CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: January 15, 2020 Budget and Finance Committee Meeting

TABLE OF CONTENTS

TABLE OF CONTENTS (continued)

Items 1 and 2 **Files 19-1123 and 19-1124**	**Department:** San Francisco International Airport (Airport)

EXECUTIVE SUMMARY

Legislative Objectives

- **File 19-1123** is an ordinance appropriating $3,888,069,311 of Airport Revenue Bonds proceeds to the Airport Commission for FY2019-20. The funds would be placed on Controller's Reserve pending the sale of the bonds or commercial paper.
- **File 19-1124** is a resolution (1) authorizing the sale of $3,000,000,000 in new Airport Revenue Bonds; and (2) ratifying, approving and confirming certain resolutions of the Board of Supervisors and Airport Commission related to the bonds.

Key Points

- The number of airplane passengers at San Francisco International Airport has grown by 58 percent from FY 2008-09 to FY 2017-18, twice as fast as the national average. The Airport is requesting additional revenue bond authorization to implement capital projects to address airport congestion and appropriation to spend bond proceeds.
- The proposed $3bn bond authorization, combined with existing unissued authorization of $1.56 billion, would provide the remaining funding needed for the Airport's $7.6 billion FY 2019-20 Five-Year Capital Plan, including major projects such as Terminals 1, 3 and International Terminal renovations and an extension to the AirTrain.

Fiscal Impact

- The Airport proposes to sell the $3 billion Airport Revenue bonds through negotiated sales with 30-year terms at an estimated 6.1 percent fixed interest rate. Based on Airport forecasts, the total debt service over 30 years is estimated to be $6.7 billion, including $3.0 billion in principal and $3.7 billion in interest payments. The average annual debt service is estimated to be $223.4 million.
- Debt service on the Airport's bonds is paid from Airport revenues, which primarily consist of charges to airlines. Based on Airport forecasts, annual debt service payments are projected to increase by 76% from $463.5 million in FY2018-19 to a peak of $816.1 million in FY 2024-25. Increased debt service payments are expected to be covered by increases to the fees charged to airlines.

Policy Consideration

- The Official Statement for the Series 2019 EFGH Airport Capital Plan bonds identified several risk factors pertaining to the issuance of bonds. These risk factors include potential slowdown of the Bay Area economy and potential reduction in demand for air travel.

Recommendations

- Amend the proposed resolution (File 19-1124) to request the Airport Director submit the preliminary Official Statement for each bond issuance covered by the proposed resolution to the Clerk of the Board prior to issuance and include the documents in the legislative file.
- Approve the proposed resolution as amended and the proposed ordinance (File 19-1123).

MANDATE STATEMENT

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

City Charter Section 4.115 states that the Airport Commission has exclusive authority to plan and issue Airport revenue bonds for Airport-related purposes, subject to the approval, amendment, or rejection of the Board of Supervisors.

BACKGROUND

Airport Revenue Bond Authorization

The San Francisco International Airport (Airport) issues Airport Revenue bonds, as authorized by the 1991 Master Bond Resolution. The 1991 Master Bond Resolution has been supplemented and amended twenty two times since its original publication. Since 2008, the Board of Supervisors has authorized $7.8 billion in Airport Revenue bonds. The Board last authorized an increase of $4.4 billion in the Airport's bond issuance authority in 2017. This covered major projects in the FY 2016-17 Capital Improvement Plan including the Harvey Milk Terminal 1 modernization, airfield improvements, improvements to the AirTrain system, and construction of a new long term parking garage. Currently, $1.56 billion in bond authority remain unissued (as of October 21, 2019).

As of July 1, 2019, the total amount of outstanding bond debt held by the Airport was $7.301 billion.[1]

DETAILS OF PROPOSED LEGISLATION

File 19-1123: The proposed ordinance would appropriate $3,888,069,311 of proceeds from Airport Revenue Bonds and commercial paper[2] to the Airport Commission for FY19-20. The funds would be placed on Controller's Reserve pending the sale of the bonds or commercial paper.

The appropriation sources include $3,000,000,000 from new Airport Revenue Bonds (File 19-1124) and $888,069,311 in previously authorized but not issued Airport Revenue Bonds. The appropriation uses consist of $3,015,257,811 for Airport Capital projects and $872,811,500 in financing and contingency costs.

File 19-1124: The proposed resolution would authorize the sale of $3,000,000,000 in new Airport Revenue Bonds; and ratify, approve and confirm certain resolutions of the Board of

[1] The $7.3 billion in outstanding bond debt includes debt in addition to Airport Revenue bonds (i.e. Airport Commercial Paper and debt from bond issuances before 2008).

[2] Commercial paper is short term, low interest debt. The Airport is authorized to issue up to $500 million in commercial paper notes, of which $3.2 million has been issued and $496.8 million is unissued. Under the proposed appropriation ordinance, the Airport may issue commercial paper prior to the issuance of the bonds, which will be repaid by bond proceeds.

Supervisors and Airport Commission related to the bonds. The bonds must be sold by June 30, 2026 and are subject to the terms and conditions set forth in the original 1991 Resolution which details the requirements on the Airport Commission in issuing Revenue Bonds, including the Rate Covenant and debt service coverage levels. The proposed resolution also requires that California Environmental Quality Act (CEQA) reviews be completed before bonds are issued to fund construction but allows for bond monies to be used to fund planning and development costs.

These Airport Revenue Bonds may be issued as fixed rate, variable rate or index rate bonds in accordance with the terms of the 1991 Bond Resolution. The type of Bonds to be issued and the timing of the bond issues will be determined based on several factors, including capital project cash flow requirements and financial market conditions. Based on information provided by the Airport, these bonds would be issued in four installments between 2020 and 2023.

According to the Office of Public Finance, the appropriation request of $3.888 billion is greater than the bond authorization request of $3 billion to allow for potential fluctuations in market conditions or investor preferences which could generate bond proceeds above the bond par amount.[3]

Basis of Request for Bond Authorization

The projects to be funded by the requested Airport Revenue bond authorization are largely to accommodate the increase in air passenger traffic at San Francisco International Airport. As show in Exhibit 1, the number of airplane passengers at San Francisco International Airport has grown by 58 percent from FY 2008-09 to FY 2017-18 and exceeded forecasts for the past four years. According to the Federal Aviation Administration (FAA), San Francisco International Airport was the 7th busiest airport in the United States in calendar year 2018 based on passenger traffic, with 27.8 million total enplanements[4]. From FY 2013-14 to FY 2018-19 the number of enplanements increased at a compound annual growth rate of 4.5 percent. Over the past decade, the Airport's air traffic grew at almost twice the national average (4.6 percent vs 2.8 percent, respectively). Additionally, a recent report by the Airport's Consultant forecasted increased passenger growth of 12 percent by FY 2025-26 to 32.2 million enplanements[5].

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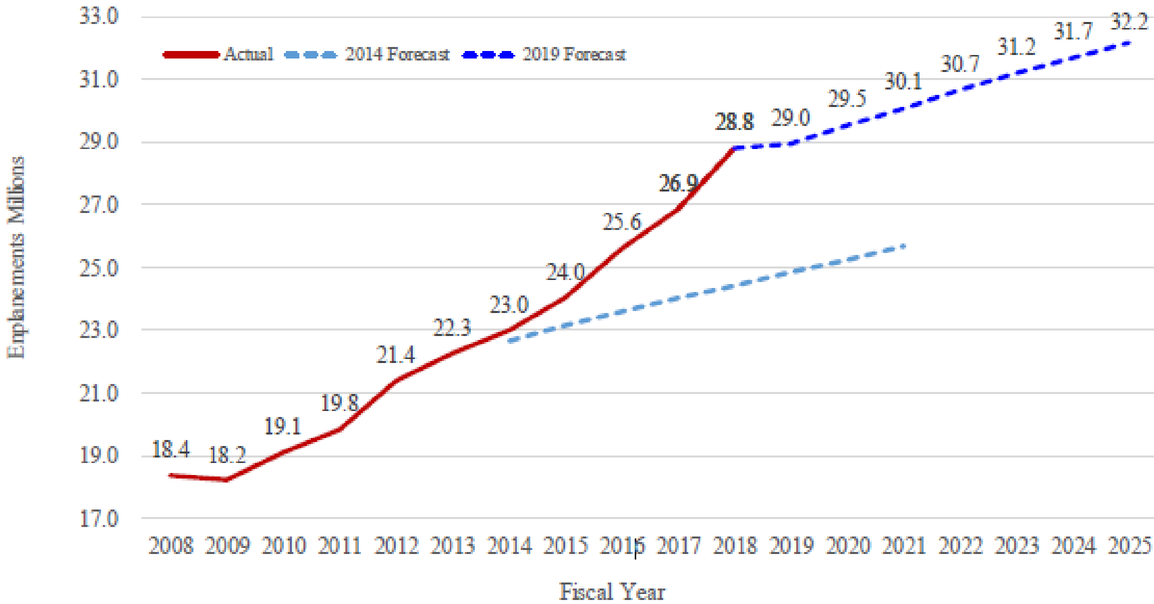
[3] The Airport Capital Plan bonds may be structured as "premium bonds", in which investors are willing to pay more than face value of the bonds in exchange for receiving higher interest payments.

[4] Federal Aviation Administration Commercial Service Enplanements Report for Calendar Year 2018 (Preliminary) (https://www.faa.gov/airports/planning_capacity/passenger_allcargo_stats/passenger/media/preliminary-cy18-commercial-service-enplanements.pdf)

[5] Based on Report of the Airport Consultant for the Series 2019EFG Bond Official Statement

Exhibit 1: Actual and Forecast Airplane Passenger Growth, FY 2007-08 to FY 2024-25



Source: San Francisco International Airport FY2019/20 Capital Improvement Plan. Actuals from Airport Commission; Forecasts by LeighFisher.

Passenger enplanements declined by 0.7 percent in FY 2018-19 compared to the same period in FY 2017-18 due to certain airlines reconfiguring routes following a merger and aircraft gate constraints during peak periods[6]. Additionally, according to the Ms. Kaitlyn Connors, Airport Budget Director, the Airport is currently at 92 percent of its operating capacity in terms of aircraft arrivals and departures.

The Airport Commission approved Capital Improvement Plans in FY 2016-17 and FY 2019-20 aimed at addressing passenger traffic growth, including increasing the number of terminal gates to accommodate increased passenger traffic, and improving security, ground transportation, parking and other infrastructure. Completion of the Capital Improvement Plan is expected to increase gate capacity, help decrease peak period constraints, and expand other infrastructure to accommodate the increased passenger traffic.

Rating Agencies

As noted above, the Airport's outstanding bond debt as of July 1, 2019 was $7.3 billion. The Airport issued an additional $922.2 million in Series 2019EFG Airport Revenue bonds in August 2019. As part of this bond sale, the Airport engaged the three main credit rating agencies (Moody's, S&P and Fitch) to rate the proposed sale. Exhibit 2 shows the three agencies ratings' for these bonds as A1, A+, and A+, the third highest rating possible, indicating the Airport has a "strong capacity" to meet its financial commitment. However, they did identify some risks including: (1) a large debt-funded Capital Improvement Plan and (2) one primary airline carrier (United Airlines) which accounts for 21 percent of the Airport's operating revenue.

[6] Based on Report of the Airport Consultant for the Series 2019EFG Bond Official Statement

Exhibit 2: Bond Rating Agencies' Assessment of 2019EFG Series Airport Revenue Bonds

Rating Agency	Investment Grade	Description	Risks
Moody's	A1	Strong	- Large debt-funded Capital Improvement Plan - One airline, United Airlines, accounts for 21% of operating revenue and 45% of enplanements - Current airline agreement expire in 2021 just as airline costs will peak due to added debt for the CIP
S&P	A+	Strong	- Increased leverage and capital needs financed by bond proceeds - High cost structure - High concentration of one primary carrier - United Airlines
Fitch	A+	Strong	- Large debt-funded Capital Improvement Plan

Source: Series 2019EFG Official Statement

Airport Capital Improvement Plan

The Airport prepared a Capital Improvement Plan for FY 2016-17 through FY 2020-21; the Airport Commission approved the FY 2019-20 update to the Capital Improvement Plan in March 2019. The FY 2019-20 update provides for $7.6 billion in projects through FY 2023-24, of which $3.0 billion in funding was previously appropriated and $4.6 billion is new funding shown in Exhibit 3 below.

