

File No. 130482

Committee Item No. 6

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: 05/29/2013

Board of Supervisors Meeting

Date: _____

Cmte Board

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Completed by: Victor Young Date May 24, 2013

Completed by: Victor Young Date _____

1 [Appropriation - Port Revenue Bond Proceeds, Surplus Revenues, and Expenditures of
2 Supporting Capital Projects - \$34,722,930 - FY2012-2013]

3 **Ordinance appropriating \$34,722,930 consisting of \$25,265,500 of 2013 Port Revenue**
4 **Bond Series A and B proceeds, \$849,680 of Interest Earnings, \$6,445,220 from 2010**
5 **Revenue Bond funded projects, \$1,689,074 from 2012 Certificates of Participation**
6 **Series B funded projects and \$473,456 from Port Capital Funded projects to the Port**
7 **Commission in FY2012-13 for the development of the Cruise Terminal Project at Pier 27**
8 **and the Northern Waterfront Historic Pier Structures Repair Project.**

9
10 Note: Additions are single-underline italics Times New Roman;
11 deletions are ~~strikethrough italics Times New Roman~~.
12 Board amendment additions are double underlined.
13 Board amendment deletions are ~~strikethrough normal~~.

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

15 Section 1. The sources of funding outlined below are herein appropriated to reflect the
16 funding available in Fiscal Year 2012-2013.

17 **SOURCES Appropriation**

Fund	Index/Project Code	Subsubject	Description	Amount
5P XXX XXX	TBD	80111	Proceeds from	\$22,979,088
Port Revenue Bonds, 2013			Revenue Bonds	
Series A				
Non-AMT – Tax Exempt				

	Fund	Index/Project Code	Subobject	Description	Amount
1					
2					
3	5P XXX XXX	TBD	80111	Proceeds from	\$2,286,412
4	Port Revenue Bonds, 2013			Revenue Bonds	
5	Series B				
6	AMT/Private Activity				
7					
8	5P CPF 09A	390910/	30150	Interest Earnings	\$302,029
9	Port Rev Bonds 2009 –	PRTINT			
10	Series 2010A – Tax				
11	Exempt				
12					
13	5P CPF 09B	390912/	30150	Interest Earnings	\$547,651
14	Port Rev Bonds 2009 –	PRTINT			
15	Series 2010B – Taxable				
16					
17	Total SOURCES Appropriation				<u>\$26,115,180</u>

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20 Section 2. The uses of funding outlined below were previously appropriated and are

21 herein de-appropriated as indicated by Attachment A to reflect the funding available in Fiscal

22 Year 2012-13.

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1 **USES De-appropriation**

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Fund	Index / Project Code	Subobject	Description	Amount
5P CPF 12B	390922	06700 Buildings,	De-Appropriation of	(\$1,689,074)
Certificates of	CPO-927-01	Structures, and	2012 Certificates of	
Participation, 2012	CPO-927-09	Improvement Project-	Participation	
Series B	CPO-927-11	Budget	Project	
AMT/Private Activity				
5P CPF 09A	390910	06700 Buildings,	De-Appropriation of	(\$287,492)
Port Rev Bonds 2009 –	CPO-921-	Structures, and	2010 Revenue	
Series 2010A – Tax	9ARI01	Improvement Project-	Bond Project	
Exempt		Budget		
5P CPF 09A	390910	06700 Buildings,	De-Appropriation of	(\$70,880)
Port Rev Bonds 2009 –	CPO-921-	Structures, and	2010 Revenue	
Series 2010A – Tax	9ARJ01	Improvement Project-	Bond Project	
Exempt		Budget		
5P CPF 09A	390910	06700 Buildings,	De-Appropriation of	(\$87,252)
Port Rev Bonds 2009 –	CPO-922-	Structures, and	2010 Revenue	
Series 2010A – Tax	9A50ER	Improvement Project-	Bond Project	
Exempt		Budget		

