

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST

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REVISED

January 6, 2012

TO: Budget and Finance Committee
FROM: Budget and Legislative Analyst
SUBJECT: January 11, 2012 Budget and Finance Committee Meeting

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Item 3 File 11-1208	Department: Human Services Agency Department of Aging and Adult Services Public Administrator/Public Guardian
EXECUTIVE SUMMARY	
<p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance would amend the San Francisco Administrative Code by adding Section 10.100-190 to create a Public Guardian/Public Administrator Gift Fund. <p>Key Points</p> <ul style="list-style-type: none"> • The Public Guardian/Public Administrator is responsible for investigating cases where physical and mental limitations make San Francisco residents unable to handle basic personal and financial needs. If no relatives or other responsible parties can assume responsibility for the individual, the San Francisco Superior Court, under the authority of the California State Probate Code, can appoint the Public Guardian's Office to serve as the conservator for the individual. • The Hospital Council of Northern and Central California (Hospital Council) is a nonprofit organization that represents hospitals in San Francisco, who currently make referrals to the Public Guardian's Office, in order to transfer individuals who need conservatorship, due to advanced dementia, organic brain trauma, developmental disabilities, and/or other cognitive impairments, from acute care hospitals to alternative long-term care facilities. • The proposed ordinance would provide a financing mechanism for the Hospital Council to pay the City's Public Guardian to provide expedited and comprehensive investigation services on all referrals. <p>Fiscal Impacts</p> <ul style="list-style-type: none"> • The Public Guardian's Office currently completes approximately 125 investigations each year, at a cost of approximately \$8,000 per investigation, or a total cost of approximately \$1,000,000, which is primarily funded through the City's General Fund. • Currently, investigations take an average of 90 days to complete. Under a proposed agreement between the Public Guardian's Office and the Hospital Council, investigations would be completed within 30 days, an average reduction of 60 days. • The Public Guardian estimates completing approximately 50 conservator investigations referred by the Hospital Council in the first year, or based on \$8,000 per referral, a total of approximately \$400,000 into the new Public Guardian/Public Administrator Gift Fund, with four new dedicated positions, which were approved in the FY 2011-12 budget. • To date, the Public Guardian has not collected any additional revenues from the Hospital Council and none of the four positions in the FY 2011-12 budget have been filled. <p>Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed ordinance. 	

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

Charter Section 2.105 provides that all legislative acts in San Francisco be by ordinance, subject to approval by a majority of the Board of Supervisors.

In accordance with San Francisco Administrative Code Section 10.100-305, the Board of Supervisors authorizes the creation of gift funds as category eight funds, for the purpose of accepting gifts of cash or goods which may from time to time be offered to the City and County of San Francisco through any department, board or commission, for the benefit of the designated department, board or commission and for the purposes as specified by the donors. In accordance with Administrative Code Section 10.100-1, category eight funds are (a) automatically appropriated for expenditures consistent with the purpose of the fund, (b) accumulate interest provided that the balance in the fund exceeds \$50,000, and (c) any unexpended and unencumbered balance at the end of the fiscal year is carried forward in the fund to the following fiscal year.

Background

Among other responsibilities, the City's Public Guardian/Public Administrator is responsible for investigating cases where physical and mental limitations make San Francisco residents unable to handle basic personal and financial needs. Persons with family or friends willing or able to act on their behalf as conservator do not require the City's Public Guardian services. However, if no relatives or other responsible parties can assume responsibility for the person, the San Francisco Superior Court, under the authority of the California State Probate Code, can appoint the Public Guardian's Office to serve as the conservator to these persons. To determine whether an individual needs a conservatorship based on referrals of individual cases, the Public Guardian:

- Assesses the physical, mental and financial needs of the conservatee;
- Ensures appropriate medical care, social work services, money management services and budgeting;
- Locates appropriate housing or shelter;
- Establishes eligibility for government and private benefit programs;
- Develops a comprehensive care plan encompassing both immediate and long term care, including board and care homes, independent living situations, assisted housing and long term care facilities;
- Locates all assets and income and arranges for the storage, sale and/or disposal of real and personal property through sale, public auction or disbursement to relatives, when appropriate; and
- Advises, collaborates, confers and advocates on behalf of the conservatee to government agencies, private parties, relatives and any other individual or entity.

The Hospital Council of Northern and Central California (Hospital Council) is a nonprofit organization that represents hospitals in northern and central California, including all of the hospitals in San Francisco. Currently, individual hospitals in San Francisco make referrals to the Public Guardian's Office for individuals that are hospitalized and need conservatorship due to advanced dementia, organic brain trauma, developmental disabilities, and/or other cognitive impairments.

Ms. Shireen McSpadden, the Deputy Director of the Department of Aging and Adult Services, advises that she has been in discussion with the Hospital Council regarding individuals who are currently hospitalized in acute care hospital beds in San Francisco who should instead be transferred into alternative long-term care or skilled nursing facilities, but who require conservatorship, before such a transfer can be completed. According to Ms. McSpadden, allowing such individuals to remain in acute care hospitals is not preferred by patients with advanced cognitive impairments, and is very costly for San Francisco's hospitals. As a result, the Hospital Council, on behalf of the hospitals in San Francisco, is requesting that the City expedite the conservatorship investigations, in order to move patients, who are not in need of acute care beds, into alternative long term care facilities. Ms. McSpadden advises that the proposed ordinance is intended to provide a financing mechanism for the Hospital Council to pay the City's Public Guardian to provide such expedited investigation services for those referrals made by participating hospitals in San Francisco.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would amend the City's Administrative Code by adding Section 10.100-190 to create a Public Guardian/Public Administrator Gift Fund as a category eight fund, which as specified above, allows for automatic appropriation, the accumulation of interest, and the carry forward of any fund balance.

In accordance with the proposed ordinance, the proposed Public Guardian/Public Administrator Gift Fund would receive all monies donated to the Public Guardian's Office, to be administered and expended for purposes jointly designated by the Public Guardian and the Director of the Department of Aging and Adult Services. The proposed ordinance specifies that the subject new Public Guardian/Public Administrator Gift Fund be used primarily to increase and enhance conservatorship services for individuals who are unable to meet basic personal needs for health, food, clothing and shelter or who are substantially unable to manage their financial resources. To provide such conservatorship services, the Public Guardian/Public Administrator Gift Fund may be used to increase staff and other resources in the Public Guardian/Public Administrator's Office, to investigate and process conservatorships; assess physical, mental and financial needs; ensure appropriate medical care, social work services, and budgeting for conservatees; secure housing or shelter for conservatees; locate and manage the assets and income of conservatees; develop plans for both immediate and long-term care of conservatees; and advocate on behalf of conservatees to government agencies, private parties, relatives and other individuals.

FISCAL IMPACTS

Currently, Ms. McSpadden advises that the Public Guardian receives approximately 150 referrals annually to investigate the need for individual conservatorships, including approximately 100 annual referrals from hospitals and 50 annual referrals from other sources, such as Adult Protective Services and senior centers. According to Ms. McSpadden, the Public Guardian's Office completes approximately 125 investigations each year, at a cost of approximately \$8,000 per investigation, depending on the complexity of the referral, or a total cost of approximately \$1,000,000. Currently, these Public Guardian investigations are primarily funded through the City's General Fund.

Ms. McSpadden advises that each investigation involves searching for potential family members or others individuals willing or able to act on behalf of the individual, reviewing medical and other health records, talking with experts to ensure that the individual lacks decision-making capacity, completing an inventory of the individual's assets and liabilities, determining the level of care needed, setting up a care and placement plan and preparing the petition for Superior Court. Currently, Ms. McSpadden estimates that these investigations take an average of 90 days to complete, from the time the Public Guardian receives the referral until the Superior Court appoints the Public Guardian as the conservator for the individual. According to Ms. McSpadden, once the Public Guardian is appointed as the conservator, the Public Guardian is able to access other funding sources, such as MediCal, Social Security Income (SSI) or other revenue sources to fund the long term care and other services provided to the individuals.

Ms. McSpadden advises that if the proposed ordinance is approved, the Hospital Council would pay the Public Guardian a flat fee of \$8,000 per referral, to be deposited into the subject new Public Guardian/Public Administrator Gift Fund, if the Public Guardian completes the necessary investigation and files conservatorship documents with the Superior Court, as appropriate, within 30 days of the hospital's referral. Given the above-noted average of 90 days to currently complete an investigation, the proposed additional Hospital Council funding is intended to expedite these investigations, by reducing the time by approximately 60 days to within 30 days.

Ms. McSpadden estimates that the Public Guardian would be able to complete approximately 50 conservator investigations on behalf of the Hospital Council in the first year, or based on \$8,000 per referral, a total of approximately \$400,000 into the new Public Guardian/Public Administrator Gift Fund.

The Budget and Legislative Analyst notes that the FY 2011-12 Human Services Agency budget currently includes a \$327,614 Gift Fund from the Hospital Council, and includes the following four additional new positions to undertake this proposed new work:

1 1458 Legal Secretary;
1 1873 Legal Assistant; and
2 4230 Estate Investigators.

In FY 2011-12, these four positions are budgeted at \$227,786 for salaries, plus \$79,725 for fringe benefits, or a total of \$307,511. Although this funding and the four positions are included

in the FY 2011-12 budget, Ms. McSpadden advises that to date, the Public Guardian has not collected any additional revenues from the Hospital Council and none of these four positions have been filled.

If the proposed ordinance is approved to establish the subject new Public Guardian/Public Administrator Gift Fund, Ms. McSpadden advises that the Public Guardian/Public Administrator's Office would enter into a one-year agreement with the Hospital Council to specify the major parameters, including (a) within two days of receipt of a written referral of a patient to the City by a participating hospital, the City shall assign a Deputy Public Conservator to investigate, recommend and process the conservatorship, if appropriate; and b) the Hospital Council would compensate the City a flat fee of \$8,000 per referral, if the Public Guardian files with the Superior Court for conservatorship, where appropriate, within 30 days of the hospital's referral.

Currently, the Public Guardian has a total of 23 staff to conduct the required investigations to determine conservatorship and to provide ongoing services for conservatees. Ms. McSpadden advises that if the proposed ordinance is approved, such that the four new positions would be dedicated to the Hospital Council referrals, the existing 23 staff would also be able to more quickly expedite the remaining referrals for conservatorship, to reduce the current average of 90 days to complete each investigation.

Although the proposed new Public Guardian/Public Administrator Gift Fund would be a category eight fund, which allows for automatic appropriation, the accumulation of interest, and the carry forward of any fund balance, as noted above, this funding source and positions to be funded with these revenues would be included in the annual budget for the Human Services Agency.

RECOMMENDATION

Approve the proposed ordinance.

Items 4, 5 and 6
Files 11-1241, 11-1242 and 11-1243

Department(s):
 Treasure Island Development Authority (TIDA)

EXECUTIVE SUMMARY

Legislative Objectives

- File No. 11-1241: The proposed resolution would approve the 36th Amendment to the Treasure Island Land and Structures Master Lease between the Treasure Island Development Authority (TIDA) and the U.S. Navy to add Building 449 located at Avenue C and 4th Street.
- File No. 11-1242: The proposed resolution would authorize the execution of the Second Amendment to the Sublease between TIDA and Swords to Plowshares Inc., a non-profit organization, for the premises located at 1441 and 1443 Chinook Court.
- File No. 11-1243: The proposed resolution would authorize the execution of the Third Amendment to the Sublease between TIDA and Walden House for premises located at 1440 Chinook Court, and approve a Consent to Assignment to reassign the sublease to Walden House to Walden House/Haight Ashbury Free Clinics, Inc. recognizing the merger of Walden House and the Haight/Ashbury Free Clinics.

Key Points

- File No. 11-1241: On November 19, 1998, TIDA and the U.S. Navy (a) entered into a Land and Structures Master Lease to use and sublease certain land, structures, and facilities at no cost to TIDA.
- On September 1, 1999, TIDA entered into a Treasure Island Housing Lease with the US Navy for 375 housing units that TIDA could sublease to non-profits for affordable and supportive housing. The Treasure Island Housing Lease expires on August 31, 2014, as do the individual subleases between TIDA and non-profit organizations that provide housing assistance on Treasure Island.
- File No. 11-1242: On September 1, 1999, Swords to Plowshares Inc., a nonprofit organization, entered into a sublease with TIDA for 24 residential housing units and related property to provide emergency and supportive housing services for homeless veterans and counseling and mental health services.
- File No. 11-1243: On September 1, 1999, Walden House, a nonprofit organization, entered into a sublease with TIDA for 14 residential housing units and related property for formerly homeless, rehabilitative housing, which was subsequently amended to increase the number of residential housing units by 18 units for a total of 32 housing units.

Fiscal Analysis

- File No. 11-1241: TIDA would lease Building 449 at no additional rental cost to TIDA. While minor utilities cost would accrue until the property is leased, TIDA estimates that the commercial lease of Building 449 will result in approximately \$75,000 annually for TIDA.
- File No. 11-1242: Under the proposed Second Amendment, Common Area Maintenance charges and utility charges paid by Swords to Plowshares Inc. to TIDA would increase from \$7,267 per month to \$10,900 per month, or a total increase \$3,633 per month, or \$43,596 annually.
- File No. 11-1243: Under the proposed Third Amendment, the Common Area Maintenance charges and utility charges paid by Walden House/Haight Ashbury Free Clinics, Inc. would increase from \$9,675 per month to \$11,492 per month, or a total increase of \$1,817 per month or \$21,804 annually.

Recommendation

- Approve the three proposed resolutions.

MANDATE STATEMENT/ BACKGROUND

Mandate Statement

In accordance with Charter Sections 9.118(b) and 9.118(c) and Treasure Island Development Authority Bylaws Article V Section 2(l), any agreements or leases with a term of ten years or more and/or with more than \$10,000,000 of expenditures is subject to Board of Supervisors approval.

Background

File No. 11-1241: On November 19, 1998, the Treasure Island Development Authority (TIDA) and the U.S. Navy entered into a Land and Structures Master Lease to use and sublease certain land, structures, and facilities at no cost to TIDA.

As shown in the Table below, since 1998, there have been 35 amendments to the original Land and Structures Master Lease.

Table 1: Previous Amendments to the Land and Structures Master Lease

	Board of Supervisors Approval	File Numbers	Date
Amendments 1-29	No	None	Various
Amendments 30-32	Yes	09-0759, 09-0760, 09-0761	August 6, 2009
Amendment 33	Yes	09-1124	November 6, 2009
Amendment 34	Yes	10-0781	July 20, 2010
Amendment 35	Yes	11-0684	September 13, 2011

Treasure Island Housing Lease and Subleases

On September 1, 1999, TIDA entered into a Treasure Island Housing Lease with the US Navy for 375 housing units that TIDA could then sublease to non-profits to provide affordable housing and supportive housing services. This Treasure Island Housing Lease with the US Navy expires on August 31, 2014.

