Bonds 2009 – Series 2010A – Taxable	390912 CPO923 9BSWBI	06C00 Capital Projects Budget	De-Appropriation of 2010 Revenue Bond Project	$7,910,000
Total USES De-appropriation				**$9,161,243**

Section 5. The uses of funding outlined below are herein re-appropriated in FY 2011-2012 in Subobject 06700 (Buildings, Structures, and Improvement Project-Budget) and reflect the projected uses of funding to support the Port Commission in the development of the Mixed-Use Cruise Terminal at Pier 27, and infrastructure and mitigation requirements of the 34th America's Cup Event and Cruise Terminal project.

USES Re-appropriation

Fund	Index/Project Code	Subobject	Description	Amount
5P CPF 09A Port Rev Bonds 2009 – Series 2010A – Tax Exempt	390910 CPO769 9A27CT	06700 Buildings, Structures, and Improvement Project-Budget	Re-appropriation for Pier 27 Mixed-Use Cruise Terminal	$1,251,243

Fund	Index/Project Code	Subobject	Description	Amount
5P CPF 09B Port Rev Bonds 2009 – Series 2010B – taxable	390912 CPO927 XX	06700 Buildings, Structures, and Improvement Project-Budget	Re-appropriation for AC34 Improvements and Environmental Mitigation	$7,910,000
Total USES Re-appropriation				**$9,161,243**

Section 6. 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.

Section 7. Placing $45,000,000 on Controller's Reserve pending sale of the Certificates of Participation.

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

By: _____
Deputy City Attorney

FUNDS AVAILABLE
Ben Rosenfield, Controller

By: _____

Date: April 16, 2012

Item 6 File 12-0379	Departments: Port

EXECUTIVE SUMMARY

Legislative Objective

- The proposed ordinance would appropriate $58,700,580, including $45,000,000 in Certificates of Participation (COPs) to be issued by the City, and $13,700,580 in Port funds, to (a) fund Port infrastructure projects required by the Lease Disposition Agreement (LDA) between the City and the America's Cup Event Authority, and (b) partially fund Phase One of the Pier 27 Cruise Terminal project.

Key Points

- The proposed ordinance would appropriate $45,000,000 in COPs, for which legislation authorizing the City to issue $45,000,000 in COPs is also being considered by the Budget and Finance Committee of the Board of Supervisors (File 12-0380).
- Additionally, the proposed ordinance would de-appropriate $9,161,243 (included in the $13,700,580 in Port funds, noted above) in 2010 Port Revenue Bonds that were previously appropriated to other Port projects. The projects to be de-appropriated are (a) the Pier 35 project, which includes a substructure project that is currently on hold until a financing plan is developed, and other Pier 35 projects that have incurred project savings; (b) the Piers 94-96 Backlands project to construct improvements to expand the Port's Eco-Industrial park for leasing activities, which is delayed and requires an updated project and financing plan; and (c) the Piers 19 and 23 design projects, which are currently on hold until an updated project and use plan is completed.
- The proposed ordinance would appropriate (a) $23,800,003 to Phase One of the Pier 27 Cruise Terminal project, (b) $18,740,662 to Port infrastructure projects required by the LDA; (c) $5,700,000 to the Pier 70 shoreside power project (File 12-0124); and (d) $10,459,915 for debt issuance costs, including $6,540,000 for a reserve pending the issuance of the COPs, in accordance with the City's Office of Public Finance Policy.

Fiscal Impacts

- The requested supplemental appropriation of $58,700,580 would fund all but $5,700,000 for Phase One of the Pier 27 Cruise Terminal project, and all but $800,000 for the Port infrastructure projects related to the America's Cup and required by the LDA.
- Although the Port infrastructure projects required by the LDA were approved by the Board of Supervisors when the Board approved the LDA on March 27, 2012, the projected costs of these infrastructure improvements has increased by $3,527,217, or 16.3 percent, from the original cost estimate of $21,612,000 to $25,139,217.

