

1 [Appropriating \$58,700,580 Consisting of \$45,000,000 of Certificate of Participation Proceeds,
 2 \$4,539,337 of Fund Balance and Re-Appropriating \$9,161,243 to the Port Commission in
 3 FY2011-2012]

4 **Ordinance appropriating \$58,700,580 consisting of \$45,000,000 of Certificate of**
 5 **Participation 2012 Series A and B proceeds, \$4,539,337 of fund balance and re-**
 6 **appropriating \$9,161,243 from 2010 Revenue Bond funded projects to the Port**
 7 **Commission in FY2011-2012 for the development of the Cruise Terminal Project at Pier**
 8 **27 and infrastructure and mitigation requirements related to the 34th America's Cup**
 9 **event and the Cruise Terminal Project; and placing \$45,000,000 on Controller's Reserve**
 10 **pending sale of the Certificates of Participation.**

11 Note: Additions are single-underline italics Times New Roman;
 12 deletions are ~~striketrough italics Times New Roman~~.
 13 Board amendment additions are double underlined.
 14 Board amendment deletions are ~~striketrough normal~~.

14 Be it ordained by the People of the City and County of San Francisco:

15 Section 1. The sources of funding outlined below are herein appropriated to reflect the
 16 funding available in Fiscal Year 2011-2012.

18 **SOURCES Appropriation**

19	Fund	Index/Project Code	Subobject	Description	Amount
20	5P XXX XXX	TBD	80111	Proceeds from	\$5,277,000
21	COP, 2012 Series A			Certificates of	
22	Non-AMT			Participation	
23	5P XXX XXX	TBD	80111	Proceeds from	\$39,723,000
24	COP, 2012 Series B			Certificates of	
25	AMT/ Private Activity			Participation	

1	Fund	Index/Project Code	Subobject	Description	Amount
2	5P AAA AAA	*PRT5PAAAAAA	99999B	Fund Balance	\$4,539,337
3	Port - Operating - Non-				
4	Project - Controlled				
5	Total SOURCES Appropriation				\$49,539,337

6

7 Section 2. The uses of funding outlined below are herein appropriated in the Subobjects

8 06700 (Buildings, Structures, and Improvement Project-Budget), 07311 (Cost of Bond

9 Issuance), 07DISC (Discount on Issuance of Debts), 07000 (Debt Service - Budget), and

10 reflects the projected uses of funding to support the Port Commission in the development of

11 the Mixed-Use Cruise Terminal at Pier 27 and infrastructure and mitigation requirements

12 related to the 34th America's Cup event and Cruise Terminal project.

13

14 **USES Appropriation - 5P XXX XXX**

15	Fund	Index Code / Project Code	Subobject	Description	Amount
16	5P XXX XXX	TBD/	06700 Buildings,	Pier 27 Mixed-Use	\$21,048,760
17	PORT COP ISSUANCE	CPO76910	Structures, and	Cruise Terminal	
18			Improvement Project-	Project	
19			Budget		
20	5P XXX XXX	TBD/	06700 Buildings,	AC34	\$7,860,544
21	PORT COP ISSUANCE	CPO927	Structures, and	Improvements and	
22			Improvement Project-	Environmental	
23			Budget	Mitigation	

	Fund	Index Code / Project Code	Subobject	Description	Amount
1					
2	5P XXX XXX	TBD/	06700 Buildings,	Pier 70 Shoreside	\$5,700,000.00
3	PORT COP ISSUANCE	CPO928 02	Structures, and	Power Installation	
4			Improvement Project-		
5			Budget		
6	5P XXX XXX	TBD	07311 Bond Issuance	Cost of Bond	\$655,886
7	PORT COP ISSUANCE		Cost – Unamortized	Issuance	
8					
9	5P XXX XXX	TBD	07311 Bond Issuance	Reserve Pending	\$6,540,000
10	PORT COP ISSUANCE		Cost – Unamortized	Bond Sales	
11					
12	5P XXX XXX	TBD	07DISC Discount on	Underwriter's	\$288,450
13	PORT COP ISSUANCE		Issuance of Debts	Discount	
14					
15	5P XXX XXX	TBD	07000 Debt Service –	Debt Service	\$2,906,360
16	PORT COP ISSUANCE		Budget	Reserve Fund	
17					
18	Total Uses Appropriation – 5P XXX XXX				\$45,000,000
19					