File No. 11-1242: On September 1, 1999, Swords to Plowshares Inc., a nonprofit organization, entered into a sublease with TIDA for 24 residential housing units and related property to provide emergency and supportive housing services for homeless veterans and counseling and mental health services. The term of this original sublease was 15 years from September 1, 1999 through August 31, 2014, which included Common Area Maintenance fees and utility charges that covered the cost to TIDA of maintaining the 24 residential housing units, but did not require any rent to be paid by Swords to Plowshares Inc. to TIDA.

On April 11, 2007, a First Amendment to this sublease, approved by the Board of Supervisors (File 07-0706) increased utility charges from \$236.87 per unit per month to \$255 per unit per month.

File No. 11-1243: On September 1, 1999, Walden House, a nonprofit organization, entered into a sublease with TIDA for 14 residential housing units and related property to provide housing for formerly homeless individuals. The term of this original sublease was 15 years from September

1, 1999 through August 31, 2014 and included Common Area Maintenance fees and utility charges but did not require any rent to be paid by Walden House to TIDA.

The First and Second Amendments to this sublease¹ increased the number of residential housing units by a total of 18 units for a total of 32 housing units, and the Second Amendment (File 07-0707) increased the Common Area Maintenance charges from \$663 per month to \$1,515 per month to reflect the additional housing units and increased utility charges from \$236.87 per unit per month to \$255 per unit per month.

Haight Ashbury Free Clinic Separate Lease

In December of 2010, under a separate sublease with TIDA, the Haight Ashbury Free Clinic, a nonprofit organization, vacated all 32 of its residential housing units on Treasure Island, including the properties located at 1440, 1441, and 1443 Chinook Court, after losing its funding from the Department of Public Health. As of July 1, 2011, Walden House absorbed the Haight Ashbury Free Clinic and the resulting non-profit organization became the Walden House/ Haight Ashbury Free Clinics.²

DETAILS OF PROPOSED LEGISLATION

File 11-1241: The proposed resolution would approve the 36th Amendment to the Treasure Island Land and Structures Master Lease between TIDA and the U.S. Navy to add Building 449 located at Avenue C and 4th Street at no cost to TIDA.

Building 449 is a 13,000 square foot vacant concrete structure which TIDA intends to use for commercial leasing opportunities such as storage, light industrial, or warehouse space. Mr. Peter Summerville, Leasing Manager for TIDA, estimates that Building 449 will generate approximately \$75,000 in annual rent from the commercial leasing of the building. The TIDA Board of Directors approved the proposed 36th Amendment to the Land and Structures Master Lease on October 12, 2011.

File 11-1242: The proposed resolution would authorize the execution of the Second Amendment to the sublease between TIDA and Swords to Plowshares Inc. to add 1441 and 1443 Chinook Court to the sublease. 1441 and 1443 Chinook Court are both residential buildings consisting of six housing units each, for a total of 12 new housing units, located on the northwest side of Treasure Island. The addition of 12 housing units to the existing sublease of 24 housing units will provide Swords to Plowshares Inc. with a total of 36 housing units on Treasure Island. The proposed resolution would not change the term of the existing sublease between TIDA and Swords to Plowshares Inc., which expires on August 31, 2014.

File 11-1243: The proposed resolution would authorize the execution of the Third Amendment to the sublease between TIDA and Walden House to add 1440 Chinook Court to the sublease and approve a Consent to Assignment to assign the sublease from Walden House to the newly

¹ The First Amendment was approved by the TIDA Board on June 15, 2001 but was not required to be approved by the Board of Supervisors. The Second Amendment (File 07-0707) was approved by the Board of Supervisors on July 17, 2007.

² 1440, 1441, and 1443 Chinook Court were unoccupied for approximately eight months from January 2011 through August of 2011. As of September 1, 2011, these units were subleased under month-to-month space use permits to Swords to Plowshares and Walden House/Haight Ashbury Free Clinics, the proposed sublessees.

formed Walden House/Haight Ashbury Free Clinics, Inc. recognizing the merger of Walden House and the Haight/Ashbury Free Clinics.

1440 Chinook Court is a residential building consisting of six housing units, located on the northwest side of Treasure Island. The addition of six housing units to the existing sublease of 32 housing units will provide Walden House/Haight Ashbury Free Clinics with a total of 38 housing units on Treasure Island. The proposed resolution would not change the term of the existing sublease between TIDA and Walden House/Haight Ashbury Free Clinics, which expires on August 31, 2014.

FISCAL ANALYSIS

File 11-1241: In accordance with the proposed 36th Amendment of the Land and Structures Master Lease agreement, TIDA will acquire Building 449 at no cost. However, the Budget and Legislative Analyst notes that there will be unspecified costs to TIDA for monthly maintenance and utility expenses until a tenant subleases this commercial space from TIDA. According to Mr. Summerville, TIDA estimates that the commercial lease of Building 449 will result in approximately \$75,000 annually for TIDA.

Files 11-1242 and 11-1243: In accordance with the existing subleases, Swords to Plowshares Inc. and Walden House/Haight Ashbury Free Clinics do not currently pay any monthly rent to TIDA. However, both nonprofit organizations are currently charged utilities costs of \$255 per unit per month and Common Area Maintenance charges determined by the amount of space leased to cover TIDA's costs.

Table 2 below shows the current monthly costs, the proposed additional costs and the proposed total monthly costs for utilities and for the common area maintenance charges for each of the two nonprofit organizations:

Table 2: Current and Proposed Utility and Common Area Maintenance Rates				
		Current Monthly Costs	Proposed Additional Costs	Proposed Total Monthly Costs
11-1242	Swords to Plowshares Inc.			
	Utilities	\$6,120	\$3,060	\$9,180
	Common Area Maintenance Charges	1,147	573	1,720
	Total:	\$7,267	\$3,633	\$10,900
11-1243	Walden House / Haight Ashbury Free Clinics			
	Utilities	\$8,160	\$1,530	\$9,690
	Common Area Maintenance Charges	1,515	287	1,802
	Total:	\$9,675	\$1,817	\$11,492

As shown in Table 2 above, under the proposed Second Amendment, Common Area Maintenance charges and utility charges paid by Swords to Plowshares Inc. to TIDA would increase from \$7,267 per month to \$10,900 per month, or a total increase \$3,633 per month, or

\$43,596 annually. As also shown above in Table 2, under the proposed Third Amendment, the Common Area Maintenance charges and utility charges paid by Walden House/Haight Ashbury Free Clinics, Inc. would increase from \$9,675 per month to \$11,492 per month, or a total increase of \$1,817 per month or \$21,804 annually.

RECOMMENDATION

Approve the three proposed resolutions.

Items 7, 8 and 9
Files 11-1332, 11-1355 and 11-1363

Department:
 Port

EXECUTIVE SUMMARY

Legislative Objectives

- The Port is requesting (a) appropriation of \$4,442,514 of accrued and projected interest earnings from the Watermark Condominiums and Seawall Lot 330 sale proceeds to partially fund the development of the Port's Pier 27 Cruise Terminal and the Brannan Street Wharf Park (File 11-1332); (b) release of \$9,000,000 previously appropriated by the Board of Supervisors from the Watermark Condominiums and Seawall Lot 330 sale proceeds to partially fund the development of the Brannan Street Wharf Park (File 11-1363); and (c) release of \$8,450,894 previously appropriated by the Board of Supervisors from the Watermark Condominiums and Seawall Lot 330 sale proceeds to partially fund the development of the Port's Pier 27 Cruise Terminal (File 11-1355).
- The Port is also requesting appropriation of \$2,941,050 in Clean and Safe Neighborhood Park Bond proceeds to partially fund the development of the Brannan Street Wharf Park, which is the subject of Item 12, File 11-1334 of this report.

Key Points

- The new Pier 27 Cruise Terminal will be the Port's primary cruise terminal, replacing the existing cruise terminal on Pier 35, which has insufficient capacity for large cruise ships and has difficulty accommodating the operational security needs of the cruise industry. The Pier 27 Cruise Terminal project is a \$93.1 million development, funded by Watermark Condominiums and Seawall Lot 330 sales proceeds, 2010 Port Revenue Bonds, a planned 2012 General Obligation Bond issuance, General Fund contributions, reallocation of existing capital project funds, passenger facility charges, and other sources. The Host City and Venue Agreement (HVA) between the City and the 34th America's Cup Event Authority (Event Authority) gives the Event Authority use of Pier 27 during the 34th America's Cup in 2013. The Event Authority is required to contribute \$2 million to relocate shore power. According to Ms. Elaine Forbes, the Port's Deputy Director of Administration and Finance, the revised HVA and Disposition and Development Agreement, which will be considered by the Budget and Finance Committee in January 2012, removes the obligation of the Event Authority to demolish the shed on Pier 27.
- The Board of Supervisors determined that the Pier 27 Cruise Terminal project is fiscally feasible, in accordance with Administrative Code Chapter 29 (File 10-0920) in May 2011. At the time of the fiscal feasibility determination, the proposed Pier 27 Cruise Terminal budget was \$97.8 million, of which the City's obligations were \$90.3 million, and the Event Authority's obligations were \$7.5 million to relocate shore side power (\$2.0 million) and demolish the Pier 27 shed (\$5.5 million). The total Pier 27 Cruise Terminal project budget has decreased by \$4.7 million since the Board of Supervisors' determination of fiscal feasibility, from \$97.8 million to \$93.1 million. Budget reductions are due primarily to cost savings for demolishing the Pier 27 shed. However, the City's costs have increased by a net of \$0.8 million because the City has assumed Pier 27 shed demolition costs previously the responsibility of the Event Authority.
- The Brannan Street Wharf Park will be a new 57,000 square foot public park over the water and parallel to The Embarcadero between Piers 30-32 and Pier 38. The Brannan Street Wharf Park has estimated costs of \$25.9 million with expected completion by June 30, 2013.
- In 2003 the Board of Supervisors adopted an ordinance, (a) directing the Port to set aside Watermark Condominiums and Seawall Lot 330 sale proceeds and interest earnings to pay for the development of the Brannan Street Wharf Park and the Cruise Terminal, and (b) appropriating and placing on Budget and

Finance Committee reserve \$26,907,635 in sale proceeds (File 03-1229). The Budget and Finance Committee has previously approved release of \$9,456,741, retaining \$17,450,894 on reserve for the Cruise Terminal (\$8,450,894) and Brannan Street Wharf (\$9,000,000).

- The Port is requesting appropriation of \$4,442,514 in interest earnings on Seawall Lot 330 and Watermark Condominiums sale proceeds. Interest earnings include actual interest earnings to date, plus projected interest earning for the eighteen-month period from January 2012 through June 2013. The proposed appropriation ordinance would place the projected interest earnings on Controller's reserve. Under the proposed appropriation, (a) Brannan Street Wharf Park would receive \$3,224,951 in actual interest earnings and \$247,000 in projected interest earnings would be placed on Controller's reserve; and (b) the Cruise Terminal would receive \$603,560 in actual interest earnings and \$365,000 would be placed on Controller's reserve.

Fiscal Impacts

- The Phase I budget of the Pier 27 Cruise Terminal project is \$62,359,983. The Port currently has \$24,057,179 in available funding for the Cruise Terminal project. Approval of the proposed appropriation of interest earnings (\$603,563) and release of reserves (\$8,450,894) would provide \$9,054,457 in additional funding, resulting in total available funding of \$33,111,636, or 53 percent of the Phase I budget.
- The Port currently has \$19,788,020 million in available funds for development of the Brannan Street Wharf Park. If the Board of Supervisors approves Files 11-1332 and 11-1363, which are the subject of this report, and File 11-1334, the Brannan Street Wharf Park Project will have an additional \$6,413,001, resulting in total funding of \$25,954,021, which is the amount necessary to complete the project, as well as \$247,000 in Watermark Condominiums sale proceeds' interest earnings on Controller's reserve.

Policy Considerations

- Two appeals of the 34th America's Cup EIR are pending. Therefore, the requested release of \$8,450,894 currently on reserve to partially fund the Pier 27 Cruise Terminal project has been continued (File 11-1355). Due to the pending EIR appeals, the Budget and Legislative Analyst is recommending that the proposed appropriation ordinance be amended to (1) approve appropriation of \$3,471,951 to fund the Brannan Street Wharf Park project and place \$247,000 of the \$3,471,951 on Controller's reserve pending receipt of revenues, and (2) forward the requested appropriation of \$970,568 to fund the Pier 27 Cruise Terminal project to the Board of Supervisors without recommendation (File 11-1332)

Recommendations

- Continue File 11-1355 to release \$8,540,894 currently on reserve for the Pier 27 Cruise Terminal, until the pending appeals of the 34th America's Cup EIR are resolved.
- Amend File 11-1332 to approve appropriation of \$3,471,951 to fund the Brannan Street Wharf Park project and place \$247,000 of the \$3,471,951 on Controller's reserve pending receipt of revenues, and (2) forward the requested appropriation of \$970,568 to fund the Pier 27 Cruise Terminal project to the Board of Supervisors without recommendation.
- Approve File 11-1363 to release \$9,000,000 currently on reserve to fund the Brannan Street Wharf Park project.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

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

Administrative Code Section 3.3 provides that the Board of Supervisors' committee that has jurisdiction over the budget (i.e., Budget and Finance Committee) may place any proposed budget expenditures on reserve until released by the Budget and Finance Committee

Pier 27 Cruise Terminal

The new Pier 27 Cruise Terminal will be the Port's primary cruise terminal, replacing the existing cruise terminal on Pier 35, which has insufficient capacity for large cruise ships and has difficulty accommodating the operational security needs of the cruise industry. Pier 35 will serve as the secondary cruise facility for the Port. The Pier 27 Cruise Terminal project is a \$93.1 million development, funded by Watermark Condominiums and Seawall Lot 330 sales proceeds, 2010 Port Revenue Bonds, a planned 2012 General Obligation Bond issuance, General Fund contributions, reallocation of existing capital project funds, passenger facility charges, and other sources.

34th America's Cup Event Authority

The Host City and Venue Agreement (HVA) between the City and the 34th America's Cup Event Authority (Event Authority) gives the Event Authority use of Pier 27 during the 34th America's Cup in 2013. The Event Authority is required to contribute \$2 million to relocate shore power. According to Ms. Elaine Forbes, the Port's Deputy Director of Administration and Finance, the revised HVA and Disposition and Development Agreement, which will be considered by the Budget and Finance Committee in January 2012, removes the obligation of the Event Authority to demolish the shed on Pier 27. According to Ms. Forbes, the Port's decision to assume demolition costs was due to project schedule and site control requirements; also, the Port determined that paying Pier 27 shed demolition costs was preferable to repaying the Event Authority later, through rent credits.