Exhibit 3: FY 2019-20 Capital Improvement Plan Projects and Funding

Projects	Prior Funding	New FY 2019-20 to FY 2023-24 Funding	Total
Airfield Improvements [a]	$97,893,262	$191,005,782	$288,899,044
Airport Support [b]	380,085,961	893,879,563	1,273,965,524
Groundside			
Parking & Garage	158,230,348	24,794,934	183,025,282
Air Train	112,706,604	131,649,133	244,355,737
On-Airport Hotel	152,339,000	87,661,000	240,000,000
Other Groundside [c]	93,336,810	67,229,391	160,566,201
Subtotal Groundside	516,612,762	311,334,458	827,947,220
Terminals			
Terminal 1 Projects	1,364,222,167	1,041,632,586	2,405,854,753
Terminal 3 Projects	299,461,158	1,181,629,896	1,481,091,054
International Terminal	36,736,710	382,705,833	419,442,543
Other Terminals [d]	228,441,108	203,613,994	432,055,102
Subtotal Terminals	1,928,861,143	2,809,582,309	4,738,443,452
Utilities [e]	96,463,165	394,698,730	491,161,895
Total	**$3,019,916,293**	**$4,600,500,842**	**$7,620,417,135**

Source: FY 2019-20 Capital Improvement Plan Update

[a] Airfield improvements include runway and taxiway, power and lighting, South McDonnell Road realignment, and other projects.

[b] Airport support includes shoreline projection, computer systems, consolidated administration campus, elevators, escalators and walkways, fire equipment, security, noise insulation, cargo and hangar and Superbay projects, South Field redevelopment, technology improvement, and other projects. This budget category also includes $439.8 million in reserves for Airport projects, equal to 9.5 percent of $4.6 billion in project funding from FY 2019-20 through FY 2023-24.

[c] Other groundside projects include roadway, support facility, Plot 700 redevelopment, and other projects.

[d] Other terminal improvements include Air Traffic Control Tower, revenue enhancement, gate enhancement, and other projects. This budget category also includes $37.8 million in capital improvement program support from FY 2019-20 through FY 2023-24.

[e] Utilities include energy efficiency (including Net Zero), power and lighting, water and waste water, storm drainage, and other projects.

FISCAL IMPACT

Appropriation Ordinance (File 19-1123)

The proposed ordinance appropriates $3,888,069,311 in Airport Revenue bonds, which includes appropriation of $3,000,000,000 in new bond authority and $888,069,311 in previously authorized bonds, as shown in Exhibit 4 below. The Attachment provides further project details.

Exhibit 4: Sources and Uses of Airport Revenue Bond Proceeds

Sources	
Proceeds from Revenue Bond Sales	3,888,069,311
Uses	
Projects	
Airfield Improvements	135,560,282
Airport Support	769,979,707
Groundside Improvements	103,759,546
Terminal Improvements	337,022,830
Terminal 1 Program	688,691,677
Terminal 3 Program	711,034,265
Utilities	269,209,504
Subtotal Projects	3,015,257,811
Financing and Other Costs	
City Services Auditor (0.2%)	6,030,516
Contingency Account (2.5%) [a]	74,984,160
Debt Service Reserve [b]	291,612,803
Capitalized Interest [c]	466,568,317
Cost of Issuance [d]	6,399,219
Underwriter's Discount [e]	27,216,485
Subtotal Financing and Other Costs	872,811,500
Total	**3,888,069,311**

Source: Appropriation Ordinance

[a] The Contingency Account holds Airport funds that may be used for operating or capital purposes, but are also used each year to help the Airport meet its bond covenant requirement to have the sum of annual net operating revenues plus the balance in the Contingency Account equal to at least 125% of annual debt service, as required by the Airport Commission's 1991 Master Bond Resolution.

[b] Debt Service Reserve is a fund in which an issuer sets aside money in case its regular debt service fund is insufficient to make a future debt service payment as required by the Airport Commission's master bond indenture.

[c] Capitalized Interest is the portion of the proceeds of a bond issue that is set aside to pay interest on the bonds for a specified period of time. Interest is commonly capitalized for the construction period of a revenue-producing project, and sometimes for a period thereafter, so that debt service expense does not begin until the project is expected to be operational and producing revenues.

[d] Costs of Issuance consist of expenses associated with the sale of a bond, including fees for financial advisors, counsel, the trustee and rating agency fees and other expenses.

[e] The Underwriters Discount is the difference between the price paid by the underwriter to the issuer for the new bond issue and the prices at which the securities are initially offered to the investing public. This difference provides the underwriter with compensation for the transaction, as well as reimbursement for expenses.

On October 21, 2019, the City's Capital Planning Committee recommended the authorization of up to $3 billion in Airport Revenue bonds and approval of the related $3.888 billion increase in appropriation.

Total Capital Improvement Plan Project Costs

The FY 2019-20 Capital Improvement Plan provides for $4.6 billion in capital program expenditures from FY 2019-20 through FY 2023-24 (see Exhibit 3 above). Funding for the $4.6 billion capital program comes from $3.0 billion in new Airport Revenue bond authorization (subject of File 19-1124) and approximately $1.6 billion in previously authorized and unissued bonds, as noted above and shown in Exhibit 5 below.

Exhibit 5: Previous and New Airport Capital Plan Bond Authorization ($million)

Total Authority	$7,827
Issued to Date	(6,263)
Authorized and Unissued	1,564
New Requested Authority	3,000
Total	$4,564

Source: Staff memorandum to October 15, 2019 Airport Commission meeting

Of the previously authorized and unissued amount of $1.564 billion, $888,069,311 is appropriated to the capital program as shown in Exhibit 4 above.[7]

Issuance of Bonds (File 19-1124)

The Airport proposes to sell the $3,000,000,000 in Airport Revenue bonds, through several negotiated sales with a 30-year term at an estimated 6.1 percent fixed interest rate. The Airport Commission's Debt Policy allows the Airport to use negotiated or competitive sales, or direct placements of bonds to minimize debt service cost and to determine the structure, timing and terms of bond issuances within the terms of the 1991 Master Resolution.

The actual interest rate will not be known until the time of bond sale. According to a report prepared by the Airport's Consultant for the latest bond sale, the Airport expects to issue bonds once a year from 2020 to 2023, but the timing and sizing of each issue would be determined based on an assessment of capital plan cash flow requirements and market conditions[8]. The bonds are expected to be fully repaid in by 2053 from Airport revenues.

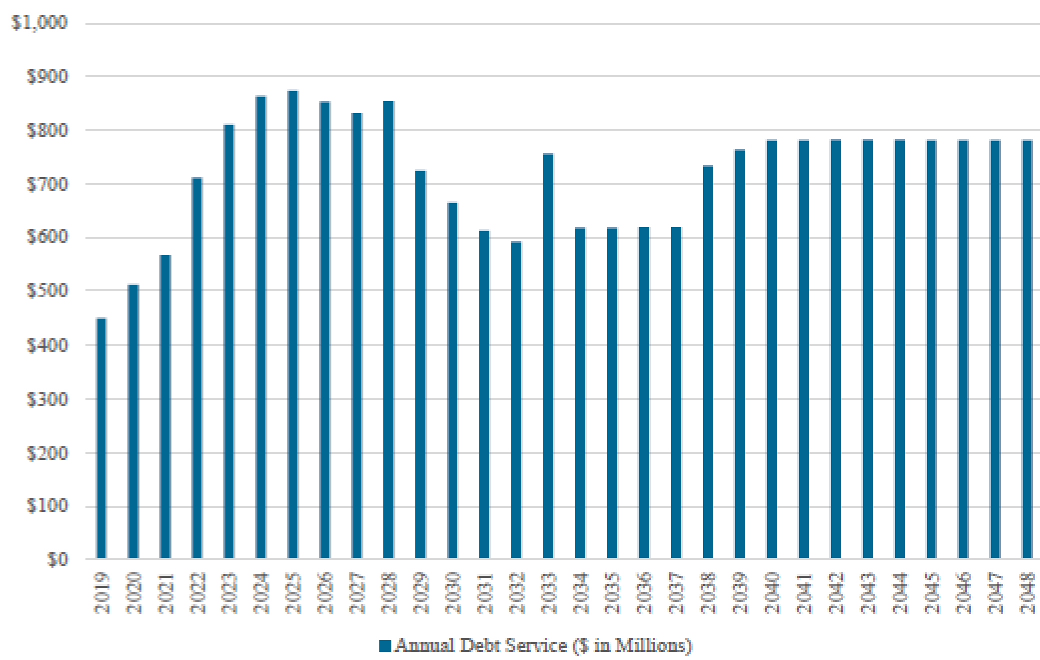
[7] According to Ms. Connors, the remaining authorized but unissued bond authority ($676 million) has already been appropriated in the Airport's previous bond appropriation ordinances. Some of the difference between the bond appropriation amount ($3.888 billion) and the bond authority resolution amount ($3 billion) is due to the potential greater proceeds that may be realized through a "premium bond" (see Footnote 3).

[8] Official Statement of the Airport Commission of the City and County of San Francisco International Airport for Second Series Revenue Bonds Series 2019E/F/G and Refunding Bonds Series 2019H, Appendix A: Report of the Airport Consultant (https://www.flysfo.com/about-sfo/investor-relations)

Based on information provided by the Airport, the total debt service over 30 years on the new requested bond authority of $3.0 billion is estimated to be $6.7 billion, including $3.0 billion in principal repayment and $3.7 billion in interest payments. The average annual debt service is estimated to be $223.4 million. This assumes that all unissued debt is sold to finance capital improvement projects within the next five fiscal years.

According the Airport Consultant's forecasts, debt service for all current and proposed bonds would increase from $463.5 million in FY2018-19 to a peak of $816.1 million in FY 2024-25, before declining slightly to $797.4 million in FY 2025-25. This would represent an increase of between 72 percent and 76 percent over this period. Exhibit 6 below shows the Airport's forecast annual debt service between fiscal year 2018-29 and 2047-48. The forecast assumes a conservative 6 to 7 percent interest rate, level debt service and no refunding of outstanding bonds for debt service savings. The Airport has typically achieved interest rates below these estimates over the past few years and refinanced existing bonds for debt service savings when opportunities arise.

Exhibit 6: San Francisco Airport Annual Debt Service Forecast, FY2018-19 to FY2047-48



Source: San Francisco International Airport's FY2019-20 Capital Improvement Plan

Debt service on the Airport's Revenue bonds is paid from Airport revenues, which primarily consist of charges to airlines. Under the 2011 Lease and Use Agreement between the Airport and the airlines, the Airport has the authority to increase the landing and terminal fees charged to the airlines to meet its operating expenses, including annual debt service on outstanding Airport revenue bonds. According to Ms. Connors, each year, the Airport updates the terminal and landing fees. To do so, the Airport forecasts the total annual expenses and the total non-airline revenues. The difference between the annual expenses and non-airline revenues must be paid from airline landing and terminal fees, which are adjusted by the Airport to fil the gap.

According to the Master Resolution Bond Resolution of 1991, which governs bond issuances by the Airport, the Airport Commission must ensure that the following two conditions are met with regards to debt service repayment (i.e. the "rate covenant"):

1) Net revenues in each fiscal year must be at least sufficient (a) to make all required payments and deposits to cover Revenue Bond debt service, and (b) to make the Annual Service Payment to the City; and,
2) Net revenues, together with any transfers, in each fiscal year must be at least equal to 125% of aggregate annual debt service with respect to bonds outstanding for that fiscal year.

In order to issue additional bonds for new projects, the Airport Commission must also receive a certificate from an independent consultant or auditor stating that the Airport will be able to meet the Rate Covenant for the period covered by the bonds. The Airport received this certification as part of its latest bond issuance in 2019 ($922.2 million in 2019EFG Series Bonds) which also covered expected future bonds under the FY 2019-20 Capital Improvement Plan.