21 Section 3. The uses of funding outlined below are herein appropriated in FY 2011-2012 in
22 Subobject 06700 (Buildings, Structures, and Improvement Project-Budget), 081C4 (GF - CON
23 - Internal Audits), and reflect the projected uses of funding to support the Port Commission in
24 the development of the Mixed-Use Cruise Terminal at Pier 27, and infrastructure and
25 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
3	5P AAA ACP	392601	06700 Buildings,	Pier 27 Mixed-Use	\$1,500,000
4	Port – Continuing Project	CPO769 10	Structures, and	Cruise Terminal	
5	Operating Fund		Improvement	Project	
6			Project-Budget		
7					
8	5P AAA ACP	392601	06700 Buildings,	AC34	\$2,434,118
9	Port – Continuing Project	CPO927	Structures, and	Improvements and	
10	Operating Fund		Improvement	Environmental	
11			Project-Budget	Mitigation	
12					
13	5P AAA ACP	392601	06700 Buildings,	CARGO	\$536,000
14	Port – Continuing Project	CPO625 20	Structures, and	Maintenance	
15	Operating Fund		Improvement	Dredging	
16			Project-Budget		
17					
18	5P AAA AAA	390408	081C4 –	City Services	\$69,219
19	Port – Operating Fund	XXXXXX	Controller	Auditor 0.2%	
20			Internal Audit	allocation for the	
21				Controller’s Audit	
22				Fund	
23					
24	Total USES Appropriation - 5P AAA AAA and 5P AAA ACP				\$4,539,337
25					

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

3
 4 **USES De-appropriation**

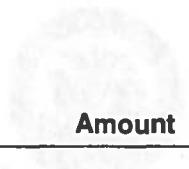
5	Fund	Index / Project Code	Subobject	Description	Amount
6	5P CPF 09A	390910	06C00 Capital	De-Appropriation	\$33,029
7	Port Rev Bonds 2009	CPO921	Projects Budget	of 2010 Revenue	
8	- Series 2010A - Tax	9ABA01		Bond Project	
9	Exempt				
10	5P CPF 09A	390910	06C00 Capital	De-Appropriation	\$149,154
11	Port Rev Bonds 2009	CPO920	Projects Budget	of 2010 Revenue	
12	- Series 2010A - Tax	9APL01		Bond Project	
13	Exempt				
14					
15	5P CPF 09A	390910	06C00 Capital	De-Appropriation	\$600,000
16	Port Rev Bonds 2009	CPO921	Projects Budget	of 2010 Revenue	
17	- Series 2010A - Tax	9ARI01		Bond Project	
18	Exempt				
19					
20	5P CPF 09A	390910	06C00 Capital	De-Appropriation	\$469,060
21	Port Rev Bonds 2009	CPO921	Projects Budget	of 2010 Revenue	
22	- Series 2010A - Tax	9ARJ01		Bond Project	
23	Exempt				

	Fund	Index / Project Code	Subsubject	Description	Amount
2	5P CPF 09B	390912	06C00 Capital	De-Appropriation	\$7,910,000
3	Port Rev Bonds 2009	CPO923	Projects Budget	of 2010 Revenue	
4	- Series 2010A -	9BSWBI		Bond Project	
5	Taxable				
7	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	Subsubject	Description	Amount
17	5P CPF 09A	390910	06700 Buildings,	Re-appropriation	\$1,251,243
18	Port Rev Bonds 2009 -	CPO769 9A27CT	Structures, and	for Pier 27 Mixed-	
19	Series 2010A - Tax		Improvement	Use Cruise	
20	Exempt		Project-Budget	Terminal	



	Fund	Index/Project Code	Subobject	Description	Amount
2	5P CPF 09B	390912	06700 Buildings,	Re-appropriation	\$7,910,000
3	Port Rev Bonds 2009 –	CPO927 XX	Structures, and	for AC34	
4	Series 2010B – taxable		Improvement	Improvements	
5			Project-Budget	and	
6				Environmental	
7				Mitigation	
8	Total USES Re-appropriation				<u>\$9,161,243</u>

10 Section 6. The Controller is authorized to record transfers between funds and adjust
 11 the accounting treatment of sources and uses appropriated in this ordinance as necessary to
 12 conform with Generally Accepted Accounting Principles.