Board of Supervisors Determination of Fiscal Feasibility

The Board of Supervisors determined that the Pier 27 Cruise Terminal project is fiscally feasible, in accordance with Administrative Code Chapter 29 (File 10-0920) in May 2011. At the time of the fiscal feasibility determination, the proposed Pier 27 Cruise Terminal budget was \$97.8 million, of which the City's obligations were \$90.3 million, and the Event Authority's obligations were \$7.5 million to relocate shore side power (\$2.0 million) and demolish the Pier 27 shed (\$5.5 million).

Pier 27 Cruise Terminal Budget

As reflected in the table below, the total Pier 27 Cruise Terminal project budget has decreased by \$4.7 million since the Board of Supervisors' determination of fiscal feasibility, from \$97.8 million to \$93.1 million. Budget reductions are due primarily to cost savings for demolishing the Pier 27 shed. However, the City's costs have increased by a net of \$0.8 million because the City has assumed Pier 27 shed demolition costs previously the responsibility of the Event Authority.

In order to meet the requirements for the 34th America's Cup, the Cruise Terminal Project will be divided into two phases:

- Phase I will involve construction of the core and shell of the facility including passenger circulation improvements such as escalators and elevators, completion of the interior of the facility, design and initial site improvement for an adjacent 2.5 acre waterfront park called the Northeast Wharf Plaza. Phase I will include minimal site improvements to allow the America's Cup Event Authority to install temporary tenant improvements for the America's Cup racing events. Phase I is expected to be completed in March 2013.
- Phase II will take place following completion of the America's Cup racing events. Phase II includes the build-out of offices for the U.S. Customs and Border Protection as well as the installation of a glass enclosure in the lobby, additional escalators, certain interior finishes and installation of maritime equipment and amenities necessary to create a modern cruise terminal. Phase II, at the Port's option, may also include related site improvements to the Northeast Wharf Plaza and the ground transportation area, pier repair work, and interior renovation of a portion of the adjacent Pier 29 shed. Phase II is expected to be completed in October 2014.

As shown in the table below, the \$4.7 million budget reduction resulted in a Phase I budget reduction of \$3.4 million due to cost savings for demolishing the Pier 27 shed and reductions in the contingency budget, offset by the transfer of \$1.4 million project in architectural design costs from Phase II to Phase I. As shown in the table, the transfer of architectural design costs to Phase I resulted in a Phase II budget reduction of \$1.4 million.

Changes in Cruise Terminal Project Budget Since Determination of Fiscal Feasibility (\$ millions)

	Original Budget			Revised Budget			Increase/ (Decrease)		
	Port	Event Authority	Total	Port	Event Authority	Total	Port	Event Authority	Total
Base Budget	58.2	0.0	58.2	59.2	0.0	59.2	1.0	0.0	1.0
Shore Side Power	0.0	2.0	2.0	0.0	2.0	2.0		0.0	0.0
Shed Demolition	0.0	5.5	5.5	1.2		1.2	1.2	(5.5)	(4.3)
Total Phase I	58.2	7.5	65.7	60.4	2.0	62.4	2.2	(5.5)	(3.3)
Total Phase II	32.1	0.0	32.1	30.8	0.0	30.8	(1.4)	0.0	(1.4)
Total Budget	90.3	7.5	97.8	91.1	2.0	93.1	0.8	(5.5)	(4.7)

Source: Port

Pier 27 Cruise Terminal Funding

The proposed Pier 27 Cruise Terminal project has identified \$86.2 million in funding sources, resulting in a shortfall of \$6.9 million in Phase II, compared to the current total budget of \$93.1 million. The current funding shortfall of \$6.9 million is \$5.0 million less than the estimated shortfall of \$11.9 million in the May 2011 Fiscal Feasibility Report. The Port reduced the projected Phase II shortfall by (1) increasing assumptions about revenue from the Passenger Facility Charge by \$2.8 million, (2) shifting \$1.4 million soft costs to Phase I and (3) reducing repayments of 2010 Revenue Bond funds by \$0.9 million. However, the budget continues to be preliminary as Port staff continues to review project sources and uses of funds.

Brannan Street Wharf Park

The Brannan Street Wharf Park will be a new 57,000 square foot public park over the water and parallel to The Embarcadero between Piers 30-32 and Pier 38. The major project components include a 400-foot length lawn area, a waterside walkway with seating, a shade structure, and a small-craft floating dock for kayaks and recreational water vessels. The Brannan Street Wharf Park has estimated costs of \$25.9 million with expected completion by June 30, 2013.

The park design and environmental review consistent with the California Environmental Quality Act (CEQA) is complete. Currently the project is under review by the California State Historic Preservation Officer (SHPO). The first phase of the project consists of the demolition of Pier 36 and will be undertaken by the Army Corps of Engineers. The demolition contract has been awarded by the Army Corps of Engineers and this phase of the project is expected to be completed by the end of May 2012.

The contract for the construction of the Brannan Street Wharf Park is currently out for bid, with bids due January 12, 2012. The Port anticipates awarding the contract in February 2012 with construction expected to begin in June 2012. According to the Host City and Venue Agreement, the Port is obligated to make the Brannan Street Wharf available to the Event Authority. The Brannan Street Wharf project must be completed by June 30, 2013 so that the Event Authority can use it as a public viewing space.

DETAILS OF LEGISLATION

In 2003 the Board of Supervisors adopted an ordinance, (a) directing the Port to set aside Watermark Condominiums and Seawall Lot 330 sale proceeds and interest earnings to pay for the development of the Brannan Street Wharf Park and the Cruise Terminal, and (b) appropriating and placing on Budget and Finance Committee reserve \$26,907,635 in sale proceeds (File 03-1229).

In June 2009 the Board of Supervisors appropriated \$1,622,880 in Watermark Condominiums and Seawall Lot 330 sale proceeds' interest earnings in the Port's FY 2009-10 budget to partially fund development of the Pier 27 Cruise Terminal.

Table 1 shows the total appropriation of Watermark Condominiums and Seawall Lot 330 sale proceeds and interest earnings to date.

Table 1
Appropriated Watermark Condominiums and Seawall Lot 330 Sale Proceeds and Interest Earnings

Watermark Condominium and Seawall Lot 330	Cruise Terminal	Brannan Street Wharf Park	Total
Sales Proceeds (File 03-1229)	\$17,907,635	\$9,000,000	\$26,907,635
Interest Earnings (FY 2009-10 Budget)	1,622,880	0	1,622,880
Total	\$19,530,515	\$9,000,000	\$28,530,515

Source: Budget and Legislative Analyst

In September 2011, the Budget and Finance Committee approved release of \$9,456,741 of the \$26,907,635 on reserve to partially fund the Pier 27 Cruise Terminal project, with the balance of \$17,450,894 remaining on reserve pending completion of the Environmental Impact Report (EIR) (File 11-0926). The Port Commission adopted the EIR on the Cruise Terminal project on December 16, 2011.

Table 2 shows the \$26,907,635 appropriation and the amount on reserve.

Table 2
Watermark Condominiums and Seawall Lot 330 Sale Proceeds' Appropriation and Reserves

Sales Proceeds	Appropriation	Release of Reserves (File 11-0926)	Appropriation on Reserve		
			Cruise Terminal	Brannan Street Wharf Park	Total
Seawall Lot 330	\$9,324,000	\$324,000	\$0	\$9,000,000	\$9,000,000
Watermark Condominiums	17,583,635	9,132,741	8,450,894	0	8,450,894
Total	\$26,907,635	\$9,456,741	\$8,450,894	\$9,000,000	\$17,450,894

Source: Budget and Legislative Analyst

Files 11-1363 and File 11-1355

The Port is now requesting release of the remaining reserve balance of \$17,450,894, including \$9,000,000 to partially fund development of the Brannan Street Wharf Park (File 11-1363), and \$8,450,894 to partially fund the Pier 27 Cruise Terminal project (File 11-1355).

File 11-1332

The Port is requesting appropriation of \$4,442,514 in interest earnings on Seawall Lot 330 and Watermark Condominiums sale proceeds. Interest earnings include actual interest earnings to date, plus projected interest earning for the eighteen-month period from January 2012 through June 2013. The proposed appropriation ordinance would place the projected interest earnings on Controller's reserve.

Table 3 shows the proposed appropriation of Watermark Condominiums and Seawall Lot 330 sale proceeds' actual and projected future interest.

Table 3
Watermark Condominiums and Seawall Lot 330 Sale Proceeds' Actual and Projected Interest Earnings

	Interest Earnings
Source of Funds	
Actual Interest Earnings as of December 2011	\$3,828,511
Projected Interest Earnings January 2012 through June 2013	614,000
Total	4,442,511
Use of Funds	
Brannan Street Wharf Park Appropriation	3,224,951
Pier 27 Cruise Terminal Appropriation	<u>603,560</u>
Subtotal Appropriation	3,828,511
Brannan Street Wharf Park Controller's Reserve	247,000
Pier 27 Cruise Terminal Controller' Reserve	<u>367,000</u>
Subtotal Controller's Reserve	614,000
Total	\$4,442,511

FISCAL IMPACT

Pier 27 Cruise Terminal

The Phase I budget of the Pier 27 Cruise Terminal project is \$62,359,983, as shown in Attachment. Table 4 below shows total funds currently available; Watermark Condominiums and Seawall Lot 330 reserves and interest earnings; and pending funds for development of the Pier 27 Cruise Terminal.

Table 4
Cruise Terminal Project Phase I Budget

<u>Available funds</u>		
Watermark Condominiums and Seawall Lot 330		
Sales proceeds (File 11-0960)	\$9,456,741	
Interest earnings (FY 2009-10 budget)	<u>1,622,880</u>	
Subtotal, Watermark Condominiums and Seawall Lot 330		11,079,621
2010 Port revenue bonds	10,139,456	
Port operating budget	295,905	
Capital budget appropriations	1,375,347	
FEMA security grant (File 11-0660)	<u>1,166,850</u>	
Subtotal, other funds		<u>12,977,558</u>
Subtotal, available funds		24,057,179
Watermark Condominiums and Seawall Lot 330 (Files 11-1332 and 11-1355)		
Interest earnings (File 11-1332)	603,563	
Sales proceeds on reserve (File 11-1355)	<u>8,450,894</u>	
Subtotal, Files 11-1332 and 11-1355		<u>9,054,457</u>
Total, available funds and Files 11-1332 and 11-1355		33,111,636
<u>Pending</u>		
Event Authority contribution to relocation of shorepower	2,000,000	
Repurposing 2010 Port revenue bonds and reimbursements	17,300,000	
Capital budget supplemental appropriation	3,448,347	
FY 2012-13 General Fund contribution	<u>6,500,000</u>	
Subtotal, pending		<u>29,248,347</u>
Total		\$62,359,983

¹ In addition to the \$603,563 in actual interest earnings, the Port is requesting \$367,000 in projected interest earnings to be placed on Controller's reserve pending receipt of the actual funds.

As shown in Table 4, if the Board of Supervisors approves \$9,054,457, which is the subject of this report, the Port will have \$33,111,636, or 53.1 percent of the Phase I budget of \$62,359,983.

According to Ms. Meghan Wallace, Port Budget Manager, the Port intends to submit a supplemental appropriation request to the Board of Supervisors in early 2012 to (a) appropriate Port fund balance (\$3.45 million); and (b) re-appropriate 2010 Port Revenue Bonds (\$1.8 million) for use on park design costs, which will be reimbursed in Phase II of the project with 2012 Clean and Safe Neighborhood Park Bonds should it be approved by the voters in November 2012. The Port is also working with the Controller's Office of Public Finance to issue \$15.5 million of new debt, which will be appropriated in later legislation.

The Port awarded architecture and design and construction contracts through a competitive selection process, as noted below. The Department of Public Works is providing project management.

Contract	Contractor	Amount
Construction	Turner Construction	\$45,408,424
Architecture and Design	KMD Architects	9,173,292
Management	Department of Public Works	7,778,267
Total		\$62,359,983

The Port has spent \$8.9 million to date on Pier 27 Cruise Terminal project costs, including \$5.9 million for architectural and design services provided by KMD Architects, \$2.8 million for project management and other soft costs provided by DPW and \$0.2 million for preconstruction activities conducted by Turner Construction.

Brannan Street Wharf

The Brannan Street Wharf Park project budget is \$25.9 million, as shown in Table 6 below.

Table 6
Brannan Street Wharf Park Budget

Sources of Funds	
<u>Files 11-1332, 11-1334, and 11-1363</u>	
Watermark Condominiums and Seawall Lot 330 interest earnings (File 11-1332) ¹	3,224,951
Watermark Condominiums and Seawall Lot 330 sales proceeds (File 11-1363)	9,000,000
Clean and Safe Neighborhood Park Bonds (File 11-1334)	2,941,050
Subtotal, Files 11-1332, 11-1334, and 11-1363	15,166,001
<u>Port Capital Funds</u>	
2007 WRDA (2010 Water & Energy Appropriations Bill)	6,000,000
California Coastal Conservancy Grant	4,700,000
	88,020
Subtotal, Port Capital Funds	10,788,020
Total Sources	25,954,021
Uses of Funds	
<u>Design and Permitting</u>	
Project Management Design	139,055
Design & Engineering	1,776,491
Entitlements and Permits	297,299
Subtotal Design and Permitting	2,212,845
<u>Construction</u>	
Construction Management	1,416,350
Pier 36 demolition	7,117,850
Brannan Street Wharf construction, base bid	13,200,000
Bid Alternates	2,006,976
Subtotal Construction	23,741,176
Total Uses	25,954,021

¹ In addition to the \$3,224,951 in actual interest earnings, the Port is requesting \$247,000 in projected interest earnings to be placed on Controller's reserve pending receipt of the actual funds.

The Port currently has \$19,788,020 million in available funds for development of the Brannan Street Wharf Park. If the Board of Supervisors approves Files 11-1332 and 11-1363, which are the subject of this report, and File 11-1334, the Brannan Street Wharf Park Project will have an additional \$6,413,001, resulting in total funding of \$25,954,021, which is the amount necessary to complete the project, as well as \$247,000 in Watermark Condominiums sale proceeds' interest earnings on Controller's reserve.¹

The Port has spent \$4,691,882 to date for design and environmental review, which are complete. As noted above, the Army Corps of Engineers is contributing \$4,700,000 to demolish Pier 36 with expected completion in May 2012. The Port is currently undergoing a competitive bid process for the construction contract.

POLICY CONSIDERATION

Two appeals of the 34th America's Cup EIR are pending. Therefore, the requested release of \$8,450,894 currently on reserve to partially fund the Pier 27 Cruise Terminal project should be continued (File 11-1355). Due to the pending EIR appeals, the Budget and Legislative Analyst is recommending that the proposed appropriation ordinance be amended to (1) approve appropriation of \$3,471,951 to fund the Brannan Street Wharf Park project and place \$247,000 of the \$3,471,951 on Controller's reserve pending receipt of revenues, and (2) forward the requested appropriation of \$970,568 to fund the Pier 27 Cruise Terminal project to the Board of Supervisors without recommendation (File 11-1332).