According to the Airport Consultant's forecasts, the debt service coverage rate is expected to stay above the 125 percent threshold from FY 2019-20 to FY 2025-26. The debt service coverage rate calculation assumes annual transfers from the Airport's Contingency Fund to cover increasing debt service. If this transfer is excluded, the debt coverage rate would decrease from 117 percent in FY 2018-19 to 111 percent in FY 2025-26. The Airport Commission has discretion to fund the Contingency Fund and use this to pay debt service.

Exhibit 7: Airport Consultant's Forecast of Debt Service Coverage from Bond Issuances for FY2018-19 to FY2025-26 ($ in thousands)

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Net Revenues[(1)]	$540,379	$584,290	$653,925	$747,242	843,659	$891,602	$898,659	$881,732
Transfer from the Contingency Account*	115,877	124,357	138,639	164,945	184,431	198,987	204,012	199,356
TOTAL AVAILABLE FOR DEBT SERVICE	656,255	708,646	792,564	912,186	1,028,091	1,090,589	1,102,671	1,081,088
Debt Service Requirement[(2)]	$463,506	$497,426	$554,556	$659,778	$737,725	$795,948	$816,050	$797,425
Forecast Debt Service Coverage per the Resolution	142%	142%	143%	138%	139%	137%	135%	136%
Forecast Debt Service Coverage Excluding Transfer	117%	117%	118%	113%	114%	112%	110%	111%

(1) Includes certain PFC revenues forecast to be designated as Revenues by the Commission, as described in the Report of the Airport Consultant. As discussed in the Report of the Airport Consultant, forecast revenues and expenses for the On-Airport Hotel were prepared by JLL. The Airport Consultant makes no representation regarding the reasonableness of the forecast financial results provided by JLL for the proposed On-Airport Hotel.

(2) Cash basis. Includes projected debt service on outstanding Bonds, Series 2019E Bonds, Series 2019F Bonds, Series 2019G Bonds and future Bonds as described in the Report of the Airport Consultant.

* Transfer reflects lesser of Contingency Account balance or 25% of Debt Service.

Source LeighFisher, Report of the Airport Consultant.

Source: Official Statement of the Airport Commission of the City and County of San Francisco International Airport for Second Series Revenue Bonds Series 2019E/F/G and Refunding Bonds Series 2019H, Appendix A: Report of the Airport Consultant (https://www.flysfo.com/about-sfo/investor-relations)

According to Ms. Connors, the additional debt service costs will be included in the Airport's proposed FY 2020-21 and FY 2021-22 budget, to be submitted to the Board of Supervisors in May 2020.

POLICY CONSIDERATION

The Official Statement for the Series 2019 EFGH Airport Capital Plan bonds identified several risk factors pertaining to the issuance of bonds. These risk factors include potential slowdown of the Bay Area economy and potential reduction in demand for air travel. Other potential risks specific to the San Francisco International Airport include expiration of the Lease and Use Agreement between the Airport and the airlines in 2021, which could change the terms and conditions under which the airlines operate at the Airport; and the impact of additional debt, increasing the costs to the airlines through increased terminal rents and landing fees.

The Budget & Legislative Analyst recommends amending the proposed resolution (File 19-1124) to request the Airport Director submit the preliminary Official Statement for each bond issuance covered by the proposed resolution to the Clerk of the Board prior to issuance and to include those documents are part of the official legislative file.

RECOMMENDATIONS

1. Amend the proposed resolution (File 19-1124) to request the Airport Director submit the preliminary Official Statement for each bond issuance covered by the proposed resolution to the Clerk of the Board prior to issuance and to include those documents are part of the official legislative file.
2. Approve the proposed resolution as amended and the proposed ordinance (File 19-1123).

Additional Detail on San Francisco International Airport's FY 2019-20 Capital Improvement Plan

The Airport prepares a Capital Improvement Plan on an as-needed basis to prioritize essential capital projects and requirements. Under the proposed resolution, Airport Capital Plan bonds may only be used to fund:

- Construction costs of Capital Plan projects that either do not require environmental review or have already undergone all necessary environmental review, such as California Environmental Quality Act (CEQA) review, and received Commission approval to proceed
- Planning and development costs necessary to prepare other Capital Plan projects for environmental review and the necessary approvals

Projects included in the Capital Plan that have not yet received environmental clearance can use other funding sources such as Small Capital Outlay or Commercial Paper to fund design and planning costs; however, construction costs cannot be funded until environmental clearance is obtained. Once environmental clearance is obtained, the Airport could seek Board of Supervisors approval to fund these projects with Airport revenue bonds.

The Capital Improvement Plan is primarily funded by Airport Revenue Bonds, with 94 percent of funding come from this source. The other sources of funding include Federal Aviation Authority grants, special fuel charges, and Passenger Facility Charges (currently $4.50 per enplanement).

Capital Improvement Projects

The proposed FY2019-20 Airport Capital Improvement Plan projects to be funded by the proposed Airport Revenue bond proceeds are focused on meeting current and projected air traffic demand. The Plan is split into two programs, "Ascent Program – Phase I" and "Infrastructure Projects Plan." The Ascent Program represents 48 projects with a total budget of $7.3 billion, and includes a fixed set of large priority projects whereas the Infrastructure Projects Plan includes 18 projects with a total budget of $351 million.

As shown in Exhibit 8, the top ten largest projects that would receive appropriation make up 76% ($2.3 billion) of total unappropriated projects costs and 30% of the FY2019-20 Capital Improvement Plan. The largest projects include major renovations to Terminals 1, 3 and the International Terminal, as well as the AirTrain Extension and the Capital Improvement Plan reserve fund.

Exhibit 8: Top 10 Largest FY2019-20 Capital Improvement Projects Requiring Supplementation Appropriation (*$ in millions)*

Cost Center	Airport Project Category	FY19/20 CIP Project Total	Previous Funding	FY19-20 to FY23-24 Total	Project Appropriation Needed	% of Total Appropriation Needed
Terminal 3 Program	Terminal 3 Projects	**$974**	$33	**$941**	$711	24%
Terminal 1 Program	Terminal 1 Projects (Terminal 1 Center)	**$1,371**	$669	**$702**	$501	17%
Airport Support	Ascent Program Reserve	**$440**	$0	**$440**	$440	15%
Terminal 1 Program	Terminal 1 Projects (Boarding Area B)	**$835**	$498	**$337**	$188	6%
Terminals	International Terminal Refresh Projects (Phase 2 – Departures)	**$161**	$0	**$161**	$161	5%
Terminals	International Terminal Refresh Projects (Phase 1 – Duty Free)	**$152**	$12	**$140**	$76	3%
Utilities	Net Zero Energy Projects	**$76**	$7	**$69**	$69	2%
Airport Support	Airport Support Miscellaneous Improvements	**$60**	$0	**$60**	$60	2%
Groundside	Airtrain Extension	**$237**	$111	**$126**	$52	2%
Airport Support	Superbay Renovation Projects	**$88**	$30	**$58**	$48	2%
Top 10 Sub-Total		**$4,395**	**$1,361**	**$3,034**	**$2,306**	**76%**
Grand Total (Exhibit ## above)		**$7,620**	**$3,020**	**$4,601**	**$3,015**	

Source: San Francisco International Airport

Notes: "Project Appropriation Needed" is the amount of funding still needed to complete the relevant Capital Improvement Programs in each Cost Center after accounting for prior year funding and existing authorized appropriation. These are the proposed uses of the funds to be appropriated from Airport Revenue Bonds per File 19-1123. FY19/20 CIP Project Total and FY19-20 to FY23-24 Total differ as some projects have carried out from previous Capital Improvement Plans. FY19-20 to FY23-24 Total and Project Appropriation Needed differ as some projects have existing appropriation from previous fiscal years.

A summary of the key projects and expected completion dates by Airport cost center are set out below.

<u>Airport Support Improvements: $ 769,979,707</u>

Airport support improvements include upgrading or replacing infrastructure and facilities which support airport operations, such as fire suppression, technology and security systems, fuel systems, the Superbay Hangar, conveyance systems, Information and Communication Technology Systems, etc. The Airport's Noise Insulation Program is also included in Airport Support. This cost center includes the $439 million Ascent Program Reserve which is used to offset unforeseen changes in capital project costs. The Reserve can only be used for Ascent Programs with the approval of the Airport Director.

Terminal 3 Program: $ 711,034,265

The two major projects for Terminal 3 are (1) modernization of Terminal 3 West to increase the building's footprint, extend the building's useful life by 40 years, meet current building codes, expand the ability to ability to accommodate larger aircraft, and improve passenger flow; and, (2) a new connector between Terminal 2 and Terminal 3, which will also add four levels of office space. The new connector will allow greater flexibility for airline gate use, improve passenger experience and free up leased space in the International Terminal. The Terminal 3 West modernization is expected to be completed by Spring 2023 and the Connector by April 2021.

Terminal 1 Program: $ 688,691,677

The Terminal 1 Redevelopment Program is intended to modernize Boarding Area B by adding additional boarding gates, adding larger holdrooms and accommodate larger aircraft, as well as completing a total overhaul of the current Terminal 1 building. Major changes to Terminal 1 include new ticket counters, consolidated passenger screening checkpoint, a secure connector to the International Terminal and a new baggage handling and screening system. The Boarding Area B is intended to be completed by May 2021 and the remaining overhaul by April 2023.

Terminal Improvements: $ 337,022,830

The International Terminal Building departures level will be improved through expanded security screening checkpoints to reduce wait times, expanded duty-free retail area improvements and passenger amenity improvements such as restroom and holdroom renovations. Renovations to the duty-free area were due to be completed in June 2019 and November 2019 and the remaining departures level renovations by Spring 2021. The cost center also includes $38 million in programmatic support to manage the Capital Improvement Plan projects (i.e. construction planning services, project management and coordination, building information management and document control systems, etc.).

Utilities Improvements: $ 269,209,504

Utilities improvements include implementation of facility changes and upgrades to achieve energy facilities with net zero carbon emissions, development of an Energy Management Control System, replacement of the sewage and industrial waste systems and completion of the Airport's new Industrial Waste Treatment Plant, as well as other power, lighting, communication and central plant improvements.

Airfield Improvements: $ 135,560,282

Improvements to the airfield mainly include runway, taxiway and lighting improvements to upgrade existing infrastructure and maintain airfield markings in compliance with FAA requirements. These are expected to be completed in 2020.

Groundside Improvements: $ 103,759,546

Groundside improvements relate to ground transportation equipment and infrastructure. Major projects include extending the AirTrain to the new long-term parking garages, adding a new station to service the new Airport Hotel, and upgrading the control equipment for the system. The Hotel extension was completed in Summer 2019 and the parking lot extension is expected to be completed by Fall 2020. The Airport will also undertake various roadway improvements and modify the road and aprons around South McDonnell road to allow for additional aircraft parking spaces and accommodate increased road traffic to the Airport Hotel.