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

18 APPROVED AS TO FORM:
 19 DENNIS J. HERRERA, City Attorney
 20 By: *Dennis J. Herrera*
 21 Deputy City Attorney

FUNDS AVAILABLE
 Ben Rosenfield, Controller
 By: *Ben Rosenfield*
 Date: April 16, 2012



City and County of San Francisco
Tails
Ordinance

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

File Number: 120379

Date Passed: May 08, 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.

April 25, 2012 Budget and Finance Sub-Committee - RECOMMENDED

May 01, 2012 Board of Supervisors - PASSED, ON FIRST READING

Ayes: 11 - Avalos, Campos, Chiu, Chu, Cohen, Elsbernd, Farrell, Kim, Mar, Olague and Wiener

May 08, 2012 Board of Supervisors - FINALLY PASSED

Ayes: 11 - Avalos, Campos, Chiu, Chu, Cohen, Elsbernd, Farrell, Kim, Mar, Olague and Wiener

File No. 120379

I hereby certify that the foregoing Ordinance was FINALLY PASSED on 5/8/2012 by the Board of Supervisors of the City and County of San Francisco.


Angela Calvillo
Clerk of the Board


Mayor


Date Approved

MEMORANDUM

April 19, 2012

TO: MEMBERS, PORT COMMISSION
Hon. Doreen Woo Ho, President
Hon. Kimberly Brandon, Vice President
Hon. Francis X. Crowley
Hon. Leslie Katz
Hon. Ann Lazarus

FROM: Monique Moyer
Executive Director

SUBJECT: Request approval of (1) the City's issuance of Certificates of Participation (COPs) for the Pier 27 Cruise Terminal Project, the shore power project at Pier 70 and America's Cup Infrastructure Requirements; (2) a Memorandum of Understanding between the City and the Port Commission that provides for the terms of Port repayment of the COPs; and recommendation to the Board of Supervisors for (3) an appropriation ordinance that allocates COP proceeds and reallocates 2010 Port Revenue Bonds and Port Capital Funds to the Pier 27 Cruise Terminal Project and America's Cup Infrastructure Requirements.

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

On March 27, 2012 the Board of Supervisors conditionally approved a new Lease Disposition Agreement (LDA) with the America's Cup Event Authority to hold the 34th America's Cup (AC34) events in San Francisco. The new LDA significantly changed the landscape of the City's agreement with the Event Authority by 1) eliminating the Event Authority's long-term development rights along the City's waterfront and 2) transferring a scope of work of approximately \$25 million in AC34-related infrastructure improvements, mitigation requirements and Cruise Terminal Project scope from the Event Authority to the Port. Generally, what was previously intended to be privately performed work repaid through Port property development rights and rent credits has shifted to a pure public works project. The overall size of the investment also decreased substantially, from approximately \$111 million to approximately \$25 million.

THIS PRINT COVERS CALENDAR ITEM NO. 10A

Prior to the new AC34 Agreement, the Port was planning a 2012 financing to partially fund the Cruise Terminal project, and to finance one of the required mitigation measures for the AC34 project, the shoreside power equipment at Pier 70 to mitigate air emissions for disconnecting shoreside power at Pier 27 during Cruise Terminal construction.

The proposed COP issuance, reallocation of 2010 Revenue bonds, and capital funds in the amount of \$58.7 million will fund capital projects that are critical to the implementation of AC34 or are required for the Event permits from the San Francisco Bay Conservation and Development Commission and the San Francisco Regional Water Quality Control Board, completion of Phase I of the Cruise Terminal project, and the installation of shoreside power at Pier 70 to perform a mitigation measure required under the Mitigation Measures and Reporting Program for the Event. The sources for the supplemental ordinance are \$45.0 million in Certificates of Participation (COPs) and \$13.7 million in Port funds of which \$9.2 million is a reallocation of 2010 Port Revenue Bonds and \$4.5 million is from capital budget sources. The proposed budget, reflected in an appropriation ordinance, includes an allocation for a \$6.5 million financing reserve pending final issuance of the COPs. This financing reserve will likely be released in full and not used. It is in addition to the payment reserve fund of \$2.9 million and is included in the approval amount for flexibility in case issuance or project costs increase. The table below shows the overall sources and uses for these capital expenses.