Policy Consideration

- The Phase One budget of the Pier 27 Cruise Terminal has increased by $5,014,367, or 8.0 percent, from the January 12, 2012 budget of $62,359,983 to the current budget of $67,374,350.[1] Even with approval of the requested supplemental appropriation, $5,700,000 of Phase One of the Pier 27 Cruise Terminal project and $800,000 of the Port infrastructure projects required by the LDA would be unfunded, totaling $6,500,000. To fund the $6,500,000, the Mayor's Office intends to include in the Port's FY 2012-13 budget (a) $4,900,000 in General Fund monies and $800,000 in America's Cup Organizing Committee contribution monies (totaling $5,700,000) to fully fund Phase One of the Pier 27 Cruise Terminal project; and (b) $800,000 of America's Cup Organizing Committee contribution monies to fully fund the Port infrastructure projects required by the LDA.

Recommendation

Approve the proposed ordinance.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

Charter Section 9.105 requires that amendments to the Annual Appropriation Ordinance be subject to approval by ordinance of the Board of Supervisors, and may not be adopted unless the Controller certifies the availability of funds.

Background

The Board of Supervisors approved the Lease Disposition Agreement (LDA) between the City and the America's Cup Event Authority on March 27, 2012, which requires the Port to construct infrastructure improvements for the 34th America's Cup (File 12-0127). Under the LDA, the Port must construct improvements to Piers 30-32 and other Port properties, mitigate environmental impacts, and complete Phase I of the Pier 27 Cruise Terminal project in time for the 34th America's Cup sailing events, which are scheduled to begin in August 2012, with the final sailing competition to be held in August 2013.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would appropriate $58,700,580 for the Port to fund (a) Port infrastructure improvements required by the LDA, and (b) a portion of Phase One of the Pier 27 Cruise Terminal project. Funding sources include (a) $45,000,000 in Certificates of Participation

[1] The $67,374,350 budget for Phase One of the Pier 27 Cruise Terminal includes some infrastructure projects that are required by the LDA, including Pier 29 end wall repairs ($800,000), shed demolition ($1,200,000), and shoreside power relocation ($2,000,000).

to be issued by the City, also being considered the Budget and Finance Committee of the Board of Supervisors (File 12-0380 of this report), (b) $4,539,337 of Port fund balance, and (c) a re-appropriation of $9,161,243 from 2010 Port Revenue Bond funded projects. Table 1 below shows the sources and uses of funds ($4,539,337 plus $9,161,243 total $13,700,580 in Port funds).

Table 1
The Port's Supplemental Appropriation

	COPs	Port Funds	Total
Sources			
COPs Series 2010A	$5,277,000		$5,277,000
COPs Series 2010B	39,723,000		39,723,000
Re-allocation and defunding of Port Capital Funds		$4,539,337	4,539,337
Re-appropriation of 2010 Port Revenue		9,161,243	9,161,243
Total Sources	**$45,000,000**	**$13,700,580**	**$58,700,580**
Uses			
Pier 27 Cruise Terminal	$21,048,760	$2,751,243	$23,800,003
America's Cup Projects	7,860,544	10,880,118	18,740,662
Pier 70 Shoreside Power	5,700,000		5,700,000
Subtotal, Port Projects	$34,609,304	$13,631,361	$48,240,665
City Services Auditor COPs Contribution		$69,219	$69,219
Debt Issuance Costs	$3,850,696		3,850,696
Reserve Pending Bond Sale	6,540,000		6,540,000
Subtotal, Other Costs	$10,390,696	$69,219	$10,459,915
Total Uses	**$45,000,000**	**$13,700,580**	**$58,700,580**

Sources of Funds

The proposed ordinance would appropriate:

- $45,000,000 in COPs Series 2012A and Series 2012B, as discussed in Item 7, File 12-0380 also being considered by the Budget and Finance Committee.
- $4,539,337 in Port capital funds, including reallocation of funds from prior capital budgets, appropriation of funds in the proposed FY 2012-13 capital budget, and fund balance.
- $9,161,243 in 2010 Port Revenue Bonds, which are re-appropriated from Pier 35 and Backlands projects to the Pier 27 Cruise Terminal and Piers 30-32 projects respectively.

According to the Port's April 12, 2012 memorandum to the City's Capital Planning Committee, the Port has defunded the Piers 94-96 Backlands project, improvements to Pier 35, the Amador Street Forced Sewer Main project, the Crane Cove upgrade project, and funding availability for tenant improvements. According to the Port, defunding of these projects would have the following impact to existing Port projects:

(a) The Pier 35 project, which includes a substructure project that is currently on hold until a financing plan is developed, and other Pier 35 projects that have incurred project savings;

(b) The Piers 94-96 Backlands project to construct improvements to expand the Port's Eco-Industrial park for leasing activity, which is delayed and requires an update project and financing plan; and

(c) The Piers 19 and 23 design projects, which are currently on hold until an updated project and use plan is completed.