Exhibit 9: Projects Funded by Proposed Appropriation

Airport Project Category	Project Name	Supplemental Appropriation Needed
Ascent Program Reserve	11278 CIP Program Reserve	$439,802,800
Airport Support Miscellaneous Improvements	11331 SFO Fuel System Upgrade	$60,000,000
Airport Support Miscellaneous Improvements	11150 Computer Aided Dispatch (CAD) Replacement	$7,105,000
Airport Support Miscellaneous Improvements	11104 Virtual Design & Construction Implementation Program	$5,200,000
Airport Support Miscellaneous Improvements	11161 Building Information Technology Upgrade	$2,428,577
Airport Support Miscellaneous Improvements	11073 Ramp Lighting Glare Reduction	$1,480,350
Airport Support Miscellaneous Improvements	10630 Airport Facilities Fall Protection System (formerly 8206B)	$1,432,453
Airport Support Miscellaneous Improvements	11136 Ground Transportation Management System (GTMS) Phase II	$1,200,000
Airport Support Miscellaneous Improvements	11421 Stockroom and Warehouse Security & System Enhancements	$956,000
Airport Support Miscellaneous Improvements	11065 9-1-1 Phone System Upgrade	$946,800
Superbay Renovation Projects	8465C Superbay Fire Suppression System Replacement Project	$48,414,423
Superbay Renovation Projects	11160 Superbay Hangar Renovation Project	$12,857,900
Superbay Renovation Projects	8877B Superbay Hangar Door Retrofit Phase B	$3,835,682
Superbay Renovation Projects	11189 Superbay 6th Floor Asbestos Abatement	$365,457
Superbay Renovation Projects	11172 Superbay Hangar Infrared Heating System Replacement	$70,852
Technology Improvement Projects	10674 Airport Information Integration Solution (AIIS)	$16,701,595
Technology Improvement Projects	8410 Distributed Antenna System (DAS)	$5,181,446
Technology Improvement Projects	11130 Multi-Use Flight Information Display Upgrade	$5,000,000
Technology Improvement Projects	11139 Dense Wavelength Division Multiplexing (DWDM) Transport	$5,000,000
Technology Improvement Projects	11155 Mobile Application Development and Delivery	$4,378,000
Technology Improvement Projects	9170 Network Improvements	$3,837,122
Technology Improvement Projects	11149 Access Layer Refresh 10 Gbps	$3,700,000
Technology Improvement Projects	11156 Comprehensive Support Plan	$2,519,542
Technology Improvement Projects	11157 Single Sign On Implementation	$1,652,400
Technology Improvement Projects	11411 T2 Information Display Replacement	$1,370,000
Technology Improvement Projects	11158 Data Analytics Compute Processing	$1,043,000
Technology Improvement Projects	11132 Digital Signage Software System Enhancement	$800,000
Technology Improvement Projects	8411A SharePoint ERP Phase 1, Integrated Time and Labor Accounting (ITA) Program	$767,215
Technology Improvement Projects	11433 Contract Management Compliance System	$700,000

	(CMCS) Phase 2	
Technology Improvement Projects	10678 Avaya Communication Manager Upgrade 7.0	$580,830
Technology Improvement Projects	9134A IT Security Mitigation	$572,000
Technology Improvement Projects	9171 Network Monitoring & Management	$530,000
Technology Improvement Projects	11222 SFO Data Storage System	$520,000
Technology Improvement Projects	11153 Internet Hardware Upgrade	$329,911
Technology Improvement Projects	8968 Network Security	$231,720
Technology Improvement Projects	11154 ITIL/ISO Certification	$86,060
Technology Improvement Projects	11217 Managed Security Upgrade	$24,910
Security Improvements	11442 CCTV Enhancement and Addition	$11,700,000
Security Improvements	10511 Security Infrastructure Program	$8,533,308
Security Improvements	11159 Replacement of Badging Identity Management System	$3,500,000
Security Improvements	10538 Physical Security Information Management (PSIM)	$1,000,000
Security Improvements	10541 License Plate Recognition (LPR) System	$1,000,000
Security Improvements	11151 Water Perimeter Intrusions Detection System	$857,068
Security Improvements	11095 Video Wall Refresh Program	$500,000
Noise Insulation Projects	11457 Noise Insulation Program 2019-2023 Phase	$19,506,709
Noise Insulation Projects	8846D Noise Insulation Improvements	$4,160,000
Noise Insulation Projects	8846C Noise Insulation Improvements	$150,000
Elevator, Escalator, & Moving Walk Modernization	11477 Airport Conveyance Modernization Phase 1	$16,650,000
Support Facility Improvements	11422 Building 710 Code Required System Modernization	$5,200,000
Support Facility Improvements	11309 Fire House #2 Improvements	$3,460,215
Support Facility Improvements	11129 North Field GSE Maintenance Facility	$3,163,589
Support Facility Improvements	11308 Fire House #1 Improvements	$3,089,346
Support Facility Improvements	10610 ITT and Accounting Work Area Renovations	$566,346
Support Facility Improvements	11167 ADM Office Upgrade and Redesign	$218,128
Support Facility Improvements	9321 Emergency Response Facilities Improvements	$148,440
Support Facility Improvements	9329 IT Museum Aviation Annex	$97,906
Support Facility Improvements	10574 Police Training Support Facility	$24,636
Airport Shoreline Protection Projects	8354A Airport Shoreline Protection at Sea Plane Harbor	$11,081,130
Wayfinding Projects	11001 Wayfinding Program	$10,242,709
Energy and Efficiency Improvements	11302 Plot 40/41 400Hz and PC Air (VALE Grant)	$6,697,492
Energy and Efficiency Improvements	9188 Airport Wide Lighting Retrofit	$1,650,715
Cargo and Hangar Improvements	9322 Renovation of Cargo Buildings 900 and 944	$5,502,899
Airport Support Computer System Improvements	9044 Document Management System (DMS)	$2,324,000
Airport Support Computer System Improvements	10535 Capital Planning System (CPS) Phase III	$1,615,200
Airport Support Computer System Improvements	11216 ISO27001 Information Security Management System	$625,000
Airport Support Computer System Improvements	9051 Operating Budget System (OBS)	$444,999
Airport Support Computer System Improvements	8399A Property Management & Billing System	$190,973

	(PMBS) Phase 2	
Capital Equipment	10565 Portable Generators	$736,300
Capital Equipment	11423 Paver Replacement	$510,000
Capital Equipment	11112 CNG High Speed Sweeper	$440,000
Capital Equipment	11110 CNG High Speed Sweeper	$420,000
Capital Equipment	11094 Mower	$360,000
Capital Equipment	9145B Mower	$325,000
Capital Equipment	11097 Boom and Scissor Lifts II	$300,000
Capital Equipment	11335 Semi-Truck & Trailer	$275,000
Capital Equipment	11092 Flatbed (2)	$225,000
Capital Equipment	9164 Semi Truck	$190,594
Capital Equipment	11336 FOD Trash Picker	$180,000
Capital Equipment	11444 Multi-Conductor TV Van	$1,375
South Field Redevelopment Projects	11044 BICE Office Relocation	$493,585
Airport Support	**Total**	**$769,979,707**
Terminal 3 Projects	10071 Terminal 3 West Modernization	$711,034,265
Terminal 3 Program	**Total**	**$711,034,265**
Terminal 1 Projects	10011 Terminal 1 Center	$501,161,436
Terminal 1 Projects	10010 T1 - Boarding Area B Redevelopment	$187,520,421
Terminal 1 Projects	10005 T1 - Taxilanes H&M Relocation	$9,820
Terminal 1 Program	**Total**	**$688,691,677**
International Terminal Refresh Projects	11365 ITB Phase 2 Project	$161,000,000
International Terminal Refresh Projects	11118 ITB Phase 1 Project	$75,991,765
CIP Program Support	10401 CIP Programmatic Support	$37,853,505
Technology Improvement Projects	11211 Terminal Management System Upgrade	$9,063,500
Technology Improvement Projects	9304 Public WiFi - Terminals	$6,327,815
Technology Improvement Projects	10622 Operational Wi-Fi Improvements	$661,016
International Terminal Improvements	10553 IT Fire Alarm System Upgrade	$4,700,000
International Terminal Improvements	8959 International Terminal Passenger Boarding Bridge Refurbishment	$4,012,500
International Terminal Improvements	10577 Upgrade ITB PC Air System	$3,870,000
International Terminal Improvements	10546 Automated Passenger Wait Time Technology	$513,010
International Terminal Improvements	11208 Global Entry Office Expansion	$3,634
International Terminal Improvements	11165 IT Media Room	$796
Miscellaneous Terminal Improvements	11319 SAO Relocation	$3,435,500
Miscellaneous Terminal Improvements	11071 Airport Terminals Public Address System Upgrades	$2,547,776
Miscellaneous Terminal Improvements	11418 T3 B/A F Finger Re-roof	$1,675,000
Miscellaneous Terminal Improvements	11107 HVAC Automation/Optimization Study	$1,500,000
Miscellaneous Terminal Improvements	11148 Installation of Airport Magnetic Stanchions	$702,184
Miscellaneous Terminal Improvements	11419 T3 B/A F Hub Re-roof	$512,500
Miscellaneous Terminal Improvements	11415 T1 B/A C Re-roof	$375,000

Miscellaneous Terminal Improvements	11443 CBP Radio Equipment Infrastructure	$250,000
Miscellaneous Terminal Improvements	11103 Terminal Systems Office Expansion	$249,543
Miscellaneous Terminal Improvements	11420 T3 B/A F Thumb Re-roof	$187,500
Revenue Enhancement and Customer Hospitality (REACH) Projects	9350 REACH ITB	$4,486,376
Revenue Enhancement and Customer Hospitality (REACH) Projects	11333 REACH Program Implementation	$4,155,325
Revenue Enhancement and Customer Hospitality (REACH) Projects	11124 Service Animal Relief Areas	$173,201
International Terminal Baggage Handling System	11002 ITB CBIS and BHS Modernization	$5,804,491
Security Improvements	10568 Airport Terminals Fire Alarm System Upgrade	$4,364,898
Security Improvements	10559 Communication Center Infrastructure Improvements	$57,995
Parking & Garage Improvements	10561 Garage Elevators, Escalators, & Moving Walks	$2,548,000
Terminals	**Total**	**$337,022,830**
Net Zero Energy Projects	11068 Energy Management Control System	$68,793,673
Net Zero Energy Projects	10010N Net Zero Enhancements for the Boarding Area B Project	$7,159,511
Net Zero Energy Projects	11168 Net Zero Energy Program Support	$6,420,056
Power & Lighting Improvements	11470 Select 12KV Power Distribution System Improvements	$45,000,000
Power & Lighting Improvements	11179 Airport Wide GSE Electrical Infrastructure	$7,270,256
Power & Lighting Improvements	11213 Boarding Area 'G' 400 Hertz System Infrastructure Upgrade	$5,877,821
Power & Lighting Improvements	11198 Airport Wide UPS Replacement and Upgrade	$4,636,306
Power & Lighting Improvements	11429 Airport Electrical Power Capacity Upgrade Study	$3,000,000
Power & Lighting Improvements	11127 Solar Power Generation Feasibility Study	$1,000,000
Waste Water System Improvements	11441 Sequencing Batch Reactors Expansion at Mel Leong Treatment Plant	$30,000,000
Waste Water System Improvements	10581 Recycled Water Distribution System	$18,713,002
Waste Water System Improvements	8589B Underground Util Imp Industrial Waste Sys Phase II	$7,496,710
Waste Water System Improvements	8522 New Sewer Outfall to SSF from MLTP	$5,003,995
Waste Water System Improvements	8589C Underground Util Imp Industrial Waste Sys Phase III	$179,000
Energy and Efficiency Improvements	8607 12KV Cable Replacement and System Upgrade	$9,638,820
Energy and Efficiency Improvements	3829 Medium Voltage Station 'BP' Replacement and Telecommunication Infrastructure Expansion	$5,789,906
Energy and Efficiency Improvements	11163 Energy Bench Marking and Building Integration Program	$2,152,750
Energy and Efficiency Improvements	9165 Electric Vehicle Chargers Infrastructure at Cell Phone Lot	$4,171
Water System Improvements	11081 Water Quality Testing and Monitoring Project	$8,391,234
Water System Improvements	11077 Water Main Leak Detection and Repair Program	$4,720,000
Water System Improvements	8571A New Water Mains Phase I	$1,734,000
Water System Improvements	8704 West of Bayshore Water Mains Imp	$1,336,473
Water System Improvements	11203 SFO and City of Millbrae Water Tie-ins	$560,000