Table 1: Sources and Uses

Sources

Certificates of Participation (COPs)	\$ 45,000,000
<i>Project Funding</i>	34,609,304
<i>Issuance Costs</i>	3,850,696
<i>Appropriation Placed on Reserve Pending Sale</i>	6,540,000
Reallocation of FY12-13 Capital Funds	\$ 2,186,002
Reappropriation of Port Capital Funds	\$ 2,353,335
Reappropriation of 2010 Port Revenue Bonds	\$ 9,161,243
Total Sources	\$ 58,700,580

Uses

Pier 27 Cruise Terminal Project, Phase I	\$ 23,800,003
AC34 Infrastructure and Dredging Requirements	\$ 12,249,644
<u>AC34 & Cruise Terminal Mitigation Requirements</u>	<u>\$ 12,191,018</u>
Subtotal, Project Uses	\$ 48,240,665
City Services Auditor Contribution for COPs	\$ 69,219
Issuance Costs	\$ 3,850,696
<u>Appropriation Placed on Reserve Pending Sale</u>	<u>\$ 6,540,000</u>
Subtotal, Financing costs and Reserve	\$ 10,459,915
Total Uses	\$ 58,700,580

Project Scope:

The table below provides a project description of the projects to be funded in the proposed COP issuance and reallocation of 2010 Revenue Bonds and capital budget sources:

Table 2: Project Details

Cruise Terminal Project		\$23,800,003
<u>Pier 27</u>	<p>The project is a new 88,000 square foot, two-level cruise terminal on Pier 27 that will serve current and anticipated ship berthing requirements and associated passenger flows. The existing terminal at Pier 35 does not have sufficient length or passenger-handling equipment to accommodate cruise ships and the Pier 35 substructure is failing.</p> <p>The project will be completed in two phases for the 34th America's Cup Event in the Summer of 2013. Scope that the Event Authority was previously to perform includes storm water improvements, the end wall at Pier 29, demolition of the Pier 27 shed and part of the Pier 29 shed, and payment of \$2 million for Shoreside power. Note: \$5.7 million will be a combined City and America's Cup Organizing Committee (ACOC) contribution and will be subject to future BOS appropriation.</p>	\$23,800,003
34th America's Cup Infrastructure and Dredging Requirements		\$12,249,644
	<p>Improvements to Piers 30-32 would allow the site to be used as the Team Bases for the racing events. The improvements will also extend the useful life of a portion of the Piers from 10 to 30 years, which will retain some portion of current Port revenue or make way for a future development on this site. The proposed improvements include:</p> <ol style="list-style-type: none"> 1. Repairs to the marginal wharf, substructure, deck, and piles; 2. An H15 (12,000 lb wheel load) driveway extending from The Embarcadero to the center in-fill area between Piers 30 and 32 for emergency vehicle access and truck delivery; 	\$7,113,340- \$10,356,020

	<ol style="list-style-type: none"> 3. Approximately 90,000 sf of the Pier 32 deck and supporting structure will be repaired as required in order to: (a) support loads associated with moving racing vessels around on wheeled cradles, and (b) create a pad along the southern edge of Pier 32 for a tower crane which will be used to lift or lower racing vessels between the water and the team sheds. Crane access areas will be strengthened to support crane loads; 4. Approximately 190,000 sf of the Pier 32 deck area will be slurry sealed or patched with asphalt; and 5. Approximately 25,000 lbs of container leveling beams and steel plates will be installed temporarily on the Pier 32 deck. 	
Pier 23 Electrical Repairs	Installation of an electrical transformer and related hardware which will allow Pier 23 to serve the International Broadcast Center.	\$607,624
Pier 29 Pile Repairs	Repair up to 26 reinforced concrete piles under the Pier 29 substructure. Note: the total project cost is \$950K, of which \$800K will be an ACOC contribution and will be subject of a future appropriation.	\$150,000
Dredging	Dredging and pile removal within the Piers 32-36 Open Water Basin to provide sufficient water depth for catamaran access to a crane on Pier 32. Additional dredging for 2013 may be required if the Event Authority demonstrates sufficient demand for spectator vessel berthing.	\$536,000
Soft costs	Project management including temporary positions, and other soft costs	\$600,000
America's Cup Permit Requirement and Mitigation Requirements (subject to future BCDC, RWQCB and NOAA permit review)		\$6,491,018
Public Access Improvements: Pier 19 South Apron Repair and Pier 23 Handrail*	To fulfill BCDC public access requirements for the Event permit, the Port will likely be required to repair the Pier 19 south apron and install a handrail at Pier 23. This work consists of replacing up to 80 new bearing	\$626,151-\$4,056,900