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	Fund	Index / Project Code	Subobject	Description	Amount
1					
2					
3	5P CPF 09A	390910	06700 Buildings,	De-Appropriation of	(\$37,509)
4	Port Rev Bonds 2009 –	CPO-924-	Structures, and	2010 Revenue	
5	Series 2010A – Tax	9ACEQA	Improvement Project-	Bond Project	
6	Exempt		Budget		
7					
8	5P CPF 09B	390912	06700 Buildings,	De-Appropriation of	(\$2,906,927)
9	Port Rev Bonds 2009 –	CPO-920-	Structures, and	2010 Revenue	
10	Series 2010A – Taxable	9BPL01	Improvement Project-	Bond Project	
11			Budget		
12					
13	5P CPF 09B	390912	06700 Buildings,	De-Appropriation of	(\$61,381)
14	Port Rev Bonds 2009 –	CPO-922-	Structures, and	2010 Revenue	
15	Series 2010A – Taxable	9B50ER	Improvement Project-	Bond Project	
16			Budget		
17					
18	5P CPF 09B	390912	06700 Buildings,	De-Appropriation of	(\$6,876)
19	Port Rev Bonds 2009 –	CPO-923-	Structures, and	2010 Revenue	
20	Series 2010A – Taxable	9BSWBI	Improvement Project-	Bond Project	
21			Budget		
22					
23					
24					
25					

	Fund	Index/ Project Code	Subobject	Description	Amount
1					
2					
3	5P CPF 09B	390912	06700 Buildings,	De-Appropriation of	(\$57,934)
4	Port Rev Bonds 2009 –	CPO-924-	Structures, and	2010 Revenue	
5	Series 2010A – Taxable	9BCEQA	Improvement Project-	Bond Project	
6			Budget		
7					
8	5P CPF 09B	390912	06700 Buildings,	De-Appropriation of	(\$2,928,969)
9	Port Rev Bonds 2009 –	CPO-927-01	Structures, and	2010 Revenue	
10	Series 2010A – Taxable	CPO-927-04	Improvement Project-	Bond Project	
11			Budget		
12					
13	5P AAA ACP	392601	06700 Buildings,	De-Appropriation of	(\$473,456)
14	Port – Continuing Project	CPO-927-01	Structures, and	Project Funds	
15	Operating Fund		Improvement Project-		
16			Budget		
17					
18	Total USES De-appropriation				(\$8,607,750)

21 Section 3. The uses of funding outlined below are herein appropriated in the
 22 Subobjects 06700 (Buildings, Structures, and Improvement Project-Budget), 07311 (Cost of
 23 Bond Issuance), and 081C4 (Controller Internal Audit) reflects the projected uses of funding to
 24 support the Port Commission for the development of the Cruise Terminal Project at Pier 27
 25 and the Northern Waterfront Historic Pier Structures Repair Project.

1 **USES Appropriation**

2	3	4	5	6	7
	Fund	Index / Project Code	Subobject	Description	Amount
4	5P XXX XXX	TBD/	06700 Buildings,	Mixed Use Cruise	\$19,531,611
5	Port Revenue Bond	CPO769-10	Structures, and	Terminal Project at	
6	Issuance, Series A		Improvement Project-	P27	
7			Budget		
8					
9	5P XXX XXX	TBD/	06700 Buildings,	Northern	\$1,943,389
10	Port Revenue Bond	CPO930-01	Structures, and	Waterfront Historic	
11	Issuance, Series B		Improvement Project-	Pier Structures	
12			Budget	Repair Project	
13					
14	5P XXX XXX	TBD	07311 Bond Issuance	Cost of Bond	\$2,790,500
15	Port Revenue Bond		Costs – Unamortized	Issuance	
16	Issuance				
17					
18	5P XXX XXX	TBD	07311 Bond Issuance	Reserve Pending	\$1,000,000
19	Port Revenue Bond		Costs – Unamortized	Bond Sales	
20	Issuance				
21					
22	5P CPF 09A	390910/	06700 Buildings,	Mixed Use Cruise	\$302,029
23	Port Rev Bonds 2009 –	CPO-769-10	Structures, and	Terminal Project at	
24	Series 2010A – Tax		Improvement Project-	P27	
25	Exempt		Budget		