RECOMMENDATIONS

1. Continue File 11-1355 to release \$8,540,894 currently on reserve for the Pier 27 Cruise Terminal, until the pending appeals of the 34th America's Cup EIR are resolved.
2. Amend File 11-1332 to approve appropriation of \$3,471,951 to fund the Brannan Street Wharf Park project and place \$247,000 of the \$3,471,951 on Controller's reserve pending receipt of revenues, and (2) forward the requested appropriation of \$970,568 to fund the Pier 27 Cruise Terminal project to the Board of Supervisors without recommendation.
3. Approve File 11-1363 to release \$9,000,000 currently on reserve to fund the Brannan Street Wharf Park project.

¹ According to Ms. Elaine Forbes, Port Deputy Director for Finance and Administration, the Port's proposed budget for the Brannan Street Wharf Park contains bid alternatives to the base project budget, which will be funded by the \$247,000 in interest earnings if the interest earnings are realized.

CRUISE TERMINAL PROJECT BUDGET		Appropriation Date	Approved by Port Commission (12/16/11)		
			Phase I	Phase II	Total
USES					
Construction					
Construction Purchase and Installation (IPD)			\$ 40,257,833	\$ 23,242,500	\$ 63,500,333
Construction Contingency			\$ 3,927,676	\$ 3,486,375	\$ 7,414,051
Construction Mngr./ Gen. Contractor Svcs.			\$ 1,222,915	\$ 664,850	\$ 1,887,765
		<i>Subtotal, Construction</i>	\$ 45,408,424	\$ 27,393,725	\$ 72,802,149
Other					
Design & Engin'g, Project Managem't & Entitlement Costs			\$ 16,951,559	\$ 2,968,014	\$ 19,919,573
DPW, Program Contingency			\$ -	\$ 400,000	\$ 400,000
		<i>Subtotal, Design & Contingency</i>	\$ 16,951,559	\$ 3,368,014	\$ 20,319,573
Total Uses			\$ 62,359,983	\$ 30,761,739	\$ 93,121,722
SOURCES					
Secured - Port					
Watermark Sale Proceeds			\$ 20,134,075	\$ -	\$ 20,134,075
Actual Sale Proceeds	7/15/2003		\$ 17,583,635	\$ -	\$ 17,583,635
Deferred Land Sale Proceeds (SWL 330)	7/15/2003		\$ 324,000	\$ -	\$ 324,000
Interest Earnings (Port Capital Budget FY09-10)	7/1/2009		\$ 1,622,880	\$ -	\$ 1,622,880
Interest Earnings as of 06/30/11 (Condo Funds not yet Appropriated)	Pending		\$ 603,560	\$ -	\$ 603,560
Series A&B 2010 Port Revenue Bonds			\$ 10,139,456	\$ -	\$ 10,139,456
Operating Budget - Workorder, including prior year carryfd	7/1/2009		\$ 295,905	\$ -	\$ 295,905
Capital Budget Appropriations			\$ 1,375,347	\$ -	\$ 1,375,347
		<i>Subtotal, Port</i>	\$ 31,944,783	\$ -	\$ 31,944,783
Secured - Other					
Contribution to Shorepower, Event Authority		Pending	\$ 2,000,000	\$ -	\$ 2,000,000
FEMA Security Grant		FY2011-12	\$ 1,166,850	\$ 6,333,150	\$ 7,500,000
		<i>Subtotal, Other</i>	\$ 3,166,850	\$ 6,333,150	\$ 9,500,000
Subtotal, Secured			\$ 35,111,633	\$ 6,333,150	\$ 41,444,783
Planned - Port					
Repurposing Existing 2010 Debt & 2012 Revenue Bond Reimbursement		03/01/12, Planned	\$ 15,500,000	\$ -	\$ 15,500,000
Capital Budget Appropriation		03/01/12, Planned	\$ 3,448,350	\$ -	\$ 3,448,350
Subtotal, Planned			\$ 18,948,350	\$ -	\$ 18,948,350
Proposed - Port					
Repurposing Existing 2010 Debt & Go.O Bond Reimbursement		03/01/12, Planned	\$ 1,800,000	\$ (1,600,000)	\$ 200,000
		<i>Subtotal, Port</i>	\$ 1,800,000	\$ (1,600,000)	\$ 200,000
Proposed - Other					
City Contribution		7/1/2012, planned	\$ 6,500,000	\$ -	\$ 6,500,000
2012 G.O. Bond		Pending	\$ -	\$ 9,122,943	\$ 9,122,943
Cruise Operator Contribution		Pending	\$ -	\$ 2,750,000	\$ 2,750,000
Passenger Facility Charge		Pending	\$ -	\$ 7,250,000	\$ 7,250,000
		<i>Subtotal, Proposed</i>	\$ 6,500,000	\$ 19,122,943	\$ 25,622,943
Subtotal, Proposed			\$ 8,300,000	\$ 17,522,943	\$ 25,822,943
Total Sources			\$ 62,359,983	\$ 23,856,093	\$ 86,216,076
PROJECT BALANCE (Shortfall) / Surplus			\$ -	\$ (6,905,646)	\$ (6,905,646)

Source: Port

Items 10 and 11
Files 11-1333 and 11-1344

Department:
 Department of Public Works,
 Controller's Office of Public Finance

EXECUTIVE SUMMARY

Legislative Objectives

- File 11-1344: Resolution authorizing and directing the sale of up to \$192,000,000 in Earthquake Safety and Emergency Response General Obligation Bonds.
- File 11-1333: Ordinance appropriating \$192,000,000 of 2012 Earthquake Safety and Emergency Response Bond proceeds, including (a) \$160,620,973 to DPW for construction of a new Public Safety Building, (b) \$21,073,310 to DPW for renovation of various neighborhood fire stations, (c) \$1,750,114 for oversight, accountability and bond issuance costs, (d) \$8,555,000 Reserve to allow for fluctuations in market conditions, and (e) placing the entire \$192,000,000 on Controller's Reserve pending the sale of the bonds.

Key Points

- On June 8, 2010, San Francisco voters approved Proposition B, authorizing the issuance of \$412,300,000 of Earthquake Safety and Emergency Response (ESER) General Obligation Bonds to finance the construction, acquisition, improvement, and retrofitting of 19 Fire Stations, a new Public Safety Building, repair, replacement and expansion of the City's Auxiliary Water Supply System (AWSS), and other firefighting infrastructure and facilities related to earthquake safety. Of the total \$412,300,000 in ESER GO Bonds, the DPW will manage projects totaling \$308,100,000, and the PUC will manage projects totaling \$104,200,000.
- In November, 2010, the Board of Supervisors approved the sale and appropriation of up to \$85,000,000 of ESER GO Bonds, the first in a series of four ESER GO Bond sales under the \$412,300,000 authorized by Proposition B (Files 10-1256 and 10-1248). The proposed resolution (File 11-1344) would authorize the second sale of up to \$192,000,000 of ESER GO Bonds.
- The proposed \$192,000,000 appropriation ordinance (File 11-1333), includes (a) \$160,620,973 to DPW for construction of a new Public Safety Building, (b) \$21,073,310 to DPW for renovation of various neighborhood fire stations, (c) \$1,750,114 for oversight, accountability and bond issuance costs, (d) \$8,555,000 Reserve to allow for fluctuations in market conditions, and (e) places the entire \$192,000,000 on Controller's Reserve pending the sale of the bonds. No funds are included for the PUC's AWSS projects.

Fiscal Impacts

- The proposed resolution authorizing the sale of up to \$192,000,000 in ESER GO Bonds will have a projected annual interest rate of 6.0 percent over approximately 25 years, with estimated total debt service payments of \$353,433,547, including \$169,993,557 in interest and \$183,440,000 in principal, with estimated average annual debt service payments of \$14,137,342. Debt service would be paid from increased Property Taxes, such that an owner of a single family residence with an assessed value of \$500,000 would pay average annual additional Property Taxes to the City of \$29.09 per year.
- As of December 31, 2011, there was \$1,293,281,219 of General Obligation Bonds outstanding, or approximately 0.82% of the total net assessed value of property in the City. If the proposed not to exceed \$192,000,000 of ESER General Obligation Bonds are issued, the total outstanding General Obligation Bonds would total \$1,485,281,219, or approximately 0.94% of the total net assessed value of property.

Recommendation

- Approve the proposed ordinance (File 11-1333) and the proposed resolution (File 11-1344).

MANDATE STATEMENT / BACKGROUND

Mandate Statement

Section 9.105 of the City's Charter provides that the Board of Supervisors is authorized to approve the issuance and sale of General Obligation bonds in accordance with State law or local procedures adopted by ordinance. Section 9.105 of the City's Charter also provides that (a) amendments to the appropriation ordinance, as finally adopted, are to be adopted in the same manner as other ordinances¹ and (b) no amendment to the appropriation ordinance may be adopted unless the Controller certifies the availability of funds.

Background

On June 8, 2010, the voters of San Francisco approved Proposition B, which authorized the issuance of \$412,300,000 of Earthquake Safety and Emergency Response (ESER) General Obligation Bonds. The ESER General Obligation Bonds will finance the construction, acquisition, improvement, and retrofitting of 19 Fire Stations, a new Public Safety Building, repair, replacement and expansion of the City's Auxiliary Water Supply System (AWSS) and other firefighting infrastructure and facilities related to earthquake safety. As shown in Table 1 below, the total ESER Bond Program Budget is \$412,300,000.

Table 1: Earthquake Safety and Emergency Response General Obligation Bond Budget

Description	Total Budget
Neighborhood Fire Stations ²	\$64,000,000
Public Safety Building	239,000,000
DPW Subtotal	\$303,000,000
Auxiliary Water Supply System (AWSS)	\$34,400,000
Firefighting Cisterns	36,000,000
Firefighting Pipes and Tunnels	32,000,000
PUC Subtotal	102,400,000
Oversight and Cost of Bond Issuance	6,900,000
Total ESER Budget	\$412,300,000
Source: San Francisco Department of Public Works	

The 19 Fire Stations and the new Public Safety Building projects totaling \$303,300,000 will be managed by the Department of Public Works (DPW). The City's AWSS, firefighting cisterns³, and firefighting projects, pipes and tunnels totaling \$102,400,000 will be managed by the Public Utilities Commission (PUC). In addition, as shown in Table 1 above, an estimated \$6,900,000 is budgeted to provide bond oversight, including 0.1% allocation for the Citizens' General

¹ In accordance with Section 2.105 of the San Francisco Charter, the approval of an ordinance requires two readings at separate Board of Supervisors meetings, held at least five days apart.

² Renovations are planned for Fire Stations # 2, 5, 6, 13, 15, 17, 18, 22, 28, 31, 38, 40, 41, 42, 36, 43, 44, Fire Boat Headquarters #35 at the Port, and the Equipment Logistics Center #45.

³ The Fire Department maintains 177 underground cisterns throughout the City, which store water available for fire fighting in case the domestic water supply and the AWSS are not available.

Obligation Bond Oversight Committee and 0.2% for the City Services Auditor and to fund the various costs to issue the General Obligation bonds.

The single largest project under the subject ESER General Obligation Bonds will be the construction of a new \$239,000,000 Public Safety Building, on City-owned land, on Block 8 in the Mission Bay South Redevelopment Project Area⁴. This new Public Safety Building will provide (a) a new Police Headquarters, including a new Southern District Police Station, which are both currently located in the Hall of Justice, and (b) a new Mission Bay Fire Station.

On November 2, 2010, the Board of Supervisors approved (a) a resolution (File 10-1255; Resolution 516-10) authorizing the issuance of the entire \$412,300,000 ESER General Obligation Bonds, and (b) a resolution (File 10-1256; Resolution 515-10) authorizing the sale of up to \$85,000,000 in ESER General Obligation Bonds, which was the first in the series of the total \$412,300,000 Bonds to be sold under Proposition B. At the same time, the Board of Supervisors approved an ordinance (File 10-1248) to appropriate the entire \$85,000,000 of ESER Bond sale proceeds, including (a) \$66,596,284 to initially design, develop plans and commence construction on a new Public Safety Building, (b) \$3,627,397 for planning and feasibility studies to renovate the various Fire Stations, (c) \$8,396,929 to define the plan of pipe network repair and replacement, and conduct schematic design of the AWSS, cisterns, pipes and tunnels, (d) \$1,289,390 for bond oversight and cost of issuance, and (e) \$5,090,000 placed on Controller's reserve to allow for fluctuations in the financing market.

Ms. Nadia Sesay, Director of the Office of Public Finance in the Controller's Office advises that a total of \$79,520,000 of ESER General Obligation Bonds were sold and appropriated, such that a total of \$332,780,000 (\$412,300,000 total issuance authority less \$79,520,000 ESER Bonds sold) issuance authority remains.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution (File 11-1344) would authorize the sale of up to \$192,000,000 of ESER General Obligation (GO) Bonds, which would be the second in the series of the total \$412,300,000 Earthquake Safety and Emergency Response funds approved by the voters on June 8, 2010 under Proposition B. The proposed resolution:

- Authorizes the Director of Public Finance to determine the sale date, interest rates, principal amount of the bonds, maturity and redemption dates, with the provision that interest rates cannot exceed 12 percent and the maturity date cannot extend beyond June 15, 2037;
- Provides for the execution, authentication and registration of the 2010 Earthquake Safety and Emergency Response Bonds, Series 2012A Bonds;

⁴ According to Ms. Kelley Kahn, Project Manager at the Redevelopment Agency, although the recent California Supreme Court decision regarding AB 26 dissolves all redevelopment agencies, such that the San Francisco Redevelopment Agency will be eliminated as a legal entity as of February 1, 2012, this action is not anticipated to affect the ability of the City to complete the Public Safety Building. Consistent with AB 26, a Successor Agency will be created to carry out the enforceable obligations of the Redevelopment Agency. These obligations include all requirements related to the Public Safety Building pursuant to the Mission Bay Owner Participation Agreement with the Mission Bay Master Developer, FOCIL-MB, LLC.

- Sets the terms for transferring or redeeming the bonds;
- Provides for defeasance of the bonds;
- Requires a special Series 2012A Bond subaccount for payment of principal and interest; and a special Series 2012A project subaccount for acquisition, renovation, and construction of bond-funded projects;
- Approves the appointment of the Depository Trust Company as the securities depository, and authorizes the Treasurer to appoint fiscal and other agents;
- Approves the (a) Official Notice of Sale, which announces the date, time and terms of the competitive bond sale; and the (b) Notice of Intention to Sell the Bonds;
- Approves the Official Statement, describing the sources and uses of funds, security for the Bonds, risk factors, and tax and other legal matters, among other information; and authorizes the Controller or Director of Public Finance to revise the Official Statement to conform to the City's Comprehensive Annual Fiscal Report (CAFR);
- Restricts use of the bond proceeds to the public purpose for which the bonds were intended;
- Approves the Continuing Disclosure Certificate, which provides certain financial information and operating data relating to the City (the "Annual Report") not later than 270 days after the end of the fiscal year and to provide notices of the occurrence of certain enumerated events, if material;
- Authorizes City officials who have responsibility for executing documents related to the Series 2012A Bonds, including the Controller, Director of Public Finance, and Treasurer, to modify the documents as necessary, except that the Series 2012A Bond amount cannot exceed \$192,000,000; and
- Subjects the Series 2012A Bonds to the reporting requirements of the Citizens' General Obligation Bond Oversight Committee.