Uses of Funds

Pier 27 Cruise Terminal - $23,800,003

The LDA requires the Port to complete Phase One of the Pier 27 Cruise Terminal project and transfer Pier 27 to the America's Cup Event Authority by March 2013 as an event venue. As shown in Table 2 below, Phase One of the Pier 27 Cruise Terminal project has increased by $5,014,367 from the amount reported to the Board of Supervisors on January 12, 2012. The increase in the budget is due to (a) inclusion of work that was previously the responsibility of the America's Cup Event Authority, (b) earlier procurement of Phase II expenses, (c) higher than budgeted construction bids, (d) contractor change orders, and (e) other costs.

As shown in Table 2 below, if the Board of Supervisors approves the requested supplemental appropriation, the Phase One budget of the Pier 27 Cruise Terminal project will have a remaining balance of $5,700,000. The Port proposes to request $4,900,000 in General Fund monies in the FY 2012-13 budget and $800,000 in America's Cup Organizing Committee contributions, committed to the City to fund the remaining balance.

Table 2
Pier 27 Cruise Terminal Phase One Budget

	January 12, 2012	April 19, 2012	Increase/ (Decrease)
Budget	$62,359,983	$67,374,350	$5,014,367
Previously Appropriated Funds	(38,359,983)	(37,874,347)	485,636
Current Balance	***24,000,000***	***29,500,003***	***5,500,003***
Proposed Supplemental Appropriation	(17,500,000)	(23,800,003)	(6,300,003)
Remaining Balance	***6,500,000***	***5,700,000***	***(800,000)***
Proposed FY 2012-13 General Fund Contribution [1]	(6,500,000)	(4,900,000)	1,600,000
Proposed Contribution from America's Cup Organizing Committee [1]	0	(800,000)	(800,000)
Final Balance	***0***	***0***	***0***

[1]T he proposed FY 2012-13 General Fund contribution of $4,900,000 and proposed America's Cup Organizing Committee contribution of $800,000 total $5,700,000.

America's Cup Projects - $18,740,662 (see Table 1)

The Port is planning improvements to Piers 30-32 to serve as the team bases for the America's Cup teams. The various improvements to Piers 30-32, include (a) repairs to the marginal wharf, (b) emergency vehicle access improvements, and (c) various other improvements extending the useful life of portions of the facility from ten to 30 years.

In addition to the improvements at Piers 30-32, the Port is requesting funding for (a) repairs to the south apron for public access on Pier 19, (b) installation of a handrail on Pier 23 for public safety, (c) electrical upgrades to Pier 23 to support broadcasting and other uses for the America's Cup, (d) dredging, and (e) removal of Piers ½ and 64.

According to Ms. Meghan Wallace, Port Budget Manager, the supplemental appropriation amount of $18,740,662 is not sufficient to fund $800,000 in Pier 29 pile repairs, required by the LDA. Therefore, even with the requested supplemental appropriation, $800,000 in Port infrastructure repairs required by the LDA will be unfunded.

Pier 70 Shoreside Power - $5,700,000 (see Table 1)

Funding for the Pier 70 Shoreside Power, a total of $5,700,000 will include installation of a shoreside power project consisting of the construction of a 12 megawatt power system to serve ships berthing in the drydock at Pier 70 as previously approved by the Board of Supervisors (File 12-0124).

Debt Issuance and Other Costs - $10,459,915 (see Table 1)

Under the proposed ordinance, debt issuance and related costs include: (a) $69,219 for City Services Auditor; $3,850,696 for debt issuance costs related to the issuance of the COPs; and (c) in accordance with the policies of the Office of Public Finance, a reserve of $6,540,000 pending the issuance of the COPs to allow for variations in potential interest rates and market conditions between now and July 2012 when the COPS are issued.

FISCAL IMPACTS

According to the Port's April 12, 2012 memorandum to the City's Capital Planning Committee, the projected costs for Port infrastructure improvements required by the LDA have increased from $21,612,000, reported to the Board of Supervisors on March 27, 2012, to $25,139,217, an increase of $3,527,217 or 16.3 percent,a s shown in Table 3 below.