1	Fund	Index / Project Code	Subobject	Description	Amount
2					
3	5P CPF 09B	390912/	06700 Buildings,	Mixed Use Cruise	\$547,651
4	Port Rev Bonds 2009 –	CPO-769-10	Structures, and	Terminal Project at	
5	Series 2010B – Taxable		Improvement Project-	P27	
6			Budget		
7					
8	5P CPF 12B	390922	06700 Buildings,	Pier 27 Mixed-Use	\$1,689,074
9	Certificates of	CPO769-10	Structures, and	Cruise Terminal	
10	Participation, 2012		Improvement Project-	Project	
11	Series B		Budget		
12	AMT/Private Activity				
13					
14	5P CPF 09A	390910	06700 Buildings,	Pier 27 Mixed-Use	\$483,133
15	Port Rev Bonds 2009 –	CPO-769-10	Structures, and	Cruise Terminal	
16	Series 2010A – Tax		Improvement Project-	Project	
17	Exempt		Budget		
18					
19	5P CPF 09B	390912	06700 Buildings,	Pier 27 Mixed-Use	\$793,513
20	Port Rev Bonds 2009 –	CPO-769-10	Structures, and	Cruise Terminal	
21	Series 2010B – Taxable		Improvement Project-	Project	
22			Budget		
23					
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Fund	Index / Project Code	Subobject	Description	Amount
5P CPF 09B	390912/	06700 Buildings,	Northern	\$5,168,574
Port Rev Bonds 2009 –	CPO930-01	Structures, and	Waterfront Historic	
Series 2010B – Taxable		Improvement Project-	Pier Structures	
		Budget	Repair Project	
5P AAA AAA	390408/	081C4 – Controller	City Services	\$41,726
Port – Operating Fund	NA	Internal Audit	Auditor 0.2%	
			allocation for the	
			Controller’s Audit	
			Fund	
5P AAA ACP	392601	06700 Buildings,	Pier 27 Mixed-Use	\$431,730
Port – Continuing Project	CPO769-10	Structures, and	Cruise Terminal	
Operating Fund		Improvement Project-	Project	
		Budget		
Total Uses Appropriation				\$34,722,930

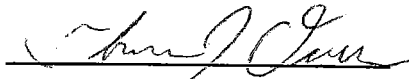
Section 4. Appropriations may be increased or decreased by the Controller based on changes to expenditure appropriations or actual gross bond proceeds to conform to the applicable Charter and Administrative Code formulas.

1 Section 5. The Controller is authorized to record transfers between funds and adjust
2 the accounting treatment of sources and uses appropriated in this ordinance as necessary to
3 conform with Generally Accepted Accounting Principles.
4

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

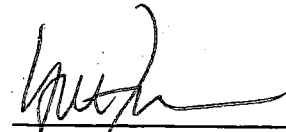
FUNDS AVAILABLE
Ben Rosenfield, Controller

7
8 By:



9 Deputy City Attorney

By:



10 Date: May 20, 2013
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Attachment A
Cruise Terminal Project at Pier 27 and the Northern Waterfront Historic Pier Structures Repair Project
Funding Source

Project	Index Code	SUB FUND	SUB-OBJ	Description of Appropriation or Fund	Amount
Sources of Appropriation					
TBD	TBD	5PXXXXXX	80111	PROCEEDS FROM REVENUE BONDS	22,979,088
TBD	TBD	5PXXXXXX	80111	PROCEEDS FROM REVENUE BONDS	2,286,412
PRTINT	390910	5PCPF09A	30150	PORT REV BND\$ INTEREST ALLOCATION	302,029
PRTINT	390912	5PCPF09B	30150	PORT REV BND\$ INTEREST ALLOCATION	547,651
TOTAL - Sources Adjustments					26,115,180

Project	Index Code	SUB FUND	SUB-OBJ	Description of Appropriation or Fund	Amount
Use of Funds					
De-Appropriation					
CPO927-01	390922	5PCPF12B	06700	AC34 IMPROVEMENTS	1,277,742
CPO927-09	390922	5PCPF12B	06700	AC34 ENVIRON. PLAN & MONITORING	71,332
CPO927-11	390922	5PCPF12B	06700	AC34 A&E SVCS & OTHER SOFT COSTS	340,000
<i>Subtotal</i>					<i>1,689,074</i>
CPO921-9ARI01	390910	5PCPF09A	06700	P35 SUPERSTRUCTURE REPAIR	287,492
<i>Subtotal</i>					<i>287,492</i>
CPO921-9ARJ01	390910	5PCPF09A	06700	P35 SUBSTRUCTURE	70,880
<i>Subtotal</i>					<i>70,880</i>
CPO922-9A50ER	390910	5PCPF09A	06700	PIER 50 ENTRYWAYS REPAIRS BND SER 2010A	87,251.59
<i>Subtotal</i>					<i>87,251.59</i>
CPO924-9ACEQA	390910	5PCPF09A	06700	CEQA REVIEWS PRT PRJT REV BND SER 2010A	37,509
<i>Subtotal</i>					<i>37,509</i>
CPO920-9BPL01	390912	5PCPF09B	06700	P19/23 PLANNING-BOND SERIES 2010B	2,906,927.30
<i>Subtotal</i>					<i>2,906,927.30</i>
CPO922-9B50ER	390912	5PCPF09B	06700	PIER 50 ENTRYWAYS REPAIRS BND SER 2010B	61,381
<i>Subtotal</i>					<i>61,381</i>
CPO923-9BSWBI	390912	5PCPF09B	06700	SO WTRFRNT BCKLND\$ IMPRVMTS BND	6,876.11
<i>Subtotal</i>					<i>6,876.11</i>
CPO924-9BCEQA	390912	5PCPF09B	06700	CEQA REVIEWS PRT PRJT REV BND SER 2010B	57,934
<i>Subtotal</i>					<i>57,934</i>
CPO927-01	390912	5PCPF09B	06700	AC34 IMPROVEMENTS	1,384,451
CPO927-04	390912	5PCPF09B	06700	PIER 30-32 REPAIRS & IMPROVE	1,544,518
<i>Subtotal</i>					<i>2,928,969</i>
CPO927-01	392601	5PAAAAAC	06700	AC34 IMPROVEMENTS	473,456
<i>Subtotal</i>					<i>473,456</i>
TOTAL De-Appropriation					8,607,750