Water System Improvements	11079 Separation of Fire and Domestic Water Systems	$19,520
Central Plant Improvements	8545 Central Plant Chillers No. 1 and No. 2 Replacement	$10,808,580
Utility Improvements	11439 NG Safety & Ventilation Upgrades in the Utility Tunnel	$4,000,000
Utility Improvements	11220 Utilities Infrastructure Project Management Support Services	$3,250,000
Utility Improvements	11215 Utility Infrastructure Improvement Program	$2,866,161
Technology Improvement Projects	8590 Telecommunication Infrastructure Airport Wide	$3,387,559
Utilities	**Total**	**$269,209,504**
Taxiway Improvements	10531 Taxiways D and T Reconstruction	$32,228,780
Taxiway Improvements	10528 Taxiway F1 Realignment	$20,315,620
Taxiway Improvements	10524 Taxiway C Reconstruction Phase I	$6,842,673
Taxiway Improvements	11352 Airfield Improvements Program Support Services	$6,240,000
Taxiway Improvements	11100 Taxilane B5 Reconstruction	$2,320,001
Taxiway Improvements	10525 Taxiway C Reconstruction Phase II (Helipad)	$500,000
Taxiway Improvements	11096 Taxiway E and J Realignment	$500,000
Taxiway Improvements	10526 Taxiway F and N Reconstruction	$500,000
Taxiway Improvements	10527 Taxiway L Reconstruction	$500,000
Taxiway Improvements	8983 Taxiway Z Reconstruction Phase I	$500,000
Taxiway Improvements	10529 Taxiway C3 and R Reconstruction/Realignment	$500,000
Taxiway Improvements	10533 Taxiway Z Reconstruction Phase II	$500,000
Miscellaneous Airfield Improvements	11299 Ground Based Augmentation System (GBAS) for Aircraft	$9,242,484
Miscellaneous Airfield Improvements	11342 Part 139 Airfield Infrastructure Systems	$5,567,850
Miscellaneous Airfield Improvements	11332 Part 139 Airfield Ponding Improvements	$4,760,480
Miscellaneous Airfield Improvements	10585 Runway 28R Fire Hydrant and B/A 'G' Waterline Improvements	$3,315,070
Miscellaneous Airfield Improvements	11117 Materials Testing Lab	$3,219,668
Miscellaneous Airfield Improvements	11416 Center Line Realignment	$2,742,000
Miscellaneous Airfield Improvements	11417 AOA Perimeter Fence Replacement Project - Phase 1	$2,000,000
Miscellaneous Airfield Improvements	10551 Airfield Signage Upgrade Phase A	$640,846
Miscellaneous Airfield Improvements	11053 Airport Pavement and Drainage Improvements	$236,573
Miscellaneous Airfield Improvements	8984 Pavement and Drainage Improvements	$10,644
Miscellaneous Airfield Improvements	11010 West Cargo Checkpoint Relocation	$900
Runway Improvements	8795 Runway 1L-19R Overlay and Reconst	$21,200,000
Runway Improvements	8981 Runway 10R-28L Overlay and Reconstruction and Taxiways F2 and S	$267,586
Power & Lighting Improvements	10555 Field Lighting Bldg. 1 Electrical System Upgrade	$8,210,893
Apron Reconstruction	11430 Boarding Area G Apron Improvements	$1,400,000
Apron Reconstruction	8609 Plot 40 Reconstruction	$500,000

Capital Equipment	11221 Airfield Striping Removal Equipment	$758,552
Capital Equipment	11234 Airfield Buses	$39,662
Airfield	**Total**	**$135,560,282**
Airtrain Extension	10504 AirTrain Extension	$52,278,691
Roadway Improvements	10670 Intersection Improvements	$6,810,352
Roadway Improvements	9049 Variable Message Signs Replacement	$2,337,642
Roadway Improvements	11135 New/Replacement Bus Shelters	$2,000,000
Roadway Improvements	11134 Roadway Pedestrian Safety Improvements	$1,386,000
Roadway Improvements	10566 North Link Road Traffic Signal Improvements	$53,152
Viaduct Improvements	4105 Terminal Upper Level Viaduct Improvements, Phase I	$4,477,580
Viaduct Improvements	3565C Terminal 2 Departure Level Roadway Repairs	$3,075,199
Viaduct Improvements	11105 IT Seismic Joint Repair	$2,410,000
South McDonnell Road Realignment	10515 Plot 2 Aircraft Parking Reconfiguration and South McDonnell Road Realignment - Groundside	$9,649,621
Parking & Garage Improvements	11427 Central Garage Structural Concrete Repairs	$6,240,000
Parking & Garage Improvements	11145 Central Garage 5th Level Improvements	$1,235,404
Parking & Garage Improvements	11144 Central Garage Tunnel Doors	$527,757
Parking & Garage Improvements	10648 Long Term Parking Guidance and Security System	$438,204
Parking & Garage Improvements	10516 West Field Garage Top Level Repairs and Coating	$130,362
AirTrain Improvements	10509 AirTrain System Upgrades	$4,579,737
Plot 700 Redevelopment Projects	9405 Bus Maintenance Facility	$3,773,560
Plot 700 Redevelopment Projects	10060 Ground Transportation Unit (GTU) Relocation	$756,285
Support Facility Improvements	11428 RAC Expansion Joint Repairs and Waterproof Coating Application	$1,000,000
Shuttle Bus Replacement	11295 Electric Shuttle Buses and Electric Vehicle Charger Installation	$600,000
Groundside	**Total**	**$103,759,546**
Grand Total		**$3,015,257,811**

Item 3 **File 19-1251**	**Department:** Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would de-appropriate $10,369,224 of San Francisco Public Utilities Commission (SFPUC) Hetch Hetchy Power Enterprise capital projects and re-appropriate $10,369,224 for the Power Asset Acquisition Analysis Project.

Key Points

- Section 16.101 of the City Charter states that it is City policy to purchase utilities when the Board of Supervisors deems doing so is in the public interest or necessity. In April 2019, the Board of Supervisors approved a resolution requesting a report from SFPUC on options for improving electric service, including the purchase of PG&E assets. In September 2019, the Board of Supervisors approved a resolution in support of Mayor Breed's letter to PG&E proposing to purchase its power assets for $2.5 billion.
- SFPUC has estimated that approximately $17.2 million is needed in FY 2019-20 to analyze the proposed power acquisition. The funding is needed to contract with financial advisors, transaction legal counsel, engineering advisors, technical and regulatory advisors, and operational readiness advisors, as well SFPUC and City Attorney staff time.

Fiscal Impact

- The proposed ordinance would de-appropriate $10,369,224 from seven SFPUC Hetch Hetchy Power Enterprise capital projects that have either completed under budget or have remaining funding available and would re-appropriate $10,369,224 for the Power Asset Acquisition project. Including the $6,809,675 already appropriated to the project by the Board of Supervisors, the total project budget would be $17,178,899.
- The City has proposed purchasing PG&E's power assets for $2.5 billion, an amount that would be refined through analysis funded by the proposed ordinance. The proposed purchase would be funded by revenue bonds, which would be secured by electricity sale proceeds from commercial and residential customers throughout the city.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

BACKGROUND

Section 16.101 of the City Charter states that it is City policy to purchase utilities when the Board of Supervisors deems doing so is in the public interest or necessity. In April 2019, the Board of Supervisors approved a resolution determining that it is in the public interest and necessity to change the electric service provided in San Francisco, and requesting a report from the San Francisco Public Utilities Commission (SFPUC) on options for improving electric service, including the purchase of Pacific Gas & Electric Company (PG&E) assets (File 19-0367). In September 2019, the Board of Supervisors approved a resolution in support of Mayor Breed's September 2019 letter to PG&E proposing to purchase its power assets for $2.5 billion (File 19-0938).

SFPUC has estimated that approximately $17.2 million is needed in FY 2019-20 to analyze the proposed power asset acquisition. In November 2019, the SFPUC Commission approved the de-appropriation of $10,371,557 from the SFPUC Hetch Hetchy Power Enterprise capital budget and the re-appropriation of $10,371,557 to the Power Asset Acquisition Analysis Project.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would de-appropriate $10,369,224[1] from seven SFPUC Hetchy Hetchy Power Enterprise capital projects and re-appropriate $10,369,224 for the Power Asset Acquisition Analysis Project. The list of de-appropriated projects is shown in Table 1 below.

Table 1: Project De-Appropriations

Project Number	Project	Amount
10014645	Generation/Ocean—Budget	$453,690
10014654	Small Hydro—Budget	404,829
10014573	Community Choice Project—CCA	216,330
10033821	Intervening Facilities	2,000,000
10014281	Streetlight Replacement	1,251,549
10014221	Alice Griffith/Candlestick Point	4,449,877
10014644	Transbay Cable Project	1,592,949
Total		**$10,369,224**

Sources of funds for the $10,369,224 appropriation are from the de-appropriation of seven capital projects shown in Table 1 above. According to the December 2019 presentation by the SFPUC Assistant General Manager for Power to the City's Capital Planning Committee,

[1] The proposed de-appropriation/re-appropriation amount of $10,369,224 is $2,333 less than the amount of $10,371,557 that was approved by the SFPUC Commission. According to Mr. John Scarpulla, SFPUC Policy and Government Affairs, this change is a minor correction based on available funds.

- Four projects – Generation/Ocean, Small Hydro, Community Choice Project, and Transbay Cable Project – are complete with remaining unspent funds;
- Two projects – Intervening Facilities and Streetlight Replacement – are ongoing projects with sufficient funding to complete the FY 2019-20 work plan; and
- One project – Alice Griffith/Candlestick Point – is ongoing and delayed; SFPUC will request additional funds as needed.

SFPUC estimates that approximately $17.2 million is needed in FY 2019-20 to analyze the proposed power asset acquisition. The funding is needed to contract with financial advisors, transaction legal counsel, engineering advisors, technical and regulatory advisors, and operational readiness advisors, as well SFPUC and City Attorney staff time.

FISCAL IMPACT

The total cost for the Power Asset Analysis Project in FY 2019-20 is $17,178,899. Project sources include the proposed $10,369,224 re-appropriation, existing funding of $2,309,675 within the Power Enterprise's Alternative Transmission Project, and $4,500,000 in Education Revenue Augmentation Funds (ERAF) appropriated by the Board of Supervisors in February 2019 for this purpose (File 18-1186). The sources funds are shown in Table 2 below.

Table 2: Sources of Power Asset Acquisition Analysis Project for FY 2019-20

Sources	Amount
Existing Appropriation	$2,309,675
Excess Educational Revenue Augmentation Fund (ERAF)	4,500,000
Proposed Re-Appropriation	10,369,224
Total Sources	**$17,178,899**

Through Mayor Breed's September 2019 letter to PG&E, the City has proposed purchasing PG&E's power assets for $2.5 billion. According to Mr. John Scarpulla, SFPUC Policy and Government Affairs, the $2.5 billion valuation was determined by using an in-depth asset-by-asset analysis and estimation of the physical condition and age of the assets. The valuation would be refined through analysis conducted through the appropriation authorized by the proposed ordinance. The purchase would be paid by revenue bonds, which would be secured by electricity sale proceeds from commercial and residential customers throughout the city. PG&E has not expressed interest in selling its power assets.

RECOMMENDATION

Approve the proposed resolution.

Item 4 **File 19-1203**	**Department:** Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would allow the SFPUC to (1) enter into contracts with up to nine providers of renewable energy products that have terms of up to 25 years and have a combined annual cost of up to $35 million using standardized power contracts without further Board of Supervisors' approval and (2) waive certain standard contracting provisions required by the City's municipal codes for such contracts.

Key Points

- In August 2019, the SFPUC released a Request for Offers (RFO) seeking proposals for sale and purchase of renewable energy sources to help it meet State and local energy mix goals. The SFPUC evaluated proposals and developed a short list of ten qualifying projects from nine contractors. Of the ten projects, eight are solar or solar and energy storage, one is wind, and one is for energy storage. The proposed ordinance only applies to contracts for proposals that were part of this RFO.
- According to Mr. Michael Hyams, Director of CleanPowerSF, delegating contract authority and using industry standard contracts provides CleanPowerSF with flexibility to allow it to obtain the best pricing for its customers as it competes with other energy providers to contract for a limited number of renewable energy projects.

Fiscal Impact

- Under the proposed ordinance, the combined cost of the contract amounts cannot total more than $35 million per year without further Board of Supervisors' approval. According to Mr. Hyams, the $35 million annual cap is based on the expected cost of the contracts. Payment for all contract costs would be from CleanPowerSF rate payer revenues.

Policy Consideration

- Because the proposed ordinance waives (1) standard contracting provisions required by the City's municipal codes, and (2) the Board of Supervisors authority under Charter Section 9.118, authorizing the SFPUC to enter into contracts longer than ten yours or in an amount of $10,000,000 or more without further Board of Supervisors approval, approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Recommendations

- Amend Sections 8 (a) (1) and 8 (a) (3) of the proposed ordinance to clarify that any contract modification extending the contract term in excess of 25 years requires Board of Supervisors' approval.
- Approval is of the proposed ordinance is a policy matter for the Board of Supervisors.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of $10 million or more, or (3) requires a modification of more than $500,000 is subject to Board of Supervisors approval.