Table 3
Comparison of Costs of Port Infrastructure Improvements

Project	March 27, 2012	April 19, 2012	Increase/ (Decrease)
Cruise Terminal Project			
Shoreside power relocation	$2,000,000	$2,000,000	$0
Demo of Pier 27 shed, Annex Bldg & portion of Pier 29	1,200,000	1,200,000	0
North tip drainage	2,000,000	1,598,555	(401,445)
Pier 29 end wall	800,000	800,000	0
General cruise terminal construction	0	0	0
Subtotal, Cruise Terminal	**6,000,000**	**5,598,555**	**(401,445)**
America's Cup Requirements			
Pier 30-32 repairs and improvements	7,412,000	10,356,020	2,944,020
Pier 23 electrical upgrades	500,000	607,624	107,624
Pier 29 pile repairs	800,000	950,000	150,000
Soft costs (project management & other costs)	0	600,000	600,000
Total, America's Cup	**8,712,000**	**12,513,644**	**3,801,644**
Dredging & Inspection^	1,600,000	536,000	(1,064,000)
America's Cup and Cruise Terminal Project Mitigation Measures			
Pier 19 south apron improvements	3,000,000	3,351,197	351,197
Pier 23 handrail	700,000	705,703	5,703
Pier 64 removal	900,000	1,280,548	380,548
Pier 1/2 removal	700,000	1,153,570	453,570
Subtotal, Mitigation	**5,300,000**	**6,491,018**	**1,191,018**
Total Uses	**21,612,000**	**25,139,217**	**3,527,217**

Source: Port

Increases in the April 19, 2012 cost estimates for Port infrastructure projects required by the LDA, compared to March 27, 2012 cost estimates are due to (a) recent engineering cost estimates, (b) inclusion of Port project management costs, and (c) other cost revisions. Cost increases are offset by a decrease in Dredging and Inspections due to the Port decreasing the number of dredging sites from four to one. The Port notes that costs may be increased at a later date if the Event Authority can show the demand for super yachts.

POLICY CONSIDERATION

$6,500,000 of Pier 27 Cruise Terminal Project and Port Infrastructure Improvements Required by the LDA Remain Unfunded

As shown in Table 2 above, the Phase One budget of the Pier 27 Cruise Terminal has increased by $5,014,367, or 8.0 percent, from the January 12, 2012 budget of $62,359,983 to the current budget of $67,374,350.[2]

[2] The $67,374,350 budget for Phase One of the Pier 27 Cruise Terminal includes some infrastructure projects that are required by the LDA, including Pier 29 end wall repairs ($800,000shed demolition ($1,200,000), , and shoreside power relocation $2,000,000).

Even with approval of the requested supplemental appropriation, $5,700,000 (see Table 2 above) of Phase One of the Pier 27 Cruise Terminal project would remain unfunded. Additionally, as noted above $800,000 of the Port infrastructure projects required by the LDA would be unfunded, for a total of $6,500,000 in unfunded projects.

To fund the $6,500,000, the Mayor's Office intends to include in the Port's FY 2012-13 budget (a) $4,900,000 in General Fund monies and $800,000 in America's Cup Organizing Committee contribution monies (totaling $5,700,000) to fully fund Phase One of the Pier 27 Cruise Terminal project; and (b) $800,000 of America's Cup Organizing Committee contribution monies to fully fund the Port infrastructure projects required by the LDA.

RECOMMENDATION

Approve the proposed ordinance.

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

Nadia Sesay
Director
Office of Public Finance

RECEIVED
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SAN FRANCISCO
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MEMORANDUM

TO: Honorable Members, Board of Supervisors

FROM: Nadia Sesay, Director of Public Finance

SUBJECT: Resolution Authorizing the Execution and Delivery of Certificates of Participation in an Amount Not to Exceed $45,000,000 to Finance Certain Capital Improvements to Properties of the Port of San Francisco

DATE: April 17, 2012

The Office of Public Finance respectfully requests consideration of the Resolution by the Budget and Finance Committee on Wednesday, April 25, 2012.