Project	Index Code	SUB FUND	SUB-OBJ	Description of Appropriation or Fund	Amount
Appropriation/ Re-Appropriation					
CPO769-10	TBD	5PXXXXXX	06700	BLDGS, STRUCTURES & IMPROVEMENT PROJECT	19,531,611
CPO930-01	TBD	5PXXXXXX	06700	BLDGS, STRUCTURES & IMPROVEMENT PROJECT	1,943,389
	TBD	5PXXXXXX	07311	COST OF BOND ISSUANCE	2,790,500
	TBD	5PXXXXXX	07311	RESERVE PENDING BOND SALE	1,000,000
<i>Subtotal Appropriation</i>					<i>25,265,500</i>
CPO769-10	390910	5PCPF09A	06700	MIXED USE CRUISE TERMINAL PROJECT AT P27	302,029
CPO769-10	390910	5PCPF09B	06700	MIXED USE CRUISE TERMINAL PROJECT AT P27	547,651
CPO769-10	390922	5PCPF12B	06700	PIER 27 MIXED USE CRUISE TERMINAL PROJECT	1,689,074
CPO769-10	390910	5PCPF09A	06700	PIER 27 MIXED USE CRUISE TERMINAL PROJECT	483,133
CPO769-10	390912	5PCPF09B	06700	PIER 27 MIXED USE CRUISE TERMINAL PROJECT	793,513
CPO930-01	390912	5PCPF09B	06700	NORTHERN WATERFRONT HISTORIC PIER STRUCTURES REPAIR PROJE	5,168,574
	390408	5PAAAAAA	081C4	CITY SEERVICES AUDITOR 0.2% FOR THE CONTROLLERS AUDIT FUND	41,726
CPO769-10	392601	5PAAAAAC	06700	PIER 27 MIXED USE CRUISE TERMINAL PROJECT	431,730
<i>Subtotal Re-Appropriation</i>					<i>9,457,430</i>
TOTAL Appropriation/ Re-Appropriation					34,722,930
TOTAL - SOURCES					26,115,180
TOTAL - DE-APPROPRIATION					8,607,750
TOTAL - APPROPRIATION					34,722,930
Surplus/Shortfall					0.00

Items 5 and 6
Files 13-0488 and 13-0482

Department:
 Port

EXECUTIVE SUMMARY

Legislative Objectives

File 13-0482 is an ordinance appropriating \$34,722,930 in FY 2012-13 for the development of the Pier 27 Cruise Terminal Project and the Northern Waterfront Historic Pier Structures Repair Project.

File 13-0488 is a resolution authorizing the issuance of not to exceed \$25,300,000 aggregate principal amount of Port revenue bonds for the purpose of financing the Pier 27 Cruise Terminal Project and the Northern Waterfront Historic Pier Structures Repair Project.

Key Points

- The Cruise Terminal Project budget is \$114,010,711, of which funding of \$90,231,970 has been previously approved by the Board of Supervisors. The balance of \$23,778,741, which would be funded by the proposed ordinance, would fully fund the Cruise Terminal Project.
- The Port proposes implementation of the Northern Waterfront Historic Pier Structure Repair Project in which the Port will renovate and repair historic piers as funds become available. Priority projects include piers designated as America's Cup venues (Piers 19, 19½, 23, 27 and 29) and the Pier 31 shed, superstructure, apron and utilities.