	piles. The work also includes demolishing and disposing of and replacing 5,000 square feet (sf) of rotted decking and 1,200 linear feet (lf) of cap beams will also be replaced.	
Pier 64 Removal*	<p>The Port will remove a portion of Pier 64 near Mission Rock by March 31, 2013 as required by either BCDC or RWQCB.</p> <p>This pier consists of a collection of remnant piles adjacent to the Mission Bay Bayfront Park encompassing approximately 234,250 sf of water area. As part of the proposed fill removal project, the Port (or its agent) will create a 1,500 sf bird platform that can withstand 100-year base flood conditions and sea level rise to 2050.</p>	\$501,053- \$1,280,548
Pier ½ Removal	By March 31, 2013, the Port will also remove Pier ½ (25,200 sf), including piles, caissons and decking. A guardrail will be installed along the edges of the wharf after removal of Pier ½.	\$1,153,570
Mitigation for the Cruise Terminal Project		\$5,700,000
Shoreside Power at Pier 70	This project will provide for a 12 megawatt power system to serve ships berthing in the drydock at Pier 70. The Shoreside Power Project will reduce emissions by allowing ships berthed in the drydock to use power from the City's electrical grid rather than generating power on board through diesel or other types of generators. The Shoreside Power Project is necessary to mitigate an environmental impact of the Pier 27 Cruise Terminal and 34th America's Cup (AC34).	
Subtotal Project Uses		\$48,240,665
Financing Costs (including City Services Auditor)		\$3,919,915
Appropriation Placed on Reserve		\$6,540,000
Total Supplemental Appropriation Request		\$58,700,580

*The ranges of costs listed above reflect potential cost savings if Port maintenance performs the pile driving work and the final list of BCDC permit requirements and timelines of these requirements. Port staff is developing an amendment to Chapter 6 of the Administrative Code that would allow the Port's pile driving crew to perform repair and construction work over \$400,000 without first putting the work out to competitive bid. Port staff is also recommending reduced permit requirements to BCDC given that the Event has been scaled down. Finally, the

estimated project cost for Piers 30-32 is being reduced from \$10.4 million to \$7.1 million as the project is refined and scope clarified. If project refinements result in reduced final cost estimates as anticipated, Port staff will then reduce the COP issuance amount prior to sale.

Plan of Finance

The overall plan includes up to \$9.2 million in 2010 Revenue Debt which is reallocated from the Pier 35 and Backlands projects to the Cruise Terminal and the Piers 30-32 project respectively, Port capital funds in the amount of \$4.5 million which is a combination of reallocation from prior capital budgets, FY2012-13 proposed capital budget and fund balance, and up to \$45 million of COPs as shown below:

Table 3: Sources and Uses by Project

	<u>Total COPs</u>	<u>Port Capital</u>	<u>Re-Allocation Port Rev Bonds</u>	<u>Total Appropriation</u>
<u>Cruise Terminal Project</u>	\$21,048,760	\$1,500,000	\$1,251,243	\$23,800,003
<u>AC34 Requirements</u>				
Pier 30-32 repairs and improvements	2,446,020		<u>7,910,000</u>	10,356,020
Pier 23 electrical upgrades	607,624			607,624
Pier 29 pile repairs	150,000			150,000
Dredging & Inspection		<u>536,000</u>		536,000
<u>Soft costs (project management & other soft costs)</u>	<u>600,000</u>			<u>600,000</u>
<i>Subtotal - AC Requirements</i>	<i>3,803,644</i>	<i>536,000</i>	<i>7,910,000</i>	<i>12,249,644</i>
<u>AC34 and Cruise Terminal Project Mitigation Measures</u>				
Pier 19 south apron improvements	3,351,197	-		3,351,197
Pier 23 handrail	705,703	-		705,703
Pier 64 removal	-	1,280,548		1,280,548
Pier 1/2 removal	-	<u>1,153,570</u>		1,153,570
Pier 70 shore side power	<u>5,700,000</u>	-		<u>5,700,000</u>
<i>Subtotal - AC34 and CT Mitigation Total</i>	<i>9,756,900</i>	<i>2,434,118</i>	<i>-</i>	<i>12,191,018</i>
<u>Total Uses</u>	<u>\$ 34,609,304</u>	<u>\$ 4,470,118</u>	<u>\$ 9,161,243</u>	<u>\$ 48,240,665</u>
<i>City Services Auditor Funding (.2% of project amount)</i>	\$ -	\$ 69,219	\$ -	\$ 69,219
Financing Service Reserve Fund	2,906,360			
Cost of Issuance	655,886			
Underwriter's Discount	<u>288,450</u>			
<i>Issuance Costs</i>	<i>3,850,696</i>	<i>-</i>	<i>-</i>	<i>3,850,696</i>
<u>Grand Total - Uses</u>	<u>38,460,000</u>	<u>4,539,337</u>	<u>9,161,243</u>	<u>52,160,580</u>
<i>COP Reserve</i>	<i>6,540,000</i>			<i>6,540,000</i>
	<u>\$ 45,000,000</u>	<u>\$ 4,539,337</u>	<u>\$ 9,161,243</u>	<u>\$ 58,700,580</u>