Background:
The City and County of San Francisco Port Commission (the "Port") seeks to finance the costs of various facilities and improvements under the jurisdiction of the Port, including facilities expected to be used as venues for the 34th America's Cup events. To that end, the City expects to issue City and County of San Francisco Certificates of Participation Tax-Exempt Series 2012A (Non-AMT), Tax-Exempt Series 2012B (AMT)[1], and Taxable Series 2012C to finance the acquisition, construction and installation of certain capital improvements to properties of the Port, on the Port's behalf (the "Project"). Specifically, the Port has identified the following improvements to certain Port properties[2]:

- Repairs to the south apron for public access on Pier 19;
- Construction of a primary cruise terminal at Pier 27 to replace the existing primary terminal at Pier 35;
- Installation of a handrail on Pier 23 for public safety;
- Various improvements to Piers 30-32, including repairs to the marginal wharf, emergency vehicle access improvements, and various other improvements extending the useful life of portions of the facility from ten to 30 years; and

[1] Generally, governmental entities such as the City issue obligations financing public facilities that are characterized by the Internal Revenue Code as publicly available. Interest received by owners of such obligations is excluded from gross income for federal income tax purposes. Enterprise departments such as the Airport issue obligations that finance facilities that are identified as not publicly available and are characterized as private activity bonds. The interest on such private bonds may not be exempt from federal income taxation and may be subject to the alternative minimum tax or AMT. The City consults with bond and tax counsel on the proper characterization of its obligations.
[2] Source: the Port.

- Installation of a shoreside power project consisting of the construction of a 12 megawatt power system to serve ships berthing in the drydock at Pier 70.

Pursuant to a memorandum of understanding between the City and the Port (the "MOU"), the City and the Port agree that 1) the Certificates are the most efficient manner to structure the financing in order to achieve the Port's objectives; 2) the Certificates will not be executed or delivered without the Port's acknowledgement and agreement that the Port will submit for approval by the Board and the Mayor a budget for each fiscal year that includes funding for all costs of lease payments, additional rent, and other obligations due in connection with the Certificates; and 3) the Port's obligations under the MOU are and will be expressly subordinate to any Port revenue bonds[3]. A form of the MOU has been submitted with the legislation.

Please note that a separate memorandum from Elaine Forbes, Deputy Director of the Port, provides additional background on the overall Project and plan of finance (the "Project Memorandum") and is being submitted in support of this legislative package.

The Certificates:
Under the proposed Resolution, the City will structure the Certificates as an abatable asset-transfer lease by and between the City and a third-party trustee pursuant to a property lease, project lease and trust agreement.

Pursuant to the property lease, the City leases a City-owned property to a third party trustee for a nominal amount while the Certificates remain outstanding. Pursuant to the project lease, the City leases the leased property from the third party trustee in consideration for annual base rental payments due from the City to holders of the Certificates that are equal to the amounts required to amortize the repayment obligations on the Certificates. The City general fund secures the City's repayment obligations for the life of the Certificates.

Pursuant to the trust agreement between the City and a third party trustee acting on behalf and for the benefit of Certificates holders, the trustee administers and disburses Certificate payments and enforces the covenants and remedies in the event of a default by the City. The trust agreement provides for the terms of the Certificates, the base rental payment schedule, redemption provisions, events of default, remedies in the event of default, and other related administrative provisions. The trustee holds proceeds derived from the sale of the Certificates and disburses payments for the costs incurred for the Project, as directed by authorized City representatives. The Resolution delegates selection of the third party trustee to the Director of Public Finance, and the trustee will be selected based on the lowest fees and other considerations via a competitive request for proposal.

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[3] On February 3, 2010, the Port issued $36,650,000 in Revenue Bonds to finance the design, construction, reconstruction, repair and/or improvements to various facilities of the Port. In connection with the delivery of the Port's revenue bonds, the Port Commission covenanted that it will maintain rentals, rates, fees and charges so that net revenue in each fiscal year will be at least equal to 130% of annual debt service on the revenue bonds for such fiscal year.

Tax Equity and Fiscal Responsibility Act (TEFRA): Before the Certificates may be issued on a tax-exempt basis, federal tax law requires that the governing body of the jurisdiction in which the Project is located approve the financing after providing the opportunity for a duly-noticed public hearing. To facilitate the tax exemption of interest on one or more series of the Certificates, the City is required to conduct a duly noticed public hearing and approve the financing referenced herein. The Office of Public Finance expects to hold such hearing on Wednesday, April 25, notice of which was published in the *San Francisco Chronicle* on April 11, 2012. Any comments received from the TEFRA public hearing will be submitted to the Clerk of the Board of Supervisors for inclusion in the proposed Resolution Board File.