Fiscal Impact

- The proposed ordinance would appropriate revenues of \$34,722,930, including \$25,265,500 in proposed revenue bonds and \$9,457,430 in surplus project funds.
- The proposed ordinance would appropriate expenditures of \$34,722,930, including \$23,778,741 to the Cruise Terminal Project, \$7,111,963 to the Northern Waterfront Historic Piers Repair Project, and \$3,832,226 to debt issuance costs.
- The Port estimates total annual interest cost of 4.53% on the proposed revenue bonds. Based on this interest rate, the Port estimates annual debt service on the proposed bonds of \$1.46 million. Over the 30-year term of the bonds, total estimated principal is \$24,270,500¹ and interest is \$18,996,854, totaling \$43,266,854.
- The Port issued revenue bonds of \$36,650,000 in 2010 and plans to issue revenue bonds of \$24,270,500 in 2013. The City will issue approximately \$38,460,000 in certificates of participation (COPs) in 2013 to pay for Port projects, for total debt of \$99,380,500
- Based on the Port's projections, the Port's debt service coverage ratio (ratio of annual net operating revenues to annual debt service) for previously issued and proposed debt, including revenue bonds and COPs would be approximately 2:94, exceed the 1:50 debt service ratio required by the Port's debt policy.

Recommendation

- Approve the proposed ordinance.

¹ Assumes that total bond issuance is \$24,270,500 with a minimum coupon size of \$5,000 to generate \$24,265,500 (and that \$1,000,000 reserve pending sale is not used).

MANDATE STATEMENT / BACKGROUND

Mandate Statement

Charter Section 9.105 requires Board of Supervisors’ approval of Annual Appropriation Ordinance amendments, after the Controller certifies the availability of funds.

Charter Section 9.107(4) and Administrative Code Section 43.12.5 authorize the Port Commission to issue revenue bonds for any Port-related purpose subject to Board of Supervisors approval.

DETAILS OF PROPOSED LEGISLATION

File 13-0482 is an ordinance appropriating \$34,722,930 in FY 2012-13 for the development of the Cruise Terminal Project at Pier 27 and the Northern Waterfront Historic Pier Structures Repair Project.

File 13-0488 is a resolution (a) authorizing the issuance of not to exceed \$25,300,000 aggregate principal amount of Port Revenue Bonds for the purpose of financing capital improvements related to Phase II of the James R. Herman Cruise Terminal Project located at Pier 27 and for improvements to Northern Waterfront Historic Piers; (b) authorizing the Port to cause the preparation of such documents necessary in connection with the issuance of said Port revenue bonds; (c) stating the official intent of the Port to reimburse itself with tax-exempt bonds for expenditures made or to be made for the acquisition, construction or improvement of the project; and (d) authorizing the Port to borrow funds on an interim basis from the City’s commercial paper program; and related matters.

FISCAL IMPACT

Appropriation for the Pier 27 Cruise Terminal Project and Northern Historic District Piers (File 13-0482)

The proposed ordinance would appropriate \$34,722,930, which includes \$25,265,500 in proposed revenue bond proceeds (File 13-0488) and \$9,457,430 in other revenues, as shown in Table 1 below.

**Table 1
Sources of Funds**

2013 Port Revenue Bonds (File 13-0488)	\$25,265,500
Re-appropriation of 2010 Port Revenue Bonds	7,294,910
Re-appropriation of Certificates of Participation (COPs)	1,689,074
Re-appropriation from other Port projects	473,446
Total	\$34,722,930

According to Ms. Meghan Wallace, Port Budget Director, the re-appropriation of 2010 Port revenue bonds, COPS, and other Port capital project funds is possible due to lower than anticipated costs or cost savings from other projects, as follows:

- COPS savings of \$1,689,074 are due to reduced scope for Piers 30 and 32 improvements for the America’s Cup team bases;
- Revenue bond savings of \$7,294,910 are due to lower than budgeted contract costs for various pier and Port facility improvements, reduced scope of Piers 30 and 32 improvements, and delays in improvements to Piers 19 and 23 and the Port’s backlands project.
- Other Port project savings of \$473,446 are due to availability of Proposition K Sales Tax revenues.

The requested appropriation of \$34,722,930 would be used for the Pier 27 Cruise Terminal Project, the Northern Waterfront Historic Pier Structures Repair Project, and revenue bond issuance and related costs, as shown in Table 2 below.