The proposed ordinance (File 11-1333) would appropriate the entire \$192,000,000 under this second ESER General Obligation Bond sale, including (a) \$160,620,973 to DPW for construction of a new Public Safety Building, (b) \$21,073,310 to DPW for renovation of various neighborhood fire stations, (c) \$1,750,114 for oversight, accountability and bond issuance costs, (d) \$8,555,000 Reserve to allow for fluctuations in market conditions and the actual underwriters discount or premium charged to the City based on bids received the day of the bond sale, and (e) placing the entire \$192,000,000 on Controller's Reserve pending the sale of the bonds.

Table 2 below shows (a) the total ESER Bond project budget, (b) the initial \$79,520,000 of ESER General Obligation Bonds previously sold and appropriated, (c) the proposed \$192,000,000 to be sold and appropriated, (d) the total of the first and proposed second bond sales and appropriations, and (e) the remaining amount of future bond sales and appropriations, by project.

Table 2: Earthquake Safety and Emergency Response General Obligation Bond Total Budget, First Bond Sale and Appropriation and Proposed Request for Bond Sale and Appropriation

Description	Total Project Budget	First Bond Sale and Appropriation	Proposed Second Bond Sale and Appropriation (Files 11-1344 and 11-1333)	Total of First and Second Bond Sale and Appropriation	Future Bond Sales and Appropriation Requests
Department of Public Works (DPW)					
Fire Stations	\$64,000,000	\$3,627,397	\$21,073,913	\$24,701,310	\$39,298,690
Public Safety Building	239,000,000	66,596,285	160,620,973	227,217,258	11,782,742
DPW Subtotal	303,000,000	70,223,682	\$181,694,886	\$251,918,568	\$51,081,432
Public Utilities Commission (PUC)					
Auxiliary Water Supply System	34,400,000	3,990,000	0	3,990,000	30,410,000
Firefighting Cisterns	36,000,000	1,083,190	0	1,083,190	34,916,810
Firefighting Pipes and Tunnels	32,000,000	3,323,738	0	3,323,738	28,676,262
PUC Subtotal	102,400,000	8,396,928	0	8,396,928	94,003,072
Oversight/Issuance	6,900,000	899,390	1,750,114	2,649,504	4,250,495
ESER Budget	\$412,300,000	\$79,520,000	\$183,445,000	\$262,965,000	\$149,335,000
Reserve Pending Subject \$192,000,000 Bond Sale*			8,555,000	8,555,000	
Total			\$192,000,000	\$271,520,000	\$140,780,000

Source: San Francisco Department of Public Works

*The amount of the Reserve Pending Bond Sale is subject to change due to bond market conditions at the time of sale. The Controller's Office will make technical adjustments based on the sale results. If the \$8,555,000 in Reserves is not used, those funds must be re-authorized by the Board of Supervisors through subsequent sale resolutions in order to be issued.

**Table 3 below provides a breakdown of the Cost of Issuance and Bond Oversight expenditures. Issuance and Bond Oversight expenditures associated with the project costs will be paid through the Controller's Office, not by DPW or PUC

According to Mr. Charles Higuera, Program Manager for the ESER Bond Program, and as shown in detail in the Attachment, DPW is requesting \$160,620,973 for the Public Safety Building project to fund (a) the construction contract, including contingency, art enrichment, and hazardous material remediation, (b) project controls, including project management and regulatory agency fees, and (c) architectural, engineering and administrative support. Mr. Higuera advises that the construction contract for the Public Safety Building was awarded to Charles Pankow Builders, Inc., based on a competitive bid, such that construction commenced in December 2011 and is anticipated to be completed by mid-2014. As reported by DPW in the November 18, 2011 Bond Accountability Report, as of September 30, 2011, DPW had expended and encumbered \$11,207,195 plus an additional \$15,175,027 was allocated for job orders, or a total of \$26,382,222, which represents 39.6 percent of the \$66,596,285 from the first ESER Bond sale and appropriation for the Public Safety Building.

As shown in Table 2 above, DPW is requesting \$21,073,913 to continue renovations of various Fire Stations, including funds for project and construction management, materials testing and

inspections, pre-design and design services, and construction and administrative costs, as detailed in the Attachment. As reported by DPW in the November 18, 2011 Bond Accountability Report, as of September 30, 2011, DPW had expended and encumbered \$3,103,035, plus an additional \$1,030,323 was allocated for job orders, or a total of \$4,133,358, which is 139 percent of the \$3,627,397⁵ from the first ESER Bond sale and appropriation for renovations of various Fire Stations.

As shown above in Table 2, PUC is not requesting any funds from the subject second ESER bond sale and appropriation for the AWSS, cisterns, pipes and tunnels. As reported by DPW in the November 18, 2011 Bond Accountability Report, as of September 30, 2011, PUC had expended, encumbered or allocated \$1,659,624, or 19.8 percent of the \$8,396,928 total for the AWSS, cisterns, pipes and tunnels from the first ESER Bond sale and appropriation.

Table 3 below provides a breakdown of the \$1,750,114 for the cost of oversight and issuance of the proposed not-to-exceed \$192,000,000 ESER General Obligation Bond sale and appropriation. These oversight and issuance costs are then separately charged to each of the DPW and PUC projects, based on the cost of each project.

TABLE 3: Proposed Cost of Issuance and Bond Oversight

Description	Amount
Cost of Issuance ⁶	\$286,054
Underwriter's Discount ⁷	917,225
City Auditor 0.1% allocation for the General Obligation Bond Oversight Committee Audits	183,445
City Services Auditor 0.2% allocation for the Controller's Audit Fund	363,390
Total	\$1,750,114

FISCAL IMPACTS

According to Ms. Sesay, the proposed up to \$192,000,000 ESER General Obligation Bonds are expected to be sold in early February, 2012, together with up to \$76,000,000 of Clean and Safe Neighborhood Parks General Obligation Bonds and up to \$74,000,000 of Road Repaving and

⁵ As noted, the \$4,133,358 amount expended, encumbered and allocated for job orders through September 30, 2011 exceeded the original \$3,627,397 amount sold and allocated for these Fire Stations from the first ESER bond sale. However, according to Mr. Higuera, and as reported in the November 18, 2011 Bond Accountability Report, \$3,500,000 was reallocated by DPW from the Public Safety Building to the Fire Stations in order to meet these financial obligations. Mr. Higuera advises that after the subject not to exceed \$192,000,000 second ESER bond sale is completed and appropriated, \$3,500,000 will be reallocated back from the Fire Stations to the Public Safety Building project.

⁶ Cost of Issuance includes payments for bond, disclosure and tax counsel fees; financial advisory fees; rating agency fees; printing costs; and City costs for the Office of Public Finance, Treasurer, Controller, and City Attorney's Office.

⁷ The Underwriters Discount refers to the fact that the original purchaser of the bonds that submitted the most competitive bid for the bonds includes a compensation component for underwriting the bonds and associated risks. This compensation component is included in the bid price submitted for the bonds. Thus, the award of the bonds based on the most competitive bid takes into consideration the amount of Underwriter's Discount.

Street Safety Program General Obligation Bonds, for a total of up to \$342,000,000 of General Obligation Bond sale.

Mr. Ababon advised that the not-to-exceed \$192,000,000 of ESER General Obligation Bonds are projected to have an annual interest rate of 6.0 percent over approximately 25 years, with annual debt service payments extending from 2012 through 2036. Assuming a 25-year term, these bonds will result in estimated total debt service payments of \$353,433,547, including \$169,993,557 in interest and \$183,440,000 in principal, with estimated average annual debt service payments of \$14,137,342.

Repayment of such annual debt service will be recovered through increases to the annual Property Tax rate which, according to the Controller's Office, average \$0.0059 per \$100 of assessed valuation over the anticipated 25-year term of the Bonds. A single family residence with an assessed value of \$500,000, assuming a homeowners exemption of \$7,000, would pay average annual additional Property Taxes to the City of \$29.09 per year ($\$500,000 - \$7,000 / \$100 \times \0.0059) if the proposed not to exceed \$192,000,000 ESER General Obligation Bond is issued and appropriated.

The City's Charter imposes a three percent limit on the amount of General Obligation Bonds that can be outstanding at any given time, relative to the total net assessed value of property in the City. The FY 2011-12 total net assessed value of property in the City is \$158,649,887,998. According to Ms. Sesay, as of December 31, 2011, there was \$1,293,281,219 of General Obligation Bonds outstanding, or approximately 0.82% of the total net assessed value of property in the City. If the proposed not to exceed \$192,000,000 of ESER General Obligation Bonds are issued, the total outstanding General Obligation Bonds would total \$1,485,281,219, or approximately 0.94% of the total net assessed value of property.

If the total of up to \$342,000,000 of General Obligation Bonds are issued, including the subject ESER General Obligation Bonds, the Clean and Safe Neighborhood Parks General Obligation Bonds and the Road Repaving and Street Safety Program General Obligation Bonds, the total outstanding General Obligation Bonds would total up to \$1,635,281,219 or approximately 1.03% of the total net assessed value of property in the City.

POLICY CONSIDERATIONS

Administrative Code Section 2.71(b) requires the Department of Public Works (DPW) and the Public Utilities Commission (PUC) to submit Bond Accountability Reports to the Board of Supervisors 60 days prior to approval by the Board of Supervisors of the sale of any subsequent series of bonds for the same project. In accordance with Administrative Code Section 2.72, the Bond Accountability Report must include: (a) certification from authorized representatives of DPW and PUC that the information in the report is correct; (b) cumulative amount of bond proceeds available and expended on the project; (c) brief description of each project line item for which bond proceeds have been expended; (d) the amount of bond proceeds expended on each project line item; (e) identification of completed and uncompleted project line items; (f) status and explanation of each uncompleted project line item; (g) identification and explanation of any project line item not included in a proposed expenditure report; (h) identification of any

project line item included in a proposed expenditure report for which bond proceeds will not be used; and (i) certification that each project identified is in conformity with the voter's authorization.

On November 18, 2011, DPW submitted a Bond Accountability Report for the Earthquake Safety and Emergency Response Bond Program. In addition, on September 30, 2011, DPW submitted an Earthquake Safety and Emergency Response Bond Program report to the Citizens General Obligation Bond Oversight Committee. The Budget and Legislative Analyst notes that both of these reports state that an additional \$31,505,626 of requested funding would be included in the subject second ESER General Obligation Bond sale and appropriation, for the PUC's AWSS, cisterns, pipes and tunnels projects. However, as discussed above, the PUC is not requesting any additional funding at this time for the AWSS, cisterns, pipes and tunnels projects. According to Mr. Carlos Jacobo, Budget Director at the PUC, after further evaluation, the PUC determined that there was sufficient funding in the AWSS, cisterns, pipes and tunnels projects to extend through the Summer of 2012, at which time the PUC will determine, together with the Office of Public Finance, the amount of additional General Obligation Bond sale and appropriations that are needed.

RECOMMENDATION

Approve the proposed ordinance (File 11-1333) and resolution (File 11-1344).

**Attachment
Earthquake Safety and Emergency Response Bond Program**

Description	Budget	Bond Sales			Future Bond Sale(s)
		First	Second	Total	
Public Safety Building					
Construction					
CMGC (including all trade contracts)	179,000,000	42,164,935	134,855,708	177,020,643	1,979,357
Construction Contingency	11,833,114	0	11,702,265	11,702,265	130,849
Art Enrichment	3,520,000	765,650	1,522,503	2,288,153	1,230,847
Hazardous Materials	580,000	179,995	400,005	580,000	0
Subtotal	194,933,114	43,111,580	148,480,481	191,592,061	3,341,053
Project Controls					
Project Management	5,628,193	1,112,051	2,090,325	3,202,376	2,425,817
Regulatory Agencies	2,095,496	79,253	778,272	857,525	1,237,971
Subtotal	7,723,689	1,191,304	2,868,597	4,059,901	3,663,788
Architectural/Engineering/Construction Administration					
Architectural/Engineering	24,955,623	19,215,631	5,739,992	24,955,623	0
Pre-Construction	856,050	738,926	117,124	856,050	0
Construction Management	5,102,004	1,143,000	1,533,212	2,676,212	2,425,792
Testing and Inspection	4,370,000	394,862	1,623,029	2,017,891	2,352,109
Geotech., Surveys, and Data Collection	1,059,520	800,982	258,538	1,059,520	0
Subtotal	36,343,197	22,293,401	9,271,895	31,565,296	4,777,902
Public Safety Building Total	239,000,000	66,596,285	160,620,973	227,217,258	11,782,743
Neighborhood Fire Stations					
Program Development Pre-Bond (7420A)	1,015,668	1,015,668	0	1,015,668	0
Project Management (7430A)	2,726,331	490,000	884,035	1,374,035	1,352,296
Pre-Design Services Focused Scope/Comprehensive & Seismic	1,041,000	1,041,000	0	1,041,000	0
Construction Management Support Services (CMSS)	2,840,000		1,368,000	1,368,000	1,472,000
MTSI	460,000		460,000	460,000	0
Contingency					
SEISMIC / COMPREHENSIVE					
7426A Station 2					
Design Phase	99,000		99,000	99,000	0
Construction Administration	21,412		21,412	21,412	0
Construction	580,000		580,000	580,000	0
Subtotal	700,412	0	700,412	700,412	0
7421A Stations 5					
Design Phase	721,000		721,000	721,000	0
Construction Administration	155,966		77,983	77,983	77,983
Construction	5,340,000		5,340,000	5,340,000	0
Subtotal	6,216,966	0	6,138,983	6,138,983	77,983
7422A Stations 22					
Design Phase	559,000		559,000	559,000	0
Construction Administration	120,928		0	0	120,928
Construction	4,140,000		0	0	4,140,000
Subtotal	4,819,928	0	559,000	559,000	4,260,928
7427A Station 36					
Design Phase	99,000		99,000	99,000	0
Construction Administration	21,412		0	0	21,412
Construction	580,000		0	0	580,000
Subtotal	700,412	0	99,000	99,000	601,412
7423A Station 43					
Design Phase	863,000		719,167	719,167	143,833
Construction Administration	186,624		0	0	186,624
Construction	6,390,000		0	0	6,390,000
Subtotal	7,439,624	0	719,167	719,167	6,720,457
7424A Station 35 Fire Boat Headquarters					
Pre-Design Phase	333,000		333,000	333,000	0
Design Phase	1,501,000		0	0	1,501,000
Construction Administration	324,583		0	0	324,583
Construction	11,115,000		0	0	11,115,000
Subtotal	13,273,583	0	333,000	333,000	12,940,583
7425A Station 45 Equipment Logistics Center					
Pre-Design Phase	300,000		300,000	300,000	0
Design Phase	1,350,000		0	0	1,350,000
Construction Administration	291,979		0	0	291,979
Construction	10,000,000		0	0	10,000,000
Subtotal	11,941,979	0	300,000	300,000	11,641,979
FOCUSED SCOPE					
7428A Stations 6, 13, 15, 17, 18, 28, 38, 40, 41, 42, 44					
Design Phase	1,280,000	123,000	1,157,000	1,280,000	0
Construction Administration	277,380	108,051	169,329	277,380	0
Construction	7,700,000	849,678	6,819,271	7,468,949	231,051
Subtotal	9,257,380	1,080,729	7,945,600	9,026,329	231,051
7429A Stations 10, 26, 32 (Alternates)					
Design Phase	220,000		220,000	220,000	0
Construction Administration	46,717		46,717	46,717	0
Construction	1,300,000		1,300,000	1,300,000	0
Subtotal	1,566,717	0	1,566,717	1,566,717	0
Neighborhood Fire Stations Total	64,000,000	3,627,397	21,073,913	24,701,310	39,298,690
Auxiliary Water Supply System	102,400,000	8,396,928	0	8,396,928	94,003,072
Oversight, Accountability and Cost of Issuance	6,900,000	899,390	1,750,114	2,649,504	4,250,496
TOTAL	412,300,000	79,520,000	183,445,000	262,965,000	149,335,000