The Leased Property:
The leased property securing the Certificates is expected to have a fair market value equal to approximately 125 percent of the initial principal amount with respect to the Certificates. To facilitate the financing, the Controller's Office of Public Finance and the Port propose to encumber Pier 27 James R. Herman Cruise terminal and a portion of the Laguna Honda Hospital known as the South Residence located at 375 Laguna Honda Boulevard (the "Leased Property"). Pending ongoing analysis by the Real Estate Department and the Port, it is anticipated that the Leased Property will serve as the leased assets for the Certificates to secure the City's covenants and obligations under the leases. There is no remedy under the Certificates for the purchasers thereof to take possession of the Leased Property

The Office of Public Finance anticipates structuring the Certificates with base rental payments due from the City on each February 26 and August 26 during the life of the Certificates, commencing on February 26, 2013 and semi-annually thereafter, in an amount sufficient to pay total lease payments. The trust agreement requires that the rental payments be deposited in the debt service fund maintained by the trustee. On March 1 and September 1 of each year, commencing March 1, 2013 and semi-annually thereafter, the trustee will apply such amounts as is necessary to make rental payments with respect to the Certificates.

The Plan of Finance:
The Resolution authorizes the issuance of not to exceed par amount of $45,000,000, however, the Controller's Office of Public Finance expects to issue approximately $38,460,000 under current market conditions. The additional authorized amount above the expected issuance amount allows for fluctuations in market interest rates from the date of authorization by the Board to the time of the sale of the Certificates.

The Project cost is expected to total approximately $54.74 million, with construction to commence in May 2012 and substantial completion of the final Project component in March 2013. When issued, the Certificates are anticipated to contribute approximately $34.61 million or 63% of the total component sources of funds of the Project[4]. Other available sources of funds of the Port totaling $20.13 million or 37% of the total component sources for the Project comprise the balance of sources. Table 1 below outlines anticipated sources and uses for the Certificates.

[4] The expected total Project cost of $54.74 million includes $6.5 million which is subject to future appropriation.

Table 1: Anticipated Sources and Uses from the Issuance of the Certificates.

	Series A (Non-AMT)	Series B (AMT)	Aggregate
Sources			
Par Amount	$ 4,510,000	$ 33,950,000	$ 38,460,000
Total Sources	4,510,000	33,950,000	38,460,000
Uses			
Project Fund			
AC34 Projects	-	3,803,644	$ 3,803,644
AC34 Pier 19/23	4,056,900	-	4,056,900
Cruise Terminal	-	21,048,760	21,048,760
Shoreside Power	-	5,700,000	5,700,000
Subtotal - Project Fund	4,056,900	30,552,404	34,609,304
Debt Service Reserve	340,813	2,565,547	2,906,360
Delivery Date Expenses			
Other Cost of Issuance	78,462	577,424	655,886
Other Underwriter's Discount	33,825	254,625	288,450
Subtotal - Delivery Date Expenses	112,287	832,049	944,336
Total Uses	$ 4,510,000	$ 33,950,000	$ 38,460,000

The Project Memorandum describes the aggregate sources and uses for the Project, including the sources and uses of the Certificates.

Based upon conservative estimates, the Office of Public Finance estimates that fiscal year net base rental payments on the Certificates average approximately $2,374,000. The total estimated par amount of $38,460,000 is estimated to result in approximately $32,752,000 in net interest payments over the life of the Certificates. The net base rental payments over the life of the Certificates total approximately $71,212,000.

Commercial Paper: The current plan of finance anticipates utilization of the City's commercial paper program launched by the City in June 2010 (Reso No. 85-09 and Reso No. 136-10) to finance certain interim costs of the Project, including preliminary design, planning, and permitting costs.

Commercial paper is an alternative form of short-term (or interim) financing for capital projects that permits the City to pay project costs as project expenditures are incurred. Commercial paper notes are issued and short-term debt is incurred only when needed to pay project costs as they are incurred. Commercial paper has a fixed maturity date from one to 270 days, compared with a final maturity of 20- to 30-years for the City's typical long-term obligation. On the maturity date, the commercial paper note may be "rolled" (or refinanced) with the re-issuance of commercial paper notes for additional periods of up to 270 days or finally retired with the issuance of long-term obligations once the project is complete and the final project cost is established.