**Table 2
Uses of Funds**

Cruise Terminal	\$23,778,741
Northern Waterfront Historic Pier Structures	7,111,963
Subtotal Project Uses	30,890,704
City Services Auditor	41,726
Issuance Costs (File 13-0488)	363,950
Debt Service Reserve (File 13-0488)	2,426,550
Reserve Pending Sale (File 13-0488)	1,000,000
Subtotal Issuance Costs	3,832,226
Total	\$34,722,930

Pier 27 Cruise Terminal Project (\$23,778,741)

The Board of Supervisors approved a resolution in May 2011 (File 10-0920), finding that the Port’s proposed Pier 27 Cruise Ship Terminal Project is fiscally feasible. At the time of the finding of fiscal feasibility, the Port estimated total project costs of \$90,308,846, for which the Port had identified funding sources of \$78,393,200, leaving a shortfall of \$11,915,646.

As shown in Tables 3 and 4 below, the current Pier 27 Cruise Terminal Project budget is \$114,010,711, which is \$23,701,865 or 26.2% more than original project estimates of \$90,308,846. According to Ms. Elaine Forbes, Deputy Director of Finance and Administration, the increases in project costs are primarily due to an increase in construction costs because project scope was shifted from the America’s Cup Event Authority (ACEA) to the Port, the addition of a gangway and other maritime elements necessary to service cruise calls, new storm water drainage amenities necessary to meet permitting requirement and updated cost estimates for the Northeast Wharf Plaza and other facility improvements. The project soft costs, including design, engineering, project management and entitlements, also increased in order to accommodate the additional scope of construction and permitting requirements. Additionally, a project contingency of \$2 million was added to the budget to address any remaining uncertainties that may impede project completion.

**Table 3
Pier 27 Cruise Terminal Project Budget: Sources of Funds**

	Phase I	Phase II	Total Secured Funding Sources	Phase II Pending Board of Supervisors Approval (File 13-xxxx)	Total
Port Funding					
Watermark Sale Proceeds	\$20,134,078		\$20,134,078		\$20,134,078
2010 Revenue Bonds	13,190,699		13,190,699	2,126,326	15,317,025
Port Capital Funding	6,323,694		6,323,694	431,730	6,755,424
Port Operating Funding	295,905		295,905		295,905
Certificates of Participation (COPs)	20,584,701		20,584,701	1,689,074	22,273,775
2013 Port Revenue Bonds			0	19,531,611	19,531,611
Phase I Savings		464,059	464,059		464,059
Port Funding Subtotal	60,529,077	\$464,059	60,993,136	23,778,741	84,771,877
City Funding					
General Fund Contribution	4,900,000		4,900,000		4,900,000
2012 G.O. Bonds		17,000,000	17,000,000		17,000,000
City Funding Subtotal	4,900,000	17,000,000	21,900,000	0	21,900,000
Other Funding Sources					
America's Cup Organizing Committee		800,000	800,000		800,000
FEMA Grants	865,534	5,673,300	6,538,834		6,538,834
Other Funding Sources Subtotal	865,534	6,473,300	7,338,834	0	7,338,834
Total Secured/Planned	\$66,294,611	\$23,937,359	\$90,231,970	\$23,778,741	\$114,010,711

The Port has secured funding of \$90,231,970, as shown in Table 3 above. The balance of \$23,778,741 is the subject of the requested supplemental appropriation.

Phase I of the Cruise Terminal Project, which constructed the core and shell of the Cruise Terminal building, was completed on February 28, 2013 at a cost of \$66,294,611, as shown in Table 4 below. Pier 27 and the Cruise Terminal serve as an America's Cup venue from March 2013 through October 2013.

Phase II of the Cruise Terminal Project, which constructs the interior of the Cruise Terminal and the adjacent Northeast Wharf Plaza, will begin in November 2013 with an estimated completion date of August 30, 2014. Funding for the Phase II budget of \$47,716,100, shown in Table 4 below, consists of \$23,937,359 of previously-secured funds (see Table 3 above) and \$23,778,741 in funds included in the requested supplemental appropriation.

According to Ms. Wallace, the total proposed supplemental appropriation of \$34,722,930 will provide \$23,778,741 to fully fund the Cruise Terminal Project.