Summary

Component	Budget	First	Second	Total	Future
Public Safety Building	239,000,000	66,596,285	160,620,973	227,217,258	11,782,743
Neighborhood Fire Stations	64,000,000	3,627,397	21,073,913	24,701,310	39,298,690
Auxiliary Water Supply System	102,400,000	8,396,928	0	8,396,928	94,003,072
Oversight, Accountability and Cost of Issuance	6,900,000	899,390	1,750,114	2,649,504	4,250,496
Total	412,300,000	79,520,000	183,445,000	262,965,000	149,335,000

Reserve Pending Bond Sale

8,555,000

Total Second Bond Sale Request

192,000,000

Items 12, 13 and 14
Files 11-1334, 11-1345 and 11-1364

Department:
 Recreation and Park Department, Port, Controller's Office of
 Public Finance

EXECUTIVE SUMMARY

Legislative Objectives

- File 11-1345: Resolution authorizing and directing the sale of not-to-exceed \$76,000,000 aggregate principal amount of Clean and Safe Neighborhood Parks General Obligation Bonds, Series 2012B.
- File 11-1334: Ordinance appropriating \$76,000,000 of Clean and Safe Neighborhood Parks Bond sale proceeds to fund improvement and construction of recreation and park facilities, including \$62,176,132 in the Recreation and Park Department and \$10,394,975 in the Port Commission.
- File 11-1364: Hearing to consider the release of reserved funds in the amount of \$130,463 to fund the Port's Pier 43 Bay Trail Link Waterfront Park Project.

Key Points

- San Francisco voters approved the \$185 million Clean and Safe Neighborhood Parks Bonds in February 2008 to pay for capital improvements to Recreation and Park Department parks, recreation facilities, playgrounds, and restrooms, and Port parks. The City has previously sold \$102,950,000 in two prior bond sales. The proposed resolution (File 11-1345) would authorize the third sale of not-to-exceed \$76,000,000, resulting in total sale of Clean and Safe Neighborhood Parks Bonds of \$178,950,000, and an unsold balance of \$6,050,000.
- Recreation and Park Department programs and Port programs funded by the 2008 Clean and Safe Neighborhood Park Bonds will be fully funded if the Board of Supervisors approves the proposed appropriation ordinance (File 11-1334), with the exception of the Port's Crane Cove project. According to the November 28, 2011 Bond Accountability Report, submitted by the Port to the Board of Supervisors, the Crane Cove Park project has not yet received environmental clearance consistent with the California Environmental Quality Act (CEQA), which is estimated to be completed in 2013.
- The requested release of reserves of \$130,463 (File 11-1364) and the proposed supplemental appropriation of \$27,800 (File 11-1334) would fully fund the Port's Pier 43 Bay Trail Link project to provide open space and a public promenade in the Fisherman's Wharf area.

Fiscal Impact

- The proposed resolution authorizing the sale of up to \$76,000,000 in Clean and Safe Neighborhood Park Bonds and will have a projected annual interest rate of 6.0 percent over approximately 20 years, with estimated total debt service payments of \$125,750,823, including \$52,480,823 in interest and \$73,270,000 in principal, with estimated average annual debt service payments of \$6,287,541. Debt service would be paid from increased Property Taxes, such that an owner of a single family residence with an assessed value of \$500,000 would pay additional Property Taxes of approximately \$14.30 per year

Policy Issues

- The proposed resolution authorizing the sale of the Series 2012B Bonds would allow the Recreation and Park Department to waive the deadline for submitting the Bond Accountability Report. According to Ms. Taylor Emerson, Recreation and Park Department Capital and Planning Division Analyst, the Bond Accountability Report will be submitted to the Clerk of the Board of Supervisors on or before January 10, 2012.
- The Recreation and Park Department's total prior and requested Clean and Safe Neighborhood Parks Bond authorization of \$150,005,861 is \$990,861 more than the budget of \$149,015. This increase of \$990,861 results from an increase in the Recreation and Park Department's Neighborhood Park Contingency Fund, offset by decreases in other Neighborhood Parks projects. The Budget and Legislative Analyst recommends reducing the requested appropriation for the Neighborhood Parks Contingency Fund by \$990,861 to conform to the Clean and Safe Neighborhood Parks budget.
- The proposed appropriation includes a \$2,730,000 reserve pending bond sale to account for changes in bond market conditions at the time of the bond sale. If the \$2,730,000 reserve pending bond sale is fully expended, the remaining Clean and Safe Neighborhood Parks Bond authorization of \$6,050,000 will be \$2,136,000 less than the remaining Crane Cove project budget to be funded by the Clean and Safe Neighborhood Parks Bonds of \$8,186,000. According to Ms. Nadia Sesay, Director of Public Finance, it is unlikely that the \$2,730,000 will be fully expended under this authorization. The \$2,730,000 reserve allows for adjustment to changes in market conditions. If a portion of the \$2,730,000 is expended for any other use, such as project expenditure, it would require BOS approval.

Recommendations

- Amend File 11-1334 to reduce the proposed appropriation for the Neighborhood Park Contingency Fund by \$990,861, from \$4,609,432 to \$3,618,561. The total appropriation for the Recreation and Park Department will be reduced from \$62,176,132 to \$61,185,271. The total not-to-exceed amount for the Clean and Safe Park Bond appropriation will be reduced from \$76,000,000 to \$75,009,139.
- Amend File 11-1345 to authorize the sale of not-to-exceed \$75,009,139 aggregate principal amount of Clean and Safe Neighborhood Parks General Obligation Bonds, consistent with the recommendation above, and approve as amended.
- Approve File 11-1334, appropriating not-to-exceed \$75,009,139 of Clean and Safe Neighborhood Parks Bonds, as amended.
- Approve File 11-1364 to release \$130,463 in Clean and Safe Neighborhood Parks Bonds previously appropriated by the Board of Supervisors and placed on Budget and Finance Committee reserve for the Pier 43 Bay Trail Link.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

Charter Section 9.105 provides that the Board of Supervisors is authorized to approve the issuance and sale of General Obligation bonds in accordance with State law or local procedures adopted by ordinance. Charter Section 9.105 also provides that (a) amendments to the appropriation ordinance, as finally adopted, are to be adopted in the same manner as other ordinances¹ and (b) no amendment to the appropriation ordinance may be adopted unless the Controller certifies the availability of funds.

Background

San Francisco voters approved the \$185 million Clean and Safe Neighborhood Parks Bonds in February 2008. The bond program was intended to:

1. Fix and improve park restrooms Citywide;
2. Eliminate serious earthquake safety risks in neighborhood and waterfront park facilities;
3. Renovate parks and playgrounds in poor physical condition;
4. Replace dilapidated playfields;
5. Repair nature trail systems in the City's parks; and
6. Attract matching community and philanthropic support.

Bond proceeds were allocated to Recreation and Parks Department and Port parks and trails, as shown in Table 1.

Table 1
Clean and Safe Neighborhood Parks Bond Allocation

	Recreation and Parks Department	Port	Bond Issuance and Audit Costs	Total
Neighborhood Parks and Recreation Centers	115,115,000			115,115,000
Citywide Playfields, Trails, Forestry, Restrooms, and Community Opportunity Fund	33,900,000			33,900,000
Port Parks and Trails		32,841,725		32,841,725
Bond Issuance and Audit Costs			3,143,275	3,143,275
Total	\$149,015,000	\$32,841,725	\$3,143,275	\$185,000,000

Source: October 2011 Citizens' General Obligation Bond Oversight Committee

The City has sold \$102.9 million in 2008 Clean and Safe Neighborhood Park Bonds to date and proposes to sell \$73.3 million in February 2012, resulting in sale of \$176.2 million of the \$185 million in authorized bonds and an unsold balance of \$8.8 million, as shown in Table 2 below.

¹ In accordance with Section 2.105 of the San Francisco Charter, the approval of an ordinance requires two readings at separate Board of Supervisors meetings, held at least five days apart.

Table 2
Clean and Safe Neighborhood Parks Bond Allocation

	Recreation and Park Department	Port	Bond Issuance and Audit Costs	Total Bond Sale
Total Bond Authorization	\$149,015,000	\$32,841,725	\$3,143,275	\$185,000,000
Total Bond Sales To Date	87,829,729	14,260,750	859,521	102,950,000
Proposed Bond Sale February 2012	62,176,132	10,394,975	698,893	73,270,000
Reserves Pending Bond Sale ¹				<u>2,730,000</u>
Total Bond Sale February 2012				76,000,000
Total Bond Sales To Date and Proposed Bond Sale	150,005,861	24,655,725	1,558,414	178,950,000
Remaining Authorized and Unsold Bonds	(\$990,861)	\$8,186,000	\$1,584,861	\$6,050,000

Source: October 2011 Citizens' General Obligation Bond Oversight Committee

¹The Office of Public Finance establishes reserves pending the sale of the bonds to account for changes in bond market conditions at the time of the sale. The Controller's Office makes technical adjustments based on the sale results. If the \$2,730,000 is not used at the time of the bond sale, the unused balance is available for sale and appropriation at the subsequent bond sale, subject to Board of Supervisors' approval.

Attachment I, prepared by the Budget and Legislative Analyst, shows the allocation of bond proceeds, expenditures, and encumbrances to date. As shown in Attachment I, as of September 30, 2011, the Recreation and Park Department has spent or encumbered 48 percent of the \$87.8 million in bond proceeds and the Port has spent or encumbered 77 percent of the \$14.3 million in bond proceeds.

DETAILS OF PROPOSED LEGISLATION

File 11-1345: The proposed resolution would authorize the sale of not-to-exceed \$76,000,000 aggregate principal amount of Clean and Safe Neighborhood Parks General Obligation Bonds.

The proposed resolution:

- Authorizes the Director of Public Finance to determine the sale date, interest rates, principal amount of the bonds, maturity and redemption dates, with the provision that interest rates cannot exceed 12 percent and the maturity date cannot extend after June 15, 2037;
- Provides for the execution, authentication and registration of the 2008 Clean and Safe Neighborhood Parks, Series 2012B Bonds;
- Sets the terms for transferring or redeeming the bonds;
- Provides for defeasance of the bonds;

- Requires a special Series 2012B Bond subaccount for payment of principal and interest; and a special Series 2012B project subaccount for acquisition, renovation, and construction of bond-funded projects;
- Approves the appointment of the Depository Trust Company as the securities depository, and authorizes the Treasurer to appoint fiscal and other agents;
- Approves the (a) Office Notice of Sale, which announces the date, time and terms of the competitive bond sale; (b) Notice of Intention to Sell Bonds;
- Approves the Official Statement, describing the sources and uses of funds, security for the Bonds, risk factors, and tax and other legal matters, among other information; and authorizes the Controller or Director of Public Finance to revise the Official Statement to conform to the City's Comprehensive Annual Fiscal Report (CAFR);
- Restricts use of the bond proceeds to the public purpose for which the bonds were intended;
- Approves the Continuing Disclosure Certificate, which provides certain financial information and operating data relating to the City (the "Annual Report") not later than 270 days after the end of the fiscal year and to provide notices of the occurrence of certain enumerated events, if material ;
- Authorizes City officials who have responsibility for executing documents related to the Series 2012 B Bonds, including the Controller, Director of Public Finance, and Treasurer, to modify the documents as necessary, except that the Series 2012B Bond amount cannot exceed \$76,000,000; and
- Subjects the Series 2012B Bonds to the reporting requirements of the Citizens' General Obligation Bond Oversight Committee.

File 11-1334: The proposed ordinance (File 11-1334) would appropriate \$76,000,000 of the bond sale proceeds, as shown in Table 3 below.

Table 3
Clean and Safe Neighborhood Parks Series 2012B Bond Appropriation

Program	Program Amount	Total Amount
Neighborhood Parks	\$39,946,132	
Citywide Program	<u>22,230,000</u>	
Recreation and Park Department		62,176,132
Port		10,394,975
Underwriter's Discount	366,350	
Cost of Issuance	<u>114,131</u>	
Bond Issuance Costs		480,481
Citizens General Obligation Bond Oversight Committee and Audit		218,412
Proposed Bond Sale Amount		73,270,000
Reserve Pending Bond Sales		2,730,000
Total Proposed Bond Sale Amount and Reserves		\$76,000,000

Source: File 11-1334

Attachment II, prepared by the Budget and Legislative Analyst, provides details of the proposed appropriation of \$76,000,000 by program, including program budget, program appropriation to date, and proposed new appropriation.

Recreation and Park Department programs and Port programs funded by the 2008 Clean and Safe Neighborhood Park Bonds will be fully funded if the Board of Supervisors approves the proposed appropriation ordinance, with the exception of the Port's Crane Cove project. According to the November 28, 2011 Bond Accountability Report, submitted by the Port to the Board of Supervisors, the Crane Cove Park project has not yet received environmental clearance consistent with the California Environmental Quality Act (CEQA), which is estimated to be completed in 2013.

File 11-1364: Hearing to consider the release of reserved funds in the amount of \$130,463 to fund the Port's Pier 43 Bay Trail Link Waterfront Park Project.

The Pier 43 Bay Trail Link is located north of Pier 43 in the Fisherman's Wharf area. The site consists of condemned piers and a partially closed sidewalk due to a failing seawall. The project will create new waterfront open space and a public promenade along the water's edge. The Pier 43 Bay Trail Link is funded by Port funds, grant funds, and 2008 Clean and Safe Neighborhood Park Bonds, as shown in Table 4 below.