The overall strategy reflected in the proposed plan of finance is: (i) to use available unspent tax exempt proceeds from the 2010 Series A Revenue Bonds (which is primarily from the Pier 35 project) prior to issuance of new tax-exempt , (ii) to utilize

unspent taxable proceeds from the 2010 Series B Revenue Bonds allocated for the Backlands project and reallocate it to the Piers 30-32 project which is a more immediate need, (iii) to fund demolition and dredging costs with a reallocation of operating capital sources, and (iv) to finance the remainder of the projects which have benefits that will accrue from between 20 and 30 years with proceeds of the COPs.

The impacts of this strategy to our existing projects are as follows:

- The Pier 35 Substructure project is on-hold until a financing plan to replenish the amount reallocated (\$1.1M) and finance the entire project cost is developed;
- The Piers 94-96 Backlands project to construct improvements to expand the Port's Eco-Industrial park for leasing activity is on-hold until the next debt issuance which is planned for FY 2013-14, or an another plan of finance is identified (reallocation of \$7.9M);
- The Amador Street forced sewer main project (\$945K reallocated) and the Crane Cove Painting project (\$500K reallocated) are on-hold until a complete plan of finance is identified.

The other sources are a result of staff reviewing all open capital projects to identify balances that are no longer needed. The reallocation from the proposed FY 2012-13 budget in the amount of \$2.1 million reduces funds for the leasing improvement and elevator and escalator programs, and allocates \$1.5 million proposed for the Cruise Terminal project in the Port's capital budget early.

City Certificates of Participation (COPs)

The Port has the Charter authority to issue revenue bond debt, which the Port Commission exercised in 2010 with a debt issuance of \$36.65 million. Port staff is recommending COPs for this issuance instead of Port revenue debt because the City's credit rating is better than the Port's.¹ This credit enhances the financing and may improve pricing by approximately 25 basis points to reduce interest costs in excess of \$1 million over the life of repayment.² This strategy also protects the Port's revenue bond debt service coverage levels which will allow for more bonding capacity when the Port's revenue streams improve.

The City expects to issue City and County of San Francisco Certificates of Participation Tax-Exempt Series 2012A (Non-AMT) and Tax-Exempt Series 2012B (AMT)³. The Non-AMT series is for public improvements on Piers 19 and 23; the AMT series is for

¹ The City and County of San Francisco's COP ratings are A1/AA-/A+ by Moody's, Standards & Poor's and Fitch respectively. The Port's revenue bond ratings are A1/A-/A by Moody's, Standards & Poor's and Fitch respectively.

² The actual pricing depends on the day in which the City enters the market and as a result actual spreads cannot be determined. The estimate is a representation of the estimate in the current market environment.

³ 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. Interest on tax-exempt private-activity bonds is subject to both the individual and corporate alternative minimum tax. The City consults with bond and tax counsel on the proper characterization of its obligations.

the Pier 27 Cruise Terminal Project, electrical upgrades on Pier 23, a portion of the Piers 30-32 project, and Shoreside power on Pier 70.