As of April 17, 2012, the City has issued and outstanding $60.65 million in aggregate par amount of commercial paper notes providing interim financing of project costs for street improvements, Moscone Convention Center improvements, HOPE SF, War Memorial Veterans Building improvements, and capital equipment acquisitions. The average interest cost on the City's outstanding commercial paper is 0.17% and approximately $72,000 in interest has accrued

from City's first commercial paper notes issued on June 23, 2010 to April 3, 2012, the date of the City's most recent commercial paper note.

Method of Sale and Purchase Contract: The Certificates are anticipated to be sold on a competitive basis at an interest rate not to exceed 12 percent per year and will have a final maturity of March 1, 2042, or 30 years. Based upon conservative estimates given current market conditions, OPF estimates that the overall effective interest rate would be approximately 5.53%.

Nonetheless, the proposed Resolution delegates to the Director of Public Finance the authority to sell the Certificates by either a competitive or negotiated sale, subject to the Director of Public Finance's determination that a negotiated sale will result in the lowest borrowing cost to the City. If a negotiated sale method is pursued, one or more firms from the City's underwriter pool will be selected to serve as underwriter(s) for the Certificates pursuant to a Purchase Contract that establishes the terms and conditions for the purchase of the Certificates.

Certificates of Participation Policy: In November 2011, the Board adopted Ordinance No. 221-11 (the "Policy") that, among other matters, amends the City's Administrative Code to adopt a binding financial policy governing the authorization of lease financing debt payable and secured by the City's general fund, requires the identification of specific revenue sources as internal repayment sources for certificates of participation, and limits annual debt service cost of lease financing debt to 3.25 percent of discretionary revenue. In addition, the Policy exempts lease financed projects meeting certain criteria, including lease-financing obligations payable from non-General Fund revenue sources. The Certificates are excluded from the Policy because the Port acknowledges and agrees that the Port will submit for approval by the Board and Mayor a budget for each fiscal year that includes funding for all costs of lease payments, additional rent, and other obligations due in connection with the Certificates from non-General Fund revenue sources.

Financing Timeline:

The sale of the Certificates is tentatively scheduled for the week of July 25, 2012. Schedule milestones in connection with the financing may be summarized as follows:

Milestone	Date*
Consideration by the Capital Planning Committee	April 16, 2012
Introduction of Resolution to the Board	April 17
Port Commission approval of MOU	April 24
Competitive sale of Certificates	July 25
Closing & delivery of Certificates	August 8

*Please note that dates are estimated unless otherwise noted.

Additional Information:

The Resolution will be introduced at the Board of Supervisors meeting on Tuesday, April 17, 2012. The related financing documents—including the Trust Agreement, Property Lease, Project Lease, Memorandum of Understanding, Official Notice of Sale, Notice of Intention to Sell, Purchase Contract, Preliminary Official Statement, and Continuing Disclosure Certificate—have also been submitted. The supplemental appropriations ordinance appropriating the Certificates

proceeds is also expected to be introduced on Tuesday, April 17, 2012, along with the Project Memorandum.

Official Notice of Sale and Notice of Intention to Sell: The Notice of Intention to Sell provides legal notice to prospective bidders of the Certificates, should the City pursue a competitive sale. Such Notice of Intention to Sell will be published once in "The Bond Buyer" or another financial publication generally circulated throughout the State of California.

The Official Notices of Sale announces the date and time of the competitive sale for the Certificates, including the terms relating to the Certificates; the terms of sale, form of bids, and delivery of bids; and closing procedures and documents. Exhibit A to the Official Notice of Sale is the form of the official bid for the purchase of the Certificates. Pursuant to the Resolution, the Controller is authorized to award the Certificates to the bidder whose bid represents the lowest true interest cost to the City in accordance with the procedures described in the Official Notice of Sale.

Official Statement and Appendix A: The Official Statement provides information for prospective bidders and investors in connection with the public offering by the City of the Certificates. The Official Statement describes the Certificates, including sources and uses of funds; security for the Certificates; risk factors; and tax and other legal matters, among other information. The Official Statement also includes the City's Appendix A, the most recent Comprehensive Annual Financial Report of the City, the City's Investment Policy, and other forms of legal documents for the benefit of investors, holders and owners of the Certificates. If sold by competitive sale, a *Preliminary Official Statement* is distributed to prospective bidders prior to the sale of the Certificates and within seven days of the public offering of the Certificates, the *Final Official Statement* (adding certain sale results including the offering prices, interest rates, selling compensation, principal amounts, and aggregate principal amounts) is distributed to the initial purchasers of the Certificates.