Table 4
Pier 43 Bay Trail Link Budget

Sources of Funds	
2008 Clean and Safe Neighborhood Park Bonds previously appropriated	\$7,650,000
2008 Clean and Safe Neighborhood Park Bonds proposed appropriation	<u>27,800</u>
2008 Clean and Safe Neighborhood Park Bonds subtotal	7,677,800
Other Port funds and grants	2,282,963
Total Sources	9,960,763
Uses of Funds	
Design and engineering	1,166,259
Construction management	1,394,250
Construction	6,612,563
Contingency (8.6 %)	787,691
Total Uses	\$9,960,763

Source: Port

The Pier 43 Bay Trail Link has been allocated \$7,677,800 in 2008 Clean and Safe Neighborhood Park Bonds, as follows:

- The Board of Supervisors appropriated and placed on reserve \$130,463 of 2008 Clean and Safe Neighborhood Park Bond Series 2008B for the Pier 43 Bay Trail Link in October 2008 pending approval of the final expenditure plan by the Budget and Finance Committee (File 08-1196).
- The Board of Supervisors appropriated an additional \$7,519,537 in Clean and Safe Neighborhood Parks Bond for the Pier 43 Bay Trail Link in October 2008 and in the Port's FY 2009-10 budget.

In total, the Board of Supervisors has appropriated \$7,650,000 of 2008 Clean and Safe Neighborhood Park Bonds for the Pier 43 Bay Trail Link. The balance of \$27,800 is the subject of this report (File 11-1334).

The Port completed project planning and design in January 2011. Bids for construction were advertised in February 2011 and awarded the construction contract to the lowest responsive bidder, Vortex Marine Construction, in May 2011 for a total construction contract cost of \$6,383,000. The Port issued the Notice to Proceed to the contractor in June 2011 with the substantial completion date scheduled no later than July 31, 2012.

The proposed supplemental appropriation of \$27,800 (File 11-1334) and release of reserves of \$130,463 (File 11-1364) would complete funding for the Pier 43 Bay Trail Link project.

FISCAL IMPACTS

According to the December 12, 2011 memorandum to the Board of Supervisors from Ms. Nadia Sesay, Director of Public Finance, the not-to-exceed \$76,000,000 of Clean and Safe Neighborhood Parks Bonds are projected to have an annual interest rate of 6.0 percent over approximately 20 years. These bonds will result in estimated total debt service payments of \$125,750,823, including \$52,480,823 in interest and \$73,270,000 in principal, with estimated average annual debt service payments of \$6,287,541.

Repayment of such annual debt service will be recovered through increases to the annual Property Tax rate, which, according to the Controller's Office, averages \$0.029 per \$1,000 of assessed valuation over the anticipated 20-year term of the bonds. A single family residence with an assessed value of \$500,000, assuming a homeowner's exemption of \$7,000, would pay average annual additional Property Taxes to the City of \$14.30 per year ($\$500,000 - \$7,000 / \$1,000 \times \0.029) if the proposed \$76,000,000 of Clean and Safe Neighborhood Parks Bonds are sold.

POLICY ISSUES

The proposed resolution authorizing the sale of the Series 2012B Bonds would allow the Recreation and Park Department to waive the deadline for submitting the Bond Accountability Report

Administrative Code Section 2.71(b) requires the Recreation and Park Department to submit a Bond Accountability Report to the Board of Supervisors 60 days prior to approval by the Board of Supervisors of the sale of any subsequent series of bonds for the same project.² The Bond

² The Bond Accountability Report includes: (a) certification from an authorized representative of the Recreation and Park Department that the information in the report is correct; (b) cumulative amount of bond proceeds available and expended on the project; brief description of each project line item for which bond proceeds have been expended; (c) the amount of bond proceeds expended on each project line item; (d) identification of completed and uncompleted project line items; (e) identification of any project line item not included in a proposed expenditure report; (h) identification of any project line item included in a proposed expenditure report for which bond proceeds will not be used; (i) certification that each project identified is in conformity with the voter authorization; and (j) an explanation of uncompleted projects or projects not included in the proposed expenditure report.

Accountability Report includes: (a) certification from an authorized representative of the Recreation and Park Department that the information in the report is correct; (b) cumulative amount of bond proceeds available and expended on the project; brief description of each project line item for which bond proceeds have been expended; (c) the amount of bond proceeds expended on each project line item; (d) identification of completed and uncompleted project line items; (e) identification of any project line item not included in a proposed expenditure report; (h) identification of any project line time

According to Ms. Taylor Emerson, Recreation and Park Department Capital and Planning Division Analyst, the Bond Accountability Report will be submitted to the Clerk of the Board of Supervisors on or before January 10, 2012.

The proposed appropriation of Series 2012B Bonds for Recreation and Park Department projects exceeds the budget by \$990,861

As shown in Table 2 above, the Recreation and Park Department's total prior and requested Clean and Safe Neighborhood Parks Bond authorization of \$150,005,861 is \$990,861 more than the budget of \$149,015,000. This increase of \$990,861 results from an increase in the Recreation and Park Department's Neighborhood Park Contingency Fund, offset by decreases in other Neighborhood Parks projects. The Budget and Legislative Analyst recommends reducing the requested appropriation for the Neighborhood Parks Contingency Fund by \$990,861 to conform to the Clean and Safe Neighborhood Parks budget.

If the proposed Series 2012B Bond sale fully expends the \$2,730,000 reserve, the remaining Clean and Safe Neighborhood Parks Bond authorization will be insufficient to fund the Port's Crane Cove project

As shown below, prior Clean and Safe Neighborhood Parks Bond proceeds' appropriations of \$102.95 million, the proposed supplemental appropriation of \$73.27 million, and the proposed reserve pending bond sale of \$2.73 million, result in \$6.05 million remaining bond authorization:

Total Bond Authorization		\$185,000,000
Total Bond Sales To Date	(102,950,000)	
Proposed Bond Sale February 2012	(73,270,000)	
Reserves Pending Bond Sale	<u>(2,730,000)</u>	
Total Bond Sales To Date and Proposed Bond Sale		<u>(178,950,000)</u>
Remaining Authorized and Unsold Bonds		\$6,050,000

The Port's Crane Cove project is the remaining project to be funded by the Clean and Safe Neighborhood Parks Bonds. Of the total Crane Cove budget of \$9,999,250 funded by the Clean and Safe Neighborhood Parks Bonds, \$1,813,250 has been previously appropriated or will be appropriated as part this supplemental appropriation (File 11-1334) and \$8,186,000 will be appropriated through the fourth and final sale of the Clean and Safe Neighborhood Parks Bonds.

If the \$2,730,000 reserve pending bond sale is fully expended, the remaining Clean and Safe Neighborhood Parks Bond authorization of \$6,050,000 will be \$2,136,000 less than the remaining Crane Cove project budget to be funded by the Clean and Safe Neighborhood Parks Bonds of \$8,186,000. According to Ms. Sesay, it is unlikely that the \$2,730,000 will be fully

expended under this authorization. The \$2,730,000 reserve allows for adjustment to changes in market conditions. If a portion of the \$2,730,000 is expended for any other use, such as project expenditure, it would require BOS approval.

RECOMMENDATIONS

1. Amend File 11-1334 to reduce the proposed appropriation for the Neighborhood Park Contingency Fund by \$990,861, from \$4,609,432 to \$3,618,561. The total appropriation for the Recreation and Park Department will be reduced from \$62,176,132 to \$61,185,271. The total not-to-exceed amount for the Clean and Safe Park Bond appropriation will be reduced from \$76,000,000 to \$75,009,139.
2. Amend File 11-1345 to authorize the sale of not-to-exceed \$75,009,139 aggregate principal amount of Clean and Safe Neighborhood Parks General Obligation Bonds, consistent with the recommendation above, and approve as amended.
3. Approve File 11-1334, appropriating not-to-exceed \$75,009,139 of Clean and Safe Neighborhood Parks Bonds, as amended.
4. Approve File 11-1364 to release \$130,463 in Clean and Safe Neighborhood Parks Bonds previously appropriated by the Board of Supervisors and placed on Budget and Finance Committee reserve for the Pier 43 Bay Trail Link.

	Appropriation Series 2008B and 2010B	Actual Expenditures as of 9/30/11	Encumbered as of 9/30/11	Unencumbered and Unspent Balance as of 9/30/11
Recreation and Park				
Neighborhood Parks				
Chinese Recreation Center	12,690,000	6,749,349	4,935,620	1,005,031
Mission Playground	8,050,000	2,906,309	3,593,870	1,549,821
Palega Playground	16,219,800	1,723,975	912,658	13,583,167
Cayuga Playground	7,300,000	1,593,204	305,944	5,400,852
McCoppin Square	3,800,000	2,953,349	419,510	427,141
Sunset Playground	13,700,000	4,393,076	7,002,642	2,304,282
Fulton Playground	4,850,600	1,028,374	38,343	3,783,883
Mission Dolores Playground	1,650,000	353,306	1,194,982	101,712
Mission Dolores Renovation	938,400	337,945	116,870	483,585
Cabrillo Playground	814,500	515,578	17,677	281,245
Glen Canyon Park	781,500	181,302	9,499	590,699
Lafayette Park	1,950,400	957,324	93,513	899,563
Kimball Playground	658,700	83,148	1,860	573,692
Neighborhood Parks Contingency	2,755,829	0	0	2,755,829
Subtotal, Neighborhood Parks	76,159,729	23,776,239	18,642,988	33,740,502
Citywide Programs				
Restroom Repair and Replacement	6,150,000	1,405,188	137,233	4,607,579
Park Playfields Program	800,000	691,837	112,490	(4,327)
Park Forestry Program	1,230,000	188,694	76,444	964,862
Park Trail Program	2,090,000	499,438	42,748	1,547,814
Community Opportunity Fund	1,400,000	92,269	7,717	1,300,014
Subtotal, Citywide Program	11,670,000	2,877,426	376,632	8,415,942
Total Recreation and Park	87,829,729	26,653,665	19,019,620	42,156,444
Port				
Pier 43 Bay Trail Link	7,650,000	1,828,678	4,119,680	1,701,642
Brannan Street Wharf Park	0	0	0	0
Blue-Greenway Signage/Furnishings	434,000	0	0	434,000
Bayview Gateway	200,000	0	0	200,000
Tulare Park	125,000	20,097	0	104,903
Crane Cove Park	1,263,250	0	709,850	553,400
Bayfront Park	2,950,000	568,245	1,649,866	731,889
Heron's Head Park	550,000	143,493	0	406,507
Blue-Greenway Public Art	175,000	0	0	175,000
Blue-Greenway Planning/Design	336,000	272,732	14,728	48,540
CEQA Review and Permitting	577,500	436,995	0	140,505
Total Port	14,260,750	3,270,240	6,494,124	4,496,386
Total Appropriation	102,090,479	29,923,905	25,513,744	46,652,830
Bond Issuance and Audit Costs	859,521	859,521	0	0
Total Bonds To Date	102,950,000	30,783,426	25,513,744	46,652,830

ATTACHMENT II

	Revised Bond Budget (File 11-1103)	Appropriation to Date (Oct 2011 Quarterly Report)	Proposed Appropriation (File 11-1334)	Total Appropriation to Date and Proposed Appropriation
Recreation and Park				
Neighborhood Parks				
Chinese Recreation Center	12,690,000	12,690,000	0	12,690,000
Mission Playground	7,500,000	7,500,000	0	7,500,000
Palega Recreation Center	21,200,000	16,219,800	4,980,200	21,200,000
Cayuga Playground	7,300,000	7,300,000	0	7,300,000
McCoppin Square	3,800,000	3,800,000	0	3,800,000
Sunset Playground	13,700,000	13,700,000	0	13,700,000
Fulton Playground	4,620,000	4,850,600	0	4,850,600
Mission Dolores Playground	2,200,000	2,200,000	0	2,200,000
Mission Dolores Park	11,700,000	938,400	10,761,600	11,700,000
Cabrillo Playground	4,500,000	814,500	3,685,500	4,500,000
Glen Canyon Park	5,800,000	781,500	5,018,500	5,800,000
Lafayette Park	10,200,000	1,950,400	8,249,600	10,200,000
Kimbell Playground	3,300,000	658,700	2,641,300	3,300,000
Neighborhood Park Contingency	4,145,000	2,755,829	4,609,432	7,365,261
Subtotal, Neighborhood Parks	112,655,000	76,159,729	39,946,132	116,105,861
Citywide Program				
Park Restroom Repair and Renovation	11,400,000	6,150,000	5,250,000	11,400,000
Park Playfields	8,500,000	800,000	7,700,000	8,500,000
Park Forestry	4,000,000	1,230,000	2,770,000	4,000,000
Park Trail Reconstruction	5,000,000	2,090,000	2,910,000	5,000,000
Community Opportunity Fund	5,000,000	1,400,000	3,600,000	5,000,000
Subtotal, Citywide Program	33,900,000	11,670,000	22,230,000	33,900,000
Subtotal Recreation and Park	146,555,000	87,829,729	62,176,132	150,005,861
Pier 43 Bay Trail Link	7,677,800	7,650,000	27,800	7,677,800
Brannan Street Wharf Park	2,941,050	0	2,941,050	2,941,050
Blue-Greenway Signage and Furnishings	1,458,000	434,000	1,024,000	1,458,000
Bayview Gateway	3,282,125	200,000	3,082,125	3,282,125
Tulare Park	585,000	125,000	460,000	585,000
Crane Cove Park	9,999,250	1,263,250	550,000	1,813,250
Bayfront Park	2,950,000	2,950,000	0	2,950,000
Heron's Head Park	2,351,000	550,000	1,801,000	2,351,000
Blue-Greenway Public Art	684,000	175,000	509,000	684,000
Blue-Greenway Planning and Design	336,000	336,000	0	336,000
CEQA Review and Permitting	577,500	577,500	0	577,500
Subtotal Port	32,841,725	14,260,750	10,394,975	24,655,725
Reserve Pending Bond Sales			2,730,000	2,730,000
Bond Issuance and Audit Costs	3,143,275	859,521	698,893	1,558,414
Reserve, Issuance, Audit Costs	3,143,275	859,521	3,428,893	4,288,414
TOTAL	182,540,000	102,950,000	76,000,000	178,950,000

Items 15, 16 and 17
Files 11-1335, 11-1343 and 11-1346

Department:
 Department of Public Works, Controller's Office of Public Finance

EXECUTIVE SUMMARY

Legislative Objectives

- File 11-1343: Resolution providing for the issuance of up to \$248,000,000 of Road Repaving and Street Safety (RRSS) General Obligation Bonds, based on San Francisco voters approval of Proposition B in November of 2011.
- File 11-1346: Resolution authorizing and directing the sale of up to \$76,500,000 in Road Repaving and Street Safety General Obligation Bonds.
- File 11-1335: Ordinance appropriating \$76,500,000 of Road Repaving and Street Safety Bond proceeds, including (a) \$68,780,427 to the Department of Public Works (DPW) for project costs, (b) \$4,720,000 to the Municipal Transportation Agency (MTA) for project costs, (c) \$704,573 for issuance and related costs, (d) \$2,295,000 to allow for fluctuations in market conditions, and (e) placing the entire \$76,500,000 on Controller's Reserve pending the sale of the Bonds.