City Charter Section 2.105 states that all legislative acts shall be by ordinance, approved by a majority of the members of the Board of Supervisors.

BACKGROUND

State law allows local governments to form Community Choice Aggregators (CCA), which are government operated retail electricity programs that supply electricity to their customers. State law requires CCA customers to rely on investor owned utility distribution infrastructure.[1] The SFPUC's CleanPowerSF program is a CCA that provides electricity generation service to residents and businesses in San Francisco and relies on PG&E distribution infrastructure to deliver power to its customers. CleanPowerSF was launched by the SFPUC to provide affordable and reliable electricity service, cleaner electricity alternatives, local renewable projects and jobs, and long-term rate and financial stability.

According to the audited Annual Audited Financial Statement for FY 2018-19, CleanPowerSF revenues are sufficient to cover its operations.

State and Local Energy Mix Goals

The State's Renewable Portfolio Standard (RPS) requires retail electricity providers to maintain a minimum percent of electricity sourced from renewable sources. RPS-eligible renewable sources include solar, wind, biomass, geothermal and small hydroelectric generation. CleanPowerSF provides electricity from renewable resources and also from the SFPUC Hetch Hetchy project. Exhibit 1 below shows the City's current and expected energy source mix relative to the State's Renewable Portfolio Standard.

Exhibit 1: CleanPowerSF Renewable Sources

	2018	2030
State Requirement	33%	60%
CleanPowerSF	48%	>70%*

*SFPUC is planning for CleanPowerSF to have at least 70% RPS-eligible renewable resources and 100% greenhouse gas free energy by 2030.

Source: SFPUC

As shown above, CleanPowerSF's energy mix included 48 percent from RPS-eligible renewable sources, which exceeds the current State requirement of 33 percent. By 2030, the State will require electricity providers to source 60 percent of their electricity from RPS-eligible

[1] Distribution infrastructure refers to infrastructure connecting customers to electricity, such as utility poles, overheard wires, and underground connections to customers.

renewable resources. According to Mr. Michael Hyams, Director of CleanPowerSF, the enterprise is planning to achieve at least 70 percent of its electricity from RPS-eligible renewable sources and 100% from greenhouse gas free renewable resources by 2030. According to Mr. Hyams, the contracts that are subject of the proposed ordinance will help CleanPowerSF meet the City's renewable energy goals and to comply with State requirements.

2019 Request for Offers

In August 2019, the SFPUC released a Request for Offers (RFO) seeking proposals for sale and purchase of renewable energy sources, with a preference for projects within the nine counties that comprise the Bay Area. Projects must begin delivering energy between January 2021 and December 2024. The 2019 RFO also solicited community benefit projects as part of bidder proposals. The SFPUC evaluated[2] proposals from sixteen providers and developed a short list of ten qualifying projects from nine contractors. Of the ten projects, eight are solar or solar and energy storage, one is wind, and one is for energy storage. Nine of the ten short list proposals contain provisions for community benefit projects. The short list contractors are:

1. Candela Renewables, LLC
2. EDF Renewables, Inc.
3. E.ON Climate & Renewables North America, LLC
4. Intersect Power
5. LS Power Development
6. NextEra Energy Resources Development, LLC
7. Recurrent Energy Development Holdings, LLC
8. Solar Frontier Americas, Inc.
9. TGP Energy Management, LLC.

Prior Board of Supervisors' Authorization

In January 2018, the Board of Supervisors approved an ordinance that allowed the SFPUC to (1) enter into contracts of $10,000,000 or more or 10 years or more using standardized power contracts; (2) enter into an agreement for credit and liquidity support with JPMorgan; and (3) waive certain standard contracting provisions required by the City's municipal codes, without further Board of Supervisors approval (File 17-1172).

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would delegate authority to the SFPUC to enter into contracts without further Board of Supervisors' approval for renewable energy and energy storage for proposals that were part of the 2019 RFO described above. Such contracts may have a term of up to 25 years and the total cost of the contracts may not exceed $35 million per year in aggregate.

[2] The evaluation panel consisted of SFPUC Staff in the Origination and Power Supply and Capital Finance divisions. Community benefit proposals were assessed by the SFPUC Social Impact Partnership Coordinator, the SFPUC Manager of Policy & Community, the Deputy Director of the Strategic Growth Council (a State entity), and a Program Fellow at the San Francisco Foundation (a non-profit).

According to Mr. Hyams, requesting Board of Supervisors' approval of a pool of qualified projects provides CleanPowerSF with flexibility to allow it to obtain the best pricing for its customers as it competes with other energy providers to contract for a limited number of renewable energy projects. The proposed delegated contract authority will allow CleanPowerSF to contract for renewable energy more quickly and with more certainty relative to standard City processes.

SFPUC Commission Requirements

In October 2019, the SFPUC Commission similarly delegated contract authority to the SFPUC General Manager under the following conditions:

a) the total cost of the executed contracts is consistent with the rate-setting methodology adopted by the Commission in Resolution 15-0112[3]

b) the renewable energy is supplied under a contract pursuant to the 2019 RFO

c) the counterparties to any contract must maintain an acceptable credit rating or provide equivalent credit support or performance assurance for the duration of the contract through an acceptable credit mechanism

d) the total combined volume of power procured under contracts pursuant to the renewable energy RFO shall not exceed 350 megawatts per year

e) the duration of any contract under the 2019 RFO shall not exceed 25 years, unless the SFPUC Commission approves a contract extension

f) the total cost of all energy supply contracts under the renewable energy RFO shall not exceed $35 million per year

Sections 8 (a) (1) and 8 (a) (3) of the proposed ordinance should be amended to clarify that any contract modification extending the contract term in excess of 25 years requires Board of Supervisors' approval.

Contract Attributes

The proposed ordinance would also allow SFPUC to enter into contracts for purchase and sale of power and related products and services with certain attributes that deviate from the City's contract forms. The contracts must be consistent with one of following standards:

a. Western System Power Pool[4] Agreement, approved by the Federal Energy Regulatory Commission (FERC) (contract may be up to five years)
b. Edison Electric Institute[5] Master Agreement (contract may be up to five years)
c. Pro forma agreements developed by SFPUC for three types of energy supply, combining standard industry terms with City requirements

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[3] SFPUC Commission Resolution 15-0112 outlines the policy framework for CleanPowerSF rates.

[4] SFPUC is a member of the Western System Power Pool, which is a group of more than 300 publicly-owned and private utilities.

[5] Edison Electric Institute is the association that represents investor-owned electric companies in the U.S. They developed the master agreement in collaboration with 80 member utilities, power marketers, and customer representatives.

i. Renewable Power Purchase Agreement
ii. Power Purchase and Sale Agreement

According to Mr. Hyams, using industry standard contracts will allow CleanPowerSF to participate competitively in the market for renewable energy generation and storage.

Waiver of Standard City Contract Requirements

The proposed ordinance would also waive the following standard contract and City code provisions, upon the SFPUC finding and documenting that (1) the transaction/agreement represents the best opportunity available to the City to obtain essential services and products in a manner beneficial to the City, and (2) it is not feasible to add all standard City contract provisions to the agreement.

a. Implementing the MacBride Principles (Administrative Code Chapter 12F)
b. Increased participation by small and micro local businesses in City contracts (Administrative Code Chapter 14B)
c. The competitive bidding requirement (Administrative Code Section 21.1)
d. First source hiring requirements (Administrative Code Chapter 83)
e. The tropical hardwood and virgin redwood ban (Environment Code Chapter 8)
f. Public access to meeting and records of non-profit organizations (Administrative Code Section 12L)
g. Sweatfree Contracting (Administrative Code Section 12U.4)
h. Food service waste reduction (Environment Code Section 1605)

According to Mr. Hyams, the City's standard contract terms identified in the proposed ordinance are not standard electric industry terms and many energy sellers reject such standard terms or will mark up the cost of the energy to account for what they may consider a non-market condition and liability.

Reporting to the Board of Supervisors

As with the prior delegation of authority for contracting for renewable energy products, the proposed ordinance requires annual reports to the Board of Supervisors that include annual costs for CleanPowerSF operations, the rates charged by the PUC to CleanPowerSF customers to recover costs, and a comparison of CleanPowerSF rates to PG&E rates.

FISCAL IMPACT

Under the proposed ordinance, the total cost of the contract amounts cannot total more than $35 million per year without further Board of Supervisors' approval. Payment for all contract costs would be from CleanPowerSF rate payer revenues.

Under the proposed ordinance, the cost of the contracts must be consistent with SFPUC's rate setting methodology approved by the SFPUC Commission for CleanPowerSF. CleanPowerSF rates must be approved by the SFPUC Commission and the Board of Supervisors.

POLICY CONSIDERATION

Because the proposed ordinance waives (1) standard contracting provisions required by the City's municipal codes, and (2) the Board of Supervisors authority under Charter Section 9.118, authorizing the SFPUC to enter into contracts longer than ten yours or in an amount of $10,000,000 or more without further Board of Supervisors approval, approval of the proposed ordinance is a policy matter for the Board of Supervisors.

RECOMMENDATIONS

1. Amend Sections 8 (a) (1) and 8 (a) (3) of the proposed ordinance to clarify that any contract modification extending the contract term in excess of 25 years requires Board of Supervisors' approval.
2. Approval is of the proposed ordinance is a policy matter for the Board of Supervisors.

Item 5 **File 19-1269**	**Department:** General Services Agency - Department of Public Works (DPW)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize Public Works to retroactively accept and expend a grant from Bay Area Rapid Transit (BART) in the amount of $257,500 to operate three Pit Stop locations, for the period of July 1, 2019 through June 30, 2020. The grant requires an equal match of $257,500 provided by Public Works. Public Works is requesting retroactive approval because the grant was not approved by the BART Board of Directors until the end of September 2019.

Key Points

- The Pit Stop program provides public toilets monitored by paid attendants, as well as needle and dog waste receptacles. The restrooms are a mix of semi-permanent JC Decaux public toilet facilities and portable toilets owned by Public Works and there are currently 25 locations throughout the City.
- On January 1, 2019, Public Works entered into a grant agreement with Hunters Point Family for the operation of the Pit Stop program for all but one Pit Stop location citywide.

Fiscal Impact

- The grant authorized by the proposed resolution would provide Public Works with $257,500 to operate three Pit Stop locations. It would also require an equal match of $257,500 provided by Public Works, for a full program budget of $515,000.
- Sufficient funding is available in the Public Works FY 2019-20 General Fund budget for the City’s $257,500 matching fund requirement.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

City Administrative Code Section 10.170-1 states that accepting Federal, State, or third-party grant funds in the amount of $100,000 or more, including any City matching funds required by the grant, is subject to Board of Supervisors approval.

BACKGROUND

The Pit Stop program provides public toilets monitored by paid attendants, as well as needle and dog waste receptacles. The restrooms are a mix of semi-permanent JC Decaux public toilet facilities and portable toilets owned by Public Works and there are currently 25 locations throughout the City.

On January 1, 2019, Public Works entered into a grant agreement with Hunters Point Family for the operation of the Pit Stop program for all but one Pit Stop location citywide. Hunters Point Family, a nonprofit organization, provides staffing to the Pit Stop locations as job training, employment and workforce development opportunities for local residents, especially those who are facing barriers to employment.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize Public Works to retroactively accept and expend a grant from BART in the amount of $257,500 to operate three Pit Stop locations, for the period of July 1, 2019 through June 30, 2020. The grant requires an equal match of $257,500 provided by Public Works. According to Mr. Devin Macaulay, Public Works Budget Manager, the Department is requesting retroactive approval because the grant was not approved by the BART Board of Directors until the end of September 2019.

The grant allows Public Works to operate the following Pit Stop locations:

1) Powell BART Station, operated daily from 7 am – 8 pm, from July 2019 through June 2020;
2) 24th Street Mission BART Station, operated daily from 9 am – 8 pm, from July 2019 through June 2020; and
3) 16th Street Mission Bart Station (16th and Capp Streets), operated Monday through Friday from 11 am through 6 pm, from July 2019 through June 2020.