The Board of Supervisors and the Mayor, in adopting and approving the Resolution, approve the form of the Official Statement, and authorize the use and distribution of the Official Statement by the co-financial advisors with respect to the Certificates. The Official Statement must include all facts that would be material to an investor in the Certificates. Material information is information that there is a substantial likelihood would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the Certificates. For purposes of the Securities and Exchange Act of 1934, the Controller will certify, on behalf of the City, that the Preliminary and Final Official Statements are final as of their dates.

The City prepares the Appendix A: "City and County of San Francisco—Organization and Finances" (the "Appendix A") for inclusion in the Official Statement. The Appendix A describes the City's government and organization, the budget, property taxation, other City tax revenues and other revenue sources, general fund programs and expenditures, employment costs and post-retirement obligations, investment of City funds, capital financing and bonds, major economic development projects, constitutional and statutory limitations on taxes and expenditures, and litigation and risk management. Pursuant to the Resolution, City staff will revise the Official

Statement, including the Appendix A, to conform to the City's most recent Comprehensive Annual Financial Report before printing of the Preliminary and final Official Statement.

The attached Preliminary Official Statement has been reviewed and approved for transmittal to the Board of Supervisors by staff and the financing team. Members of the Board of Supervisors may review the Preliminary Official Statement and/or question staff and members of the financing team to make sure they feel comfortable that it includes all material facts.

Continuing Disclosure Certificate: The City covenants to provide certain financial information and operating data relating to the City (the "Annual Report") not later than 270 days after the end of the fiscal year and to provide notices of the occurrence of certain enumerated events. The Continuing Disclosure Certificate describes the nature of the information to be contained in the Annual Report or the notices of enumerated events. These covenants have been made in order to assist initial purchasers of the Certificates in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5).

Your consideration of this request is greatly appreciated. Please contact me at 554-5956 if you have any questions. Thank you.

cc: Angela Calvillo, Clerk of the Board of Supervisors
Jason Elliott, Mayor's Office
Elaine Forbes, Deputy Director, Port of San Francisco
Kate Howard, Mayor's Budget Director
Monique Moyer, Director, Port of San Francisco
Harvey Rose, Budget Analyst
Ben Rosenfield, Controller
Mark Blake, Deputy City Attorney
Kenneth Roux, Deputy City Attorney

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Capital Planning Committee

Naomi M. Kelly, City Administrator, Chair

MEMORANDUM

April 16, 2012

To: Supervisor David Chiu, Board President

From: Naomi Kelly, City Administrator and Capital Planning Committee Chair

Copy: Members of the Board of Supervisors
Angela Calvillo, Clerk of the Board
Capital Planning Committee

Regarding: Recommendation on the Certificates of Participation Authorization Request ($45,000,000) and Supplemental Appropriation Request ($58,700,580) by the Port of San Francisco

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In accordance with Section 3.21 of the Administrative Code, on April 16, 2012, the Capital Planning Committee (CPC) reviewed legislation to authorize Certificates of Participation ("COP") and a supplemental appropriation request for infrastructure improvements at the Port of San Francisco. The CPC's recommendation is set forth below as well as a record of the members present.

1. Board File Number TBD: **Authorization for the Port to issue up to $45,000,000 in COPs and a supplemental appropriation including, (i) $45,000,000 of COP 2012 Series A and B proceeds; (ii) $4,539,337 of fund balance; and (iii) the reappropriation of $9,161,243 from 2010 Revenue Bond funded projects to support the Pier 27 Cruise Ship Terminal Project and infrastructure projects related to the 34th America's Cup events.**

Recommendation: Recommend the Board of Supervisors approve the authorization of the COPs and the supplemental appropriation.

Comments: The CPC recommends approval of these items by a vote of 11-0.

Committee members or representatives in favor include: Naomi Kelly, City Administrator; Ed Reiskin, SFMTA; Ed Harrington, SFPUC; John Martin, San Francisco International Airport; Phil Ginsburg, Recreation and Parks Department; Alicia John-Baptiste, Planning Department; Elaine Forbes, Port of San Francisco; Judson True, Board President's Office; Nadia Sesay, Controller's Office; Douglas Legg, Public Works; and Leo Chyi, Mayor's Budget Office.

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