Key Points

- The proposed resolution authorizes the issuance of up to \$248,000,000 in RRSS General Obligation (GO) Bonds, which were approved by San Francisco voters on November 8, 2011 as Proposition B. The RRSS Bonds will finance the repaving and reconstruction of roads, the rehabilitation and seismic improvement of street structures, the replacement of sidewalks, the installation and renovation of curb ramps, the redesign of streetscapes, and the construction, rehabilitation and renovation of traffic signal infrastructure to support transit priority.
- The proposed resolution directing the sale of up to \$76,500,000 of RRSS GO Bonds would be the first in a series of three RRSS GO Bond sales under the \$248,000,000 authorized by Proposition B.
- The proposed appropriation ordinance for \$76,500,000 in RRSS GO Bond funds includes \$73,500,427 for project-related costs, \$704,573 for bond oversight and cost of issuance, and \$2,295,000 for a reserve to allow for fluctuations in the financing market between the date when the Board of Supervisors adopts the proposed legislation and the sale date.
- Under the proposed appropriation ordinance, project-related costs will total \$73,500,427. DPW will use (a) \$44,153,496 for the street resurfacing project, (b) \$8,835,199 for the curb ramp improvement project, (c) \$5,036,404 for the sidewalk improvement project, (d) 5,200,000 for the street structures project and (e) \$5,555,328 for the streetscape project, for a total of \$70,223,681. MTA will use (a) \$4,220,000 for upgrades to traffic signal controller equipment, (b) \$250,000 for the installation of new traffic signals, and (c) \$250,000 for other traffic signal infrastructure upgrades.

Fiscal Impact

- The proposed resolution authorizing the sale of up to \$76,500,000 in RRSS GO Bonds will have a projected annual interest rate of 6.0 percent over approximately 20 years, with estimated total debt service payments of \$131,872,035, including \$57,667,035 in interest and \$74,205,000 in principal, with estimated average annual debt service payments of \$6,593,602. Debt service would be paid from increased Property Taxes, such that an owner of a single family residence with an assessed value of \$500,000 would pay additional Property Taxes of approximately \$14.30 per year.

Recommendation

Approve the proposed ordinance (File No. 11-1335) and the proposed resolutions (File Nos. 11-1343 and 11-1346).

MANDATE STATEMENT / BACKGROUND

Mandate Statement

Section 9.106 of the City's Charter provides that the Board of Supervisors is authorized to provide for the issuance and sale of General Obligation bonds in accordance with State law or local procedures adopted by ordinance. Section 9.105 of the City's Charter provides that (a) amendments to the appropriation ordinance, as finally adopted, are to be adopted in the same manner as other ordinances¹ and (b) no amendment to the appropriation ordinance may be adopted unless the Controller certifies the availability of funds.

Background

On November 8, 2011, the voters of San Francisco approved Proposition B, which authorized the issuance of \$248,000,000 of Road Repaving and Street Safety (RRSS) General Obligation Bonds. The RRSS Bonds will finance the repaving and reconstruction of roads, the rehabilitation and seismic improvement of street structures, the replacement of sidewalks, the installation and renovation of curb ramps, the redesign of streetscapes, and the construction, rehabilitation and renovation of traffic signal infrastructure. As shown in Table 1 below, the total not-to-exceed RRSS Bond Program Budget is \$248,000,000.

Table 1: Road Repaving and Street Safety General Obligation Bond Budget

Description	Total Budget
Street Repaving and Reconstruction	\$149,00,000
Streetscape, Pedestrian, and Bicycle Safety Improvements	50,000,000
Sidewalk Accessibility Improvements (Curb Ramps and Sidewalks)	22,000,000
Street Structures Rehabilitation	7,000,000
DPW Subtotal	228,000,000
Traffic Signal Infrastructure	20,000,000
MTA Subtotal	20,000,000
Total RRSS Budget	\$248,000,000
Source: 2011 Road Repaving and Street Safety Bond Program Brochure	

The street, sidewalk, street structure, and streetscape improvement projects totaling \$228,000,000 will be managed by the Department of Public Works (DPW). The traffic signal projects totaling \$20,000,000 will be managed by the Municipal Transportation Agency (MTA). The single largest project under the subject RRSS General Obligation Bonds will be the repaving, repair and reconstruction of approximately 1,389 street segments at an estimated cost of \$149,000,000.

¹ In accordance with Section 2.105 of the San Francisco Charter, the approval of an ordinance requires two readings at separate Board of Supervisors meetings, held at least five days apart.

DETAILS OF PROPOSED LEGISLATION

File 11-1343: The proposed resolution would authorize the issuance of up to \$248,000,000 of Road Repaving and Street Safety (RRSS) General Obligation Bonds for all of the RRSS funds approved by the voters on November 8, 2011 under Proposition B..

File 11-1346: The proposed resolution would authorize the sale of not-to-exceed \$76,500,000 aggregate principal amount of RRSS General Obligation Bonds.

The proposed resolution:

- Authorizes the Director of Public Finance to determine the sale date, interest rates, principal amount of the bonds, maturity and redemption dates, with the provision that interest rates cannot exceed 12 percent and the maturity date cannot extend after June 15, 2037;
- Provides for the execution, authentication and registration of the 2011 Road Repaving and Street Safety, Series 2012C Bonds;
- Sets the terms for transferring or redeeming the bonds;
- Provides for defeasance of the bonds;
- Requires a special Series 2012C Bond subaccount for payment of principal and interest; and a special Series 2012B project subaccount for acquisition, renovation, and construction of bond-funded projects;
- Approves the appointment of the Depository Trust Company as the securities depository, and authorizes the Treasurer to appoint fiscal and other agents;
- Approves the (a) Office Notice of Sale, which announces the date, time and terms of the competitive bond sale; (b) Notice of Intention to Sell Bonds;
- Approves the Official Statement, describing the sources and uses of funds, security for the Bonds, risk factors, and tax and other legal matters, among other information; and authorizes the Controller or Director of Public Finance to revise the Official Statement to conform to the City's Comprehensive Annual Fiscal Report (CAFR);
- Restricts use of the bond proceeds to the public purpose for which the bonds were intended;
- Approves the Continuing Disclosure Certificate, which provides certain financial information and operating data relating to the City (the "Annual Report") not later than 270 days after the end of the fiscal year and to provide notices of the occurrence of certain enumerated events, if material ;
- Authorizes City officials who have responsibility for executing documents related to the Series 2012 C Bonds, including the Controller, Director of Public Finance, and Treasurer, to modify the documents as necessary, except that the Series 2012C Bond amount cannot exceed \$76,500,000; and
- Subjects the Series 2012C Bonds to the reporting requirements of the Citizens' General Obligation Bond Oversight Committee.

File 11-1335: The proposed ordinance would appropriate the entire \$76,500,000 from the above-noted first RRSS General Obligation Bond sale. As shown in Table 2 below, of the total \$76,500,000 from the first Bond sale, (a) \$73,500,427 would be for direct project related costs, (b) \$704,573 would be for issuance and related costs, and (c) \$2,295,000 is a reserve to allow for fluctuations in market conditions and the resulting interest rates between the date that subject bonds are appropriated by the Board of Supervisors and February 2012, when the bonds are anticipated to be sold.

Table 2 below identifies that DPW will require (a) \$44,153,496 for the street resurfacing project, (b) \$8,835,199 for the curb ramp improvement project, (c) \$5,036,404 for the sidewalk improvement project, (d) 5,200,000 for the street structures project and (e) \$5,555,328 for the streetscape project, for a total of \$68,780,427.

As shown in Table 2, MTA will use (a) \$4,220,000 for upgrades to traffic signal controller equipment, (b) \$250,000 for traffic signals, and (c) \$250,000 for other traffic signal infrastructure upgrades, for a total of \$4,720,000. According to Ms. Cheryl Liu, Senior Transportation Engineer at MTA, the upgrades to the traffic signal controller equipment are part of the transit signal priority (TSP) engineering strategy used to advance the City's "Transit First" policy by providing green signal indications to transit vehicles when they approach the signalized intersections.

**Table 2: Road Repaving and Street Safety General Obligation Bond
Total Budget and Proposed Request for Bond Sale and Appropriation**

Description	Total Project Budget	First Bond Sale and Appropriation for Direct Project Costs	First Bond Sale and Appropriation for Cost of Issuance, Bond Oversight, and Underwriters Discount**	First Bond Sale and Appropriation Total Request	Future Bond Sales and Supplemental Requests
Department of Public Works (DPW)					
Street Resurfacing	\$146,041,893	\$44,153,496	\$423,255	\$44,576,751	\$101,465,142
Curb Ramp Improvement	13,594,484	8,835,199	84,693	8,919,892	4,674,592
Sidewalk Improvement	7,859,962	5,036,404	48,279	5,084,683	2,775,279
Street Structures	7,212,546	5,200,000	49,847	5,249,847	1,962,699
Streetscape	39,246,350	5,555,328	53,254	5,608,582	33,637,768
DPW Subtotal	213,955,235	68,780,427	659,328	69,439,755	144,515,480
Municipal Transportation Agency (MTA)					
Traffic Signal Controller Upgrades	\$17,500,000	\$4,220,000	\$40,452	\$4,260,452	\$13,239,548
New Traffic Signals	2,210,000	250,000	2,396	252,396	1,957,604
Traffic Signal Infrastructure Upgrades	250,000	250,000	2,396	252,396	(2,396)
Streetscape	9,980,000	0	0	0	9,980,000
MTA Subtotal	29,940,000	4,720,000	45,245	4,765,245	25,174,755
Costs of Issuance, Bond Oversight, Underwriters Discount, and Reserve	4,104,765				
RRSS Budget	\$248,000,000	\$73,500,427	\$704,573	\$74,205,000	\$173,795,000
Reserve Pending Subject \$76,500,000 Bond Sale*				2,295,000	
Total				\$76,500,000	\$171,500,000
*The amount of the Reserve Pending Bond Sale is subject to change due to bond market conditions at the time of sale. The Controller's Office makes technical adjustments based on the sale results. If the \$2,295,000 in Reserves is not used, those funds must be re-authorized by the Board of Supervisors through subsequent sale resolutions in order to be issued.					
**Table 3 below provides a breakdown of the Cost of Issuance and Bond Oversight expenditures. Issuance and Bond Oversight expenditures associated with the project costs will be paid through the Controller's Office, as opposed to by the DPW or the MTA.					
Sources: San Francisco Department of Public Works, Municipal Transportation Agency, and Office of Public Finance.					

Table 3 below provides a breakdown of the \$704,573 for the cost of issuance, underwriter's discount, allocation to the Controller's Audit Fund, and bond oversight of the proposed not-to-exceed \$76,500,000 RRSS General Obligation Bond issuance and appropriation.

Table 3: Proposed Cost of Issuance and Bond Oversight

Description	Amount
Cost of Issuance ²	\$112,342
Underwriter's Discount ³	371,025
City Auditor .1% allocation for the General Obligation Bond Oversight Committee Audits	74,205
City Services Auditor .2% allocation for the Controller's Audit Fund	147,001
Total	\$704,573
Source: San Francisco Office of Public Finance	

FISCAL IMPACTS

According to Mr. Ababon, the proposed issuance of \$248,000,000 in Road Repaving and Street Safety General Obligation Bonds is expected to be sold in three series between February 2012 and 2014 as shown in Table 4 below.

Table 4: Three Anticipated Bond Sales

Date	Direct Project Costs Plus Cost of Issuance and Bond Oversight
February, 2012	\$74,205,000*
2013	67,230,000
2014	85,350,000
Total	\$226,785,000**
*The anticipated sale amount of \$74,205,000 does not include the \$2,295,000 placed on reserve to provide for market fluctuations between now and the sale date. The total appropriation request of \$76,500,000 includes both the anticipated sale amount (\$74,205,000) and reserves (\$2,295,000) pending the first series of bond sales.	
**The total bond sale amount of \$226,785,000 does not include (a) approximately \$5 million in costs for bike and pedestrian streetscape projects that will be incurred after the second bond sale, and (b) approximately \$10 million in costs for street resurfacing that will be incurred after the second bond sale. See description below.	
Source: San Francisco Office of the Controller	

As shown in Table 4, the total amount of the three bond sales is estimated to be \$226,785,000, which is \$21,215,000 less than the not-to-exceed amount of \$248 million authorized by voters on November 8, 2011. According to Mr. Douglas Legg, Manager of Finance, Budget and Performance at DPW, approximately \$9.98 million of the difference is due to the fact that a street resurfacing project related to the HOPE SF public housing project was not included in the bond expenditure budget, and approximately \$9.98 million of costs anticipated for MTA bike

² Cost of Issuance includes payments for bond, disclosure and tax counsel fees; financial advisory fees; rating agency fees; printing costs; and City costs for the Office of Public Finance, Treasurer, Controller, and City Attorney's Office.

³ The Underwriters Discount refers to the fact that the original purchaser of the bonds that submitted the most competitive bid for the bonds includes a compensation component for underwriting the bonds and associated risks. This compensation component is included in the bid price submitted for the bonds. Thus, the award of the bonds based on the most competitive bid takes into consideration the amount of Underwriter's Discount.


and pedestrian streetscape projects were not included. Neither of these projects will be initiated until after the second bond sale, according to Mr. Legg.

According to the December 12, 2011 Memorandum from Ms. Sesay, the not-to-exceed \$76,500,000 of RRSS General Obligation Bonds are projected to have an annual interest rate of 6.0 percent over approximately 20 years. These bonds will result in estimated total debt service payments of \$131,872,035, including \$57,667,035 in interest and \$74,205,000 in principal, with estimated average annual debt service payments of \$6,593,602.

Repayment of such annual debt service will be recovered through increases to the annual Property Tax rate which, according to the Controller's Office, average \$0.029 per \$1,000 of assessed valuation over the anticipated 20-year term of the Bonds. A single family residence with an assessed value of \$500,000, assuming a homeowners exemption of \$7,000, would pay average annual additional Property Taxes to the City of \$14.30 per year ($\$500,000 - \$7,000 / \$1,000 \times \0.029) if the proposed \$76,500,000 RRSS General Obligation Bond is issued and appropriated.

RECOMMENDATION

Approve the proposed ordinance (File 11-1335) and resolutions (Files 11-1343 and 11-1346).


Harvey M. Rose for

cc: Supervisor Chu
Supervisor Kim
President Chiu
Supervisor Avalos
Supervisor Campos
Supervisor Cohen
Supervisor Elsbernd
Supervisor Farrell
Supervisor Mar
Supervisor Wiener
Clerk of the Board.
Cheryl Adams
Controller
Rick Wilson