Table 4: Sources and Uses of the COPs

	2012 Series A (Non-AMT)	2012 Series B (AMT)	Total
Bond Proceeds	\$4,510,000	\$33,950,000	\$38,460,000
Uses			
AC34 Pier 19/Pier 23	4,056,900		4,056,900
AC34 Projects		3,803,644	3,803,644
Cruise Terminal		21,048,760	21,048,760
Shoreside Power		5,700,000	5,700,000
Total Project Uses	4,056,900	30,552,404	34,609,304
Payment Reserve Fund	340,813	2,565,547	2,906,360
Cost of Issuance	112,287	832,049	944,336
	\$4,510,000	\$33,950,000	\$38,460,000

Memorandum of Understanding • Attachment 1 is a draft memorandum of understanding between the City and the Port (the “MOU”) that would govern the terms of repayment of the City’s COPs. Specifically, 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 COP 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 bond obligations⁴.

Attachment 2 is a memorandum from the Office of Public Finance which explains the structure of the COP, the leased asset, and the availability of commercial paper prior to COP sale which will allow the Port to meet our project schedules. As noted in the memorandum, a City asset will secure the COPs, initially Laguna Honda; the new Cruise Terminal at Pier 27 will replace that asset as collateral after construction is complete and a certificate of occupancy is issued.

⁴ 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.

Port's Ability to Repay City COPs and Bonding Capacity

As noted above, while the City will issue the COPs, thereby providing credit support to the financing, the annual payment on the COPs will be support by annual Port revenues. The COPs will be issued with annual payments of principal and interest for a final term of 30 years. Principal on the COPs attributable to the Pier 70 shoreside power project will be repaid in the first 10 years, consistent with the shorter useful life of the power equipment. Principal on the COPs attributable to the Pier 27 Cruise Terminal project and the AC34 infrastructure projects will be repaid in the remaining 20 years, for a total repayment of 30 years. Annual COP payments of principal and interest are anticipated to be \$2.4 million, bringing total annual Port debt and capital lease service payments to \$5.4 million.

Annual net revenue of the Port over the past five years has averaged \$13 million. In 2011, assuming that certain Port assets would transfer to the America's Cup Event Authority, Port staff estimated a debt capacity of \$65 million of future Port revenue bond availability⁵. A portion of this debt capacity was identified previously by the Port's 10-Year Capital Plan of Finance as a future funding source for the Pier 27 cruise terminal project and other revenue generating projects.

The revised AC34 transaction, whereby the Port retains certain revenue generating assets in return for financing required infrastructure costs, has resulted in a modest rise in the Port's net revenue projections. As such, the Port's estimated debt capacity has risen to \$74 million⁶, prior to financing the Port's AC34 obligations. Port staff currently anticipates that \$38.5 million of such capacity will be allocated to the proposed COP issuance discussed herein. An additional \$29.5 million is anticipated to be allocated to Port revenue bond issuance in fiscal year 2014 to fund long-planned revenue generating projects and a portion of the Phase 2 Cruise Terminal costs. Remaining, unprogrammed debt capacity is anticipated to be \$8.5 million.⁷

Project Timelines:

The Port seeks to secure project funding by early May in order to meet critical AC34 Event deadlines. Pursuant to the LDA, the most time critical projects are the improvements to Piers 30-32 and the Pier 19 South Apron, where work must start in late May in order to be ready for the events in August 2012. Recognizing the need to expedite this work, Mayor Ed Lee introduced and the Board of Supervisors approved waivers of competitive selection requirements for construction management of this work. Board of Supervisor authorization for COPs, approval of an appropriation ordinance and receipt of permits are the final steps required to implement the LDA

⁵ Assumed annual net revenues of \$15 million, annual interest rate expense of 6%, and debt service coverage of 2x.

⁶ Assumed annual net revenues of \$17 million, annual interest rate expense of 6% and debt service coverage of 2x.

⁷ Ditto.

required public works improvements. The proposed schedule for approval of the COPs, and related appropriation, is as follows:

<u>Date 2012</u>	<u>Item</u>
April 16	Review and Approval, City's Capital Planning Committee
April 17	Introduction to the Board of Supervisors
April 24	Port Commission Review and Approval of COP issuance and related MOU, and recommendation to the Board of Supervisors for an appropriation ordinance.
April 25	Budget and Finance
May 1	Board of Supervisors, First Reading
May 8	Board of Supervisors, Second Reading
August	Issuance of COPs

*Note, dates are estimates unless otherwise noted

If the Port does not deliver the required improvements on time, the LDA provides for a range of remedies that would negatively impact the Port and implementation of AC34.⁸

Conclusion

The Port's strategy to utilize \$9.2 million of 2010 Revenue Debt, and \$4.5 million of capital funds has the benefit of utilizing available sources to reduce the size of the 2012 COP issuance. Additionally, because the City's COP credit rating is better than the Port's, utilizing City COPs, instead of Port Revenue bonds, credit enhances the financing resulting in a potential pricing benefit of approximately \$1 million over the life of repayment. This strategy also protects the Port's revenue bond debt service coverage levels which will allow for more bonding capacity when the Port's revenue streams improve.