Table 4
Pier 27 Cruise Terminal Project Budget: Uses of Funds

	Phase I - Actual	Phase II Budget	Subtotal
Construction Contract	\$45,367,105	\$37,817,254	\$83,184,359
Construction Contingency (9%)	3,614,891	3,908,750	7,523,641
Subtotal, Construction	48,981,996	41,726,004	90,708,000
Design, Engineering, Project Management & Entitlement	17,312,615	3,945,522	21,258,137
Total Uses	66,294,611	45,671,526	111,966,137
Project Contingency (5.4%) ²	0	2,044,574	2,044,574
Total Uses	\$66,294,611	\$47,716,100	\$114,010,711

Northern Waterfront Historic Pier Structure Repair Project (\$7,111,963)

The Port proposes implementation of the Northern Waterfront Historic Pier Structure Repair Project in which the Port will renovate and repair historic piers as funds become available. The Port proposes to use taxable revenue bonds to pay for the Pier Repair Project, for which the piers will be leased to private tenants. According to the May 10, 2013 Port memorandum, the Port has not developed specific proposals or budgets for renovation of the piers, and will submit specific projects to the Port Commission for review and approval when the proposed revenue bonds are issued in the fall of 2013.

Priority projects for the Northern Waterfront Historic Pier Repair Project are:

- Improvements to piers designated as America's Cup venues (Piers 19, 19 1/2, 23, 27 and 29) for lease to private tenants after the conclusion of the America's Cup; and
- Repair of the Pier 31 shed superstructure, apron and utilities for lease to light industrial tenants.

Port Revenue Bonds (File 13-0488)

The Port requests authorization to issue not-to-exceed \$25,300,000 in revenue bonds to partially pay the costs of the Phase II Cruise Terminal Project and Northern Waterfront Historic Pier Structure Repair Project.

Table 5 below shows the Port's bond issuance and related costs of \$3,790,500 of the not-to-exceed \$25,300,000 in revenue bonds. Debt issuance costs include rating agency fees, costs of services provided by financial advisers, legal counsel, underwriters, and other costs. The reserve pending sale provides flexibility to address any changes in market conditions at the time of the sale of the revenue bonds.

² Ms. Wallace advises that the \$2,044,574 Phase II Project Contingency is intended to address uncertainties that could impact the Cruise Terminal project budget. Specific areas of concern pertain to (a) procurement of the gangways, (b) changing power supply needs, (c) increased construction costs due to a more local construction climate, and (d) Federal Emergency Management Agency (FEMA) grant availability. With respect to the FEMA grant, the Port has requested an extension of the grant expenditure deadline from May 2013 to September 2014. FEMA has approved this grant extension but final approval awaits the Federal Office of Management and Budget's (OMB) review and approval. Additionally, whether the \$1,000,000 expense for construction of the Customs and Border Protection Offices at the Cruise Terminal is an eligible expense requires FEMA review and approval. If denied, the grant would not reimburse \$750,000 assumed in the project budget.

**Table 5
Bond Issuance Costs**

Project Funding	\$21,475,000
Issuance Costs	363,950
Debt Service Reserve	2,426,550
Reserve Pending Sale	<u>1,000,000</u>
Subtotal Reserves & Issuance Cost	3,790,500
Total	\$25,265,500

Annual Debt Service

The Port estimates an interest rate of 4.53% on the proposed revenue bonds. Based on this interest rate, the Port estimates annual debt service on the proposed bonds of \$1.46 million. Over the 30-year term of the bonds, total estimated principal is \$24,270,500³ and interest is \$18,996,854, totaling \$43,266,854.

The Port previously issued \$36,650,000 in revenue bonds in 2010 to finance improvements to Piers 19, 23,33, 35 and 50; construction of Phase I of the Cruise Terminal Projects, and other Port projects. The City will issue approximately \$38,460,000 in certificates of participation (COPs) to pay for Phase I of the Cruise Terminal Project and other projects related to the America’s Cup venues.⁴ If the proposed resolution is approved, the Port plans issuance of approximately \$24,270,500⁵ in revenue bonds in 2013, for total debt of \$99,380,500.

According to the Port’s debt policy, the Port should (a) maintain a debt service coverage ratio (ratio of annual debt service to net operating revenues) of at least 1:50; and (b) an operating reserve equal to 15% of the annual operating expenditure budget. Based on the Port’s projections, the Port’s debt service coverage ratio for previously issued and proposed debt, including revenue bonds and COPs, would exceed⁶ the 1:50 debt service ratio, as shown in Table 6 below⁶.