Under the existing agreement between Public Works and BART, the Pit Stop at the 16th Street BART Station location was first funded in 2016. The Pit Stops at the 24th Street BART Station and Powell BART Station were new locations in FY 2018-19. Each Pit Stop is located on City property at street level, not inside the underground BART stations.

According to Mr. Macaulay, Public Works has split the funding responsibility equally with BART for the three locations for FY 2019-20. Under the amendment to the agreement between Public Works and BART, BART will reimburse Public Works for BART's share of Pit Stop expenditures.

Public Works and BART intend to continue the partnership and are planning to negotiate a grant agreement for FY 2020-21.

FISCAL IMPACT

The grant authorized by the proposed resolution would provide Public Works with $257,500 to operate three Pit Stop locations. It would also require an equal match of $257,500 provided by Public Works, for a full program budget of $515,000. The grant budget is shown in Table 1 below.

Table 1: BART Pit Stop Grant Budget for FY 2019-20

Sources	Amount
BART Grant	$257,500
Public Works (General Fund)	257,500
Total Sources	**$515,000**

Uses	Amount
Powell Station	$179,130
24th Street Mission Station	179,130
16th Street Mission Station	89,767
Pit Stop Monitoring Subtotal	*$448,027*
Indirect Costs (15%) – Rent, Utilities, Etc.	66,973
Total Uses	**$515,000**

According to Mr. Macaulay, sufficient funding is available in the Public Works FY 2019-20 General Fund budget for the City's $257,500 matching fund requirement.

RECOMMENDATION

Approve the proposed resolution.

Items 6 and 7 **Files 19-1178 & 19-1185**	**Department:** Port Commission (Port)

EXECUTIVE SUMMARY

Legislative Objectives

- File 19-1185 is a resolution authorizing the Port of San Francisco (Port) to issue up to $27,000,000 in 2020 refunding revenue bonds to refund outstanding Series 2010A and 2010B Port revenue bonds. File 19-1178 is an ordinance (a) appropriating $29,978,864 from a combination of 2020 refunding revenue bond proceeds and Series 2010 revenue bond debt service reserve fund, and de-appropriating $1,920,024 from the scheduled March 1, 2020 debt service payment on the Series 2010 Port revenue bonds, totaling $31,898,888; and (b) re-appropriating $31,898,888 to repay the 2010 Port revenue bonds.

Key Points

- In November 2009, the Board of Supervisors approved the issuance of up to $45,000,000 in Port revenue bonds and the appropriation of $33,395,571 in bond proceeds to partially finance seven Port repair and renovation projects, including the James R. Herman Cruise Terminal at Pier 27. The Port issued $36,650,000 in bonds under this authorization.
- Port staff and financial advisors have determined that the Port may achieve significant debt service savings by refinancing the 2010 revenue bonds on March 1, 2020. In October 2019, the Port Commission approved the issuance of $27,000,000 in new revenue bonds to refinance the remaining balance of the 2010 revenue bonds.
- The anticipated bond proceeds of $27,131,937 exceed the authorized par amount of $27,000,000 in the proposed resolution. This is because the 2020 refunding revenue bonds may be structured as premium bonds, in which investors would be willing to pay more than the bonds' face value. The premium payment may be accepted without violating the authorization granted in the proposed resolution.

Fiscal Impact

- Based on current bond market conditions, the revenue bond refinancing authorized by the proposed resolutions is estimated to result in approximately $11.7 million in debt service savings over the 20-year period from March 2020 through March 2040. Using an estimated discount rate of 2.71 percent, the Port would have an estimated total net present value savings of approximately $9.4 million.
- The proposed appropriation includes $30,849,669 to repay the 2010 bonds, $306,041 for the costs of issuance for the new bonds, $117,710 for the underwriter's discount, and $625,468 as a reserve for market uncertainty. The $2,846,927 debt service reserve fund included with the 2010 bonds can be used to partially repay the bonds.

Recommendation

- Approve the proposed resolution and ordinance.

MANDATE STATEMENT

City Charter Section 9.107(4) and City Administrative Code Section 43.12.5(a) state that each revenue bond issuance by the Port Commission for any Port-related purpose is subject to Board of Supervisors approval.

BACKGROUND

In November 2009, the Board of Supervisors approved the issuance of up to $45,000,000 in Port of San Francisco (Port) revenue bonds (File 09-1273, Resolution 469-09) and the appropriation of $33,395,571 in bond proceeds to partially finance seven Port repair and renovation projects, including the James R. Herman Cruise Terminal at Pier 27 (File 09-1274, Ordinance 257-09). In February 2010, the Port issued approximately $36.7 million in revenue bonds under this authorization. The 2010 revenue bonds were structured to allow the Port Commission to redeem any or all of the remaining outstanding bonds at any time on or after March 1, 2020.

Port staff and financial advisors have determined that the Port may achieve significant debt service savings by refinancing the 2010 revenue bonds on March 1, 2020. Port staff estimates that the refinancing would save approximately $11.7 million over the remaining life of the bonds, or $9.4 million in net present value savings, based on the Port's current market conditions and the Port's current credit rating[1]. On October 22, 2019, the Port Commission approved the issuance of up to $27 million in new 2020 Port revenue bonds to refinance the remaining balance of the 2010 Port revenue bonds.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution (File 19-1185) and ordinance (File 19-1178) would:

1. Authorize the Port to issue up to $27,000,000 in 2020 refunding revenue bonds (File 19-1185); and
2. (a) Appropriate $29,978,864 from a combination of 2020 bond proceeds and the 2010 bond's debt service reserve fund; (b) de-appropriate $1,920,024 from the scheduled March 1, 2020 debt service payment on the 2010 Port revenue bonds; and (c) re-appropriate $31,898,888 to repay the 2010 revenue bonds. (File 19-1178)

The 2020 bonds would be issued in two series: Series 2020A, a tax-exempt issue with an estimated $14.0 million of proceeds; and Series 2020B, a taxable issue, with an estimated $13.1 million. The total 2020 bond proceeds are estimated to be $27.1 million.[2] The bonds would be fully repaid by 2040, which is the same repayment timeline as the outstanding 2010 bonds.

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[1] The Port is currently rated A by Fitch and Standard & Poor's and A1 by Moody's. In conjunction with the refinancing, the rating analysts will affirm or change the current ratings in January 2020, closer to the time of the sale of bonds.

[2] The Series 2020A tax-exempt bonds will refund revenue bonds originally issued for the Pier 27 Cruise Ship Terminal, Crane Cove Park, Piers 19/23 planning and roof replacement, Pier 35 superstructure and substructure

The 2010 revenue bonds included a debt service reserve fund of $2,846,927. According to Ms. Katharine Petrucione, Port Deputy Director of Finance and Administration, the reserve fund was required due to market conditions at that time, to repay bondholders in the event the Port defaults on its debt. According to Ms. Petrucione, due to changes in market conditions, a reserve fund will likely not be needed for the new 2020 revenue bonds. The balance of $2,846,927 may be used to partially repay the 2010 bonds.

Bond Issuance Amount

The anticipated receipt of bond proceeds of $27,131,937 exceeds the Board authorized issuance amount of $27,000,000 in the proposed resolution (File 19-1185). According to Ms. Anna Van Degna, Director of the Controller's Office of Public Finance, this is because the 2020 bonds may be structured as premium bonds, in which investors would be willing to pay more than the face value of the bonds. With premium bonds, investors receive a higher interest rate in exchange for paying a premium at issuance. According to Mr. Mark Blake, Deputy City Attorney, the premium payment in excess of $27,000,000 may be accepted without violating the authorization granted in the proposed resolution. Mr. Blake has conferred with the City's bond counsel and they agree with the conclusion on this point.

FISCAL IMPACT

The revenue bond refinancing authorized by the proposed resolution and ordinance would result in an estimated $11.7 million of debt service savings over the 20-year period from March 2020 through March 2040. Using an estimated annual discount rate of 2.71 percent, the Port would have total savings of approximately $9.4 million in net present value. According to Ms. Petrucione, based on current market conditions the 2020 bonds would have an estimated coupon rate of 4.27 percent, lower than the 5.75 percent coupon rate of the 2010 bonds. Annual estimated debt service payments and savings are shown in Table 1 below.

repairs and bathroom renovation, Pier 50 entryways, CEQA review, and bond issuance costs. The Series 2020B taxable bonds will refund revenue bonds originally issued for the Pier 27 Cruise Ship Terminal, Pier 19/23 planning and roof replacement, Crane Cove Park, Pier 33.5 bulkhead improvements, Pier 50 entryways, Pier 94 backlands leasing improvements, Piers 30/32 repairs and improvements, Piers 29.5/31 building and roof improvements, CEQA review, and bond issuance costs. According to Ms. Petrucione, the Port's bond counsel determined that bonds issued for the aforementioned projects were taxable because they included private use.

Table 1: Port Debt Service Payments and Savings

Year[3]	Current Prior Debt Service Payment	Estimated New Debt Service Payment	Estimated Gross Savings	Estimated Net Present Value Savings
2021	$2,844,342	$2,099,474	$744,868	$729,017
2022	2,845,482	2,070,544	774,938	738,486
2023	2,846,370	2,069,838	776,532	720,064
2024	2,841,658	2,062,149	779,509	703,318
2025	2,846,345	2,067,558	778,787	683,704
2026	2,844,381	2,066,125	778,256	664,769
2027	2,844,743	2,067,477	777,266	645,920
2028	2,841,956	2,066,965	774,991	626,533
2029	2,845,649	2,068,865	776,784	610,879
2030	2,844,713	2,068,641	776,071	593,663
2031	1,853,775	1,456,250	397,525	296,181
2032	1,851,119	1,451,500	399,619	289,776
2033	1,850,644	1,449,750	400,894	282,922
2034	1,852,094	1,455,750	396,344	272,232
2035	1,855,213	1,459,000	396,213	264,855
2036	1,854,744	1,454,500	400,244	260,378
2037	1,850,688	1,452,500	398,188	252,098
2038	1,853,044	1,452,750	400,294	246,633
2039	1,851,300	1,450,000	401,300	240.617
2040	1,855,456	1,454,250	401,206	234,101
Total	**$46,973,715**	**$35,243,887**	**$11,729,827**	**$9,353,426**

**Totals may not add due to rounding*

According to Ms. Petrucione, the Port Harbor Fund is used for debt service payments and would therefore achieve savings through the bond refinance. The savings would likely be used for capital improvements of the Port.

The estimated sources and uses of the proposed bond refinance are shown in Table 2 below.

Table 2: Estimated Sources and Uses of Proposed Bond Refinance

Estimated Sources	Amount
2020 Revenue Bond Proceeds	$27,131,937
2010 Revenue Bond Debt Service Reserve Fund	2,846,927
2010 Revenue Bond Debt Service Payment	1,920,024
Total Estimated Sources	**$31,898,888**

Estimated Uses	Amount
2010 Revenue Bond Repayment[4]	$30,849,669
2020 Revenue Bond Cost of Issuance	306,041
Underwriter's Discount	117,710
Reserve for Market Uncertainty	625,468
Total Estimated Uses	**$31,898,888**

[3] Debt service payments are due March 1st of each year.

[4] The estimated repayment of $30,849,669 includes the outstanding 2010 bonds principal of $29,865,000 and an interest payment of $984,669.

According to Ms. Petrucione, the $625,468 reserve for market uncertainty is included in the appropriation as a cushion in case the interest rates are higher than anticipated, or in case the bond proceeds amount is less than anticipated.

RECOMMENDATION

Approve the proposed resolution and ordinance.

Items 8 & 9 **Files 19-1240 and 19-1241**	**Department:** Human Services Agency (HSA)

EXECUTIVE SUMMARY

Legislative Objectives

- File 19-1240: The proposed resolution would approve the first modification of the grant between the City and Children's Council of San Francisco for the provision of Early Care Education Integrated Services to support the City's implementation of the San Francisco Citywide Plan for Early Care and Education. The modification would extend the grant term by two years for a total term from July 1, 2017 through June 30, 2022, and increase the grant amount by $178,410,733, from $197,641,712 to $376,052,445.
- File 19-1241: The proposed resolution would approve the second modification to the grant agreement between the City and Wu Yee Children's Services for the provision of Early Care Education Integrated Services to support the City's implementation of the San Francisco Citywide Plan for Early Care and Education. The modification would extend the grant term by two years for a total term from July 1, 2017 through June 30, 2022, and increase the amount by $36,251,054, from $39,559,034 to $75,810,088.