The risk of this strategy is that the Port has defunded the Backlands project, improvements at Pier 35, the Amador Street Forced Sewer Main Project, the Crane upgrade project, and funds available for tenant improvements. These defunded projects, the Backlands project in particular, likely would have resulted in improved cash flow to the Port. Reallocating sources from defunded projects to the America's Cup projects is a good decision given the importance of the America's Cup events to the City and regional economy and to the Port's goal of bringing jobs and people to the waterfront, and the number of capital commitments relative to the Port's capacity. Following the America's Cup events, the Port will refocus attention and resources to capital projects that strengthen the Port's revenues to rebuild bonding capacity so that

⁸ Remedies include liquidated damages for late delivery under the Port's contract, a call on a performance bond and a requirement that the Port (or the Event Authority with reimbursement) perform improvements at Pier 80 for the team bases at an estimated cost of \$14.0 million.

the Port can leverage development opportunities and increase our ability to finance capital improvements.

Prepared by: Elaine Forbes, Deputy Director
Finance and Administration

Attachments:

Attachment 1: Memorandum of Understanding

Attachment 2: Memorandum from the Office of Public Finance

PORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 12-37

WHEREAS, The Port Commission wishes to fund capital projects that are critical to the implementation of the 34th America's Cup, Phase I of the Cruise Terminal Project, and the installation of shoreside power at Pier 70 for a total project cost of no more than \$48.2 million; and

WHEREAS, The Port Commission desires to use available unspent tax exempt proceeds from the 2010 Series A revenue debt prior to issuance of new tax-exempt debt, to utilize unspent taxable proceeds from the 2010 Series B revenue debt allocated for the Backlands project for the Piers 30-32 project which is a more immediate need, to fund demolition and dredging costs with a reallocation of operating capital sources, and to finance the remainder of the projects which have benefits that will accrue from between 20 and 30 years with debt; and

WHEREAS, City Certificates of Participation may improve pricing and protect the Port's revenue bond debt service coverage levels which will allow for more bonding capacity when the Port's revenue streams improve; and

WHEREAS, Assuming \$17 million in net Port revenues, a 6% interest rate, and 2.0 debt service coverage, the Port can support the issuance of approximately \$74 million of debt over the next five year period (2012-2017); and

WHEREAS, The Port Commission wishes to enter into a memorandum of understanding between the City and the Port (the "MOU") that governs the terms of repayment of the City's Certificates of Participation; and

WHEREAS, The City Certificates of Participation 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; and

- WHEREAS, The following Port projects (collectively, the "Projects") will meet the Port's Maritime and Public Access missions: Cruise Terminal at Pier 27, Piers 30-32 improvements, Pier 23 Electrical Repairs, Public Access for Piers 19 or 23, and Shoreside Power at Pier 70, all of which constitute the public necessity; and
- WHEREAS, The Port Commission has determined that it would be inefficient to fund these Projects through annual allocations in the Port's capital budget; and
- WHEREAS, The Port Commission has not identified another source of funds for these Projects; now, therefore, be it
- RESOLVED, The Port Commission recommends the City's issuance of Certificates of Participation in an amount not to exceed \$45 million; and be it further
- RESOLVED, The Port Commission authorizes the attached Memorandum of Understanding with the City that will govern the terms of repayment of the City's Certificates; and, be it further
- RESOLVED, The Port Commission recommends a supplemental appropriation ordinance with allocates the Certificates in an amount not to exceed \$45 million, reallocates 2010 Port Revenue Bonds of \$9.2 million and Port Capital Funds of \$4.5 million, for a total amount of \$58.7 million, to the Pier 27 Cruise Terminal Project, America's Cup infrastructure requirements, and permit and mitigation requirements of the Project, financing issuance costs and reserve.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of April 24, 2012.

Secretary