**Table 6
Debt Service Coverage Ratio FY 2013-14 through FY 2017-18**

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Net Revenue	\$21,874,051	\$22,717,371	\$21,182,866	\$21,182,866	\$21,182,866
Annual Debt Service	\$6,553,972	\$7,216,530	\$7,209,251	\$7,209,835	\$7,209,979
Debt Service Ratio	3.34	3.15	2.94	2.94	2.94

Passenger Facility Charge and Port Bonding Capacity

The Port proposes to implement a Passenger Facility Charge at a future date to partially pay for the Cruise Terminal Project debt service. The Port currently imposes a \$12 per passenger charge

³ Assumes that total bond issuance is \$24,270,500 including a minimum coupon amount of \$5,000 to generate \$24,265,500 (and that \$1,000,000 reserve pending sale is not used).

⁴ The COPS would pay back commercial paper used to fund the projects.

⁵ Does not include \$1,000,000 for the reserve pending sale.

⁶ The Port’s Five Year Financial Plan for FY 2013-14 through FY 2017-18 projects an annual operating reserve of 15%.

to cruise ships for dockage and other services. According to the Port's May 10, 2012 memorandum to the Port Commission, the Port proposes to add a Passenger Facility Charge of \$6 per passenger to the existing charge, resulting in a total charge of \$18 per passenger to the cruise ships. The proposed \$18 charge per passenger would be higher than other West Coast Ports except for Seattle, which charges \$18.12 per passenger.

According to Port estimates, the pending \$6 Passenger Facility Charge would generate an estimated \$1.2 million in additional annual revenues to the Port, which would be used as a source to pay the \$1.46 million annual debt service.

According to Ms. Forbes, if the Port implements the proposed Passenger Facility Charge, the Port would have remaining bonding capacity of \$47.6 million after the issuance of the proposed revenue bonds.⁷

Revenue Bonds and Commercial Paper

The Port does not plan to issue the revenue bonds until the fall of 2013. The proposed resolution authorizes the Port to prepare the documents, such as the bond official statement, that are necessary to issue the bonds. According to the Director of Public Finance, the resolution delegates authority to the Port Executive Director and Port Commission to finalize the bond documents prior to selling the revenue bonds.

Prior to issuance of the proposed revenue bonds, the Port will use commercial paper, issued by the City's Office of Public Finance, to pay for Cruise Terminal and Northern Waterfront Historic District Pier Repair projects to be funded by the proposed revenue bonds. The Office of Public Finance plans to submit legislation to the Board of Supervisors in July 2013 to approve the use of the commercial paper.

Certificates of Participation

In April 2012 the Board of Supervisors approved issuance of \$45,000,000 in COPs to pay for Port capital projects (Resolution 152-12), including \$20,584,701 (see Table 3 above) for Phase I of the Cruise Terminal Project. The Office of Finance has not yet issued the COPs. According to the Director of Public Finance, the City will issue the COPs in the summer of 2013, subject to approval by the Board of Supervisors of future legislation authorizing a jurisdictional transfer of Pier 27 from the Port to the City's General Services Agency Real Estate Division⁸.

RECOMMENDATION

Approve the proposed ordinance (File 13-0482) and resolution (File 13-0488).

⁷ The Port determines bonding capacity based on net revenues to service debt, as calculated pursuant to the Port's bond indenture, exceeding debt payments by at least a 2:1 ratio.

⁸ According to the Director of Public Finance, the City must have jurisdiction over Pier 27 because the City's credit rating is being used to issue the COPS.

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *pa* Mayor Edwin M. Lee *je*
RE: Appropriation - Port Revenue Bond Proceeds, Surplus Revenues, and Expenditures of \$34,722,930 Supporting Capital Projects – FY2012-2013
DATE: May 21, 2013

Attached for introduction to the Board of Supervisors is the ordinance appropriating \$34,722,930 consisting of \$25,265,500 of 2013 Port Revenue Bond Series A and B proceeds, \$849,680 of Interest Earnings, \$6,445,220 from 2010 Revenue Bond funded projects, \$1,689,074 from 2012 Certificates of Participation Series B funded projects and \$473,456 from Port Capital Funded projects to the Port Commission in Fiscal Year 2012-13 for the development of the Cruise Terminal Project at Pier 27 and the Northern Waterfront Historic Pier Structures Repair Project.

Please note this item is cosponsored by Supervisor Chiu.

I request that this item be calendared in Budget and Finance Committee.

Should you have any questions, please contact Jason Elliott (415) 554-5105.

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