Key Points

- In June 2017 the Board of Supervisors approved two grant agreements between the Human Services Agency (HSA) and two early child care service providers: Children's Council of San Francisco; and Wu Yee Children's Services. The Children's Council and Wu Yee provide subsidies to low income families with children 0 - 5 years old, stipends for child care workers, and administrative services related to provision of these funds. In FY 2019-20, approximately 5,200 families will receive childcare subsidies, averaging $12,331 per family; and 2,176 childcare workers received wage stipends of $3,260 each.

Fiscal Impact

- Total actual and projected grant funding from FY 2017-18 through FY 2021-22 to the Children's Council is $376,052,445; and to Wu Yee is $75,810,088. Approximately 19 percent of grant funds are State and Federal funds, while the remaining 81 percent are City funds.

Recommendation

- Approve the proposed resolutions.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of $10 million or more, or (3) requires a modification of more than $500,000 is subject to Board of Supervisors approval.

BACKGROUND

Existing grant agreements for early child care services

In June 2017 the Board of Supervisors approved two grant agreements between the Human Services Agency (HSA) and two early child care service providers: (1) a $204.2 million grant for Children's Council of San Francisco (File 17-0589) and (2) a $31.2 million grant for Wu Yee Children's Services (File 17-0590). The final grant award to the Children's Council was for $197,641,712, which is less than the amount approved by the Board of Supervisors due to last-minute negotiated changes with the provider. In June 2019 the Board of Supervisors approved a modification to the agreement with Wu Yee to increase the grant amount to $39,559,034 (File 19-0456).

The target population for both grants is children ages 0 to 5. The agreements each had a three year term, from July 1, 2017 through June 30, 2020 and HSA has the option to extend each agreement for an additional two years through June 2022.

According to documents provided by HSA, both grantees are in conformance with City monitoring requirements for FY 2017-18 and FY 2018-19 and both grantees met their performance and contract objectives during the same period.

DETAILS OF PROPOSED LEGISLATION

File 19-1240: The proposed resolution would approve the first modification of the grant between the City and Children's Council of San Francisco for the provision of Early Care Education Integrated Services to support the City's implementation of the San Francisco Citywide Plan for Early Care and Education. The modification would extend the grant term by two years for a total term from July 1, 2017 through June 30, 2022, and increase the grant amount by $178,410,733, from $197,641,712 to $376,052,445.

File 19-1241: The proposed resolution would approve the second modification to the grant agreement between the City and Wu Yee Children's Services for the provision of Early Care Education Integrated Services to support the City's implementation of the San Francisco Citywide Plan for Early Care and Education. The modification would extend the grant term by two years for a total term from July 1, 2017 through June 30, 2022, and increase the amount by $36,251,054, from $39,559,034 to $75,810,088.

The proposed modifications were approved by the Human Services Agency Commission on November 21, 2019.

Details of Services

According to the existing grant agreements, the Children's Council and Wu Yee provide subsidies to low income families with children 0 - 5 years old, stipends for child care workers, and administrative services related to provision of these funds.

Family subsidies

The grant agreements provide child care subsidies to eligible families. According to data provided by HSA, 5,163 families received childcare subsidies in FY 2018-19 at an average subsidy of $10,840 per family and a total cost of $55.97 million. Approximately 5,200 families are projected to receive childcare subsidies in FY 2019-20 at an average subsidy of $12,331 per family and a total projected cost of $64.1 million. The number of families receiving subsidies is expected to remain 5,200 during the proposed two year extension.

Child care worker stipends

Under the existing grant agreements, the grantees began providing child care workers with stipends in FY 2019-20. In the Fall of 2019, the grantees provided 2,176 child care workers stipends of $3,260 each, at total cost of approximately $7.1 million. The budget for the proposed grant modifications shows $20.9 million allocated for child care worker stipends through the proposed two year term extension, or approximately $10.45 million per year. The number of future stipend awards and their amounts will be determined by the number of educator applicants.

Administrative services

In addition, both grantees provide administrative services related to family subsidies, including informing parents of federal, state, and local assistance with childcare reimbursements through outreach and engagement, overseeing client eligibility and enrollment, overseeing child care provider services, rate setting for subsidy payments according to state and local policies, administering and issuing provider payments, administering background clearances of license-exempt child care providers, and tracking and reporting on utilization.

FISCAL IMPACT

The proposed resolutions would amend the grant agreements to increase the grant amounts with the Children's Council by $178,410,733 and with Wu Yee and $36,251,054, for a total increase of $214,661,787. The funds account for the two year extension of services and related operations at each of the grantees. Tables 1 and 2 below show actual and proposed spending for each grantee.

Table 1: Actual Spending and Proposed Budget for Children's Council Grant

	FY 2017-18 (Actual)	FY 2018-19 (Actual)	FY 2019-20 (Projected)	FY 2020-21 (Proposed)	FY 2021-22 (Proposed)	Total
Salaries & Benefits	$3,691,785	$4,371,533	$4,850,519	$4,858,010	$4,865,727	$22,637,573
Operating Expenses	1,263,494	1,704,132	1,495,543	1,480,543	1,484,178	7,427,890
Indirect Costs	564,186	685,398	758,304	763,102	764,407	3,535,397
Capital Expenditure	796	8,215	$0	$0	0	9,010
Direct Client Pass-Through[1]	47,851,446	51,508,595	75,473,294	76,351,516	71,624,092	322,808,943
Subtotal	*53,371,706*	*58,277,873*	*82,577,660*	*83,453,171*	*78,738,404*	*356,418,814*
Contingency [a]	0	0	3,414,473	8,345,317	7,873,840	19,633,631
Total Uses	**$53,371,706**	**$58,277,873**	**$85,992,133**	**$91,798,488**	**$86,612,244**	**$376,052,445**

Source: Human Services Agency

[a] Approximately 10% in FY 2020-21 and FY 2021-22

Table 2: Actual Spending and Proposed Budget for Wu Yee Grant

	FY 2017-18 (Actual)	FY 2018-19 (Actual)	FY 2019-20 (Projected)	FY 2020-21 (Proposed)	FY 2021-22 (Proposed)	Total
Salaries & Benefits	$993,264	$1,205,643	$1,445,906	$1,458,882	$1,472,247	$6,575,943
Operating Expenses	321,031	224,901	223,020	225,155	227,355	1,221,462
Indirect Costs	200,468	214,906	250,339	252,606	254,940	1,173,259
Capital Expenditure	12,410	0	0	0	0	12,410
Direct Client Pass-Through	9,625,454	11,085,079	13,544,420	14,221,641	14,932,723	63,409,317
Subtotal	*11,152,627*	*12,730,529*	*15,463,685*	*16,158,284*	*16,887,265*	*72,392,391*
Contingency [a]	0	0	113,142	1,615,828	1,688,727	3,417,697
Total Uses	**$11,152,627**	**$12,730,529**	**$15,576,827**	**$17,774,112**	**$18,575,992**	**$75,810,088**

Source: Human Services Agency

[a] Approximately 10% in FY 2020-21 and FY 2021-22

Over the five-year terms of the grant agreements, approximately 91 percent of the budgeted funds are a direct client pass-through. Between FY 2018-19 and FY 2019-20, direct client pass-through costs increased by $24 million at the Children's Council and by $2.5 million at Wu Yee, or a total of $26.4 million. As shown in the tables above, this higher level of spending is budgeted in the proposed two year extension. According to data provided by HSA, the higher level of direct client pass through spending is attributable to higher amounts of subsidies for families and the introduction of the child care worker stipend program.

The sources for the two grants are shown in Table 3 below.

[1] Direct client pass through consists of child care subsidies and early educator child care stipends

Table 3: Funding Sources for Children's Council and Wu Yee Grants

	Children's Council	Wu Yee	Total
Federal Sources	$24,757,604	$818,638	$25,576,242
State Funding	55,130,008	20,149	55,150,157
Subtotal Federal & State	$79,887,612	$838,787	$80,726,399
General Funds	118,303,084	33,015,604	151,318,688
DCYF Funding	158,228,116	38,538,001	196,766,117
Subtotal City Funds	$276,531,200	$71,553,605	$348,084,805
Subtotal All Funds	356,418,812	72,392,392	428,811,204
Contingency	19,633,633	3,417,696	23,051,329
Total	**$376,052,445**	**$75,810,088**	**$451,862,533**

Source: Human Services Agency

Approximately $80,726,399 or 19 percent are State and Federal funds, while the remaining $348,084,805 or 81 percent are City funds. The budgeted contingency of $23,051,329 is City General Fund.

RECOMMENDATION

Approve the proposed resolutions.

Item 11 **File 19-1261**	**Department:** Department of Children, Youth and their Families (DCYF)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance appropriates $2,700,000 of the General Reserve to support the reinstatement of Spring 2020 classes at City College of San Francisco. The ordinance requires that the transfer of funds be subject to an agreement between the City (through the Department of Children, Youth, and Their Families) and City College that includes requirements to (1) use the funds for class reinstatement, (2) submit a report to the Board of Supervisors by June 30, 2020 documenting the reinstated classes and associated enrollment numbers, and (3) return any funds not used for class reinstatement or preparation of the associated report by August 30, 2020.

Key Points

- City College of San Francisco is a public community college in San Francisco. According to a November 21, 2019 official statement from the City College of San Francisco's Office of the Chancellor, City College removed approximately 225 credit sections and 63 non-credit sections from the Spring 2020 schedule, as well as reduced the summer class schedule by 25 percent, in an effort to curtail a projected $13 million budget deficit for the 2019-2020 fiscal year.

Fiscal Impact

- The proposed ordinance would appropriate $2,700,000 of the General Reserve to the City College of San Francisco (through the Department of Children, Youth, and Their Families). According to the FY 2018-19 Comprehensive Financial Annual Financial Statement, there was $130.9 million in the City's General Reserve available for appropriation as of June 30, 2019

Recommendation

- Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

MANDATE STATEMENT

City Charter Section 2.105 states that all legislative acts shall be by ordinance, approved by a majority of the members of the Board of Supervisors.

BACKGROUND

City College of San Francisco is a public community college in San Francisco. According to a November 21, 2019 official statement from the City College of San Francisco's Office of the Chancellor, City College removed approximately 225 credit sections and 63 non-credit sections from the Spring 2020 schedule, as well as reduced the summer class schedule by 25 percent, in an effort to curtail a projected $13 million budget deficit for the 2019-2020 fiscal year. Credit and non-credit subject areas impacted by the cuts include art, dance, music and offerings for older adults.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance appropriates $2,700,000 of the General Reserve to support the reinstatement of Spring 2020 classes at City College of San Francisco. The ordinance requires that the transfer of funds be subject to an agreement between the City (through the Department of Children, Youth, and Their Families) and City College that includes requirements to (1) use the funds for class reinstatement, (2) submit a report to the Board of Supervisors by June 30, 2020 documenting the reinstated classes and associated enrollment numbers, and (3) return any funds not used for class reinstatement or preparation of the associated report by August 30, 2020.

FISCAL IMPACT

Table 1 below summarizes the proposed appropriation of $2,700,000.

Table 1: Appropriation of $2,700,000 to City College of San Francisco

Sources	
General Reserve	$2,700,000
Total Sources	**$2,700,000**
Uses	
Appropriation	
Department of Children, Youth and their Families – City College Enrollment Assistance Fund	$2,700,000
Total Uses	**$2,700,000**

According to the FY 2018-19 Comprehensive Financial Annual Financial Statement, there was $130.9 million in the City's General Reserve available for appropriation as of June 30, 2019.[1]

[1] The General Reserve is intended to address revenue weaknesses, expenditure overages, or other programmatic goals not anticipated during the annual budget process. City Administrative Code Section 10.60(b) provides for the

RECOMMENDATION

Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

General Reserve to be no less that 2.5 percent of budgeted regular General Fund revenues in FY 2018-19, increasing to 2.75 percent of budgeted regular General Fund revenues in FY 2019-20.