

File No. 130886

Committee Item No. 9  
Board Item No. 20

**COMMITTEE/BOARD OF SUPERVISORS**  
AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: 10/02/2013

Board of Supervisors Meeting

Date: 10/8/13

**Cmte Board**

- |                                     |                                     |  |
|-------------------------------------|-------------------------------------|--|
| <input type="checkbox"/>            | <input type="checkbox"/>            | Motion                                       |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Resolution                                   |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Ordinance                                    |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Legislative Digest                           |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report        |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Legislative Analyst Report                   |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Youth Commission Report                      |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Introduction Form                            |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | MOU  |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Grant Information Form                       |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Grant Budget                                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Subcontract Budget                           |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Contract/Agreement                           |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Form 126 – Ethics Commission                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Award Letter                                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Application                                  |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Public Correspondence                        |

**OTHER (Use back side if additional space is needed)**

<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____

Completed by: Victor Young Date September 27, 2013  
Completed by: Victor Young Date 10/3/13

AMENDED IN COMMITTEE

10/2/13

FILE NO. 130886

RESOLUTION NO. \_\_\_\_\_

1 [Memorandum of Understanding - Treasure Island Development Authority and the Public  
2 Utilities Commission - Provision of Utilities Services - Treasure Island and Yerba Buena  
3 Island]

4 **Resolution retroactively approving a Memorandum of Understanding between the**  
5 **Treasure Island Development Authority and the Public Utilities Commission for the**  
6 **provision of utilities services including the maintenance and operation of utility**  
7 **infrastructure on Treasure Island and Yerba Buena Island for the period of October 1,**  
8 **2013, through September 30, 2014.**

9  
10 WHEREAS, Former Naval Station Treasure Island is a military base located on  
11 Treasure Island and Yerba Buena Island (together, the "Base"), which is currently owned by  
12 the United States of America, acting by and through the Department of the Navy; and

13 WHEREAS, The Base was selected for closure and disposition by the Base  
14 Realignment and Closure Commission in 1993, acting under Public Law 101-510, and its  
15 subsequent amendments; and

16 WHEREAS, Under the Treasure Island Conversion Act of 1997, which amended  
17 Section 33492.5 of the California Health and Safety Code and added Section 2.1 to Chapter  
18 1333 of the Statutes of 1968 (the "Act"), the California Legislature (i) designated the Treasure  
19 Island Development Authority ("TIDA") as a redevelopment agency under California  
20 redevelopment law with authority over the Base upon approval of the City's Board of  
21 Supervisors, and (ii) with respect to those portions of the Base which are subject to Tidelands  
22 Trust, vested in TIDA the authority to administer the public trust for commerce, navigation and  
23 fisheries as to such property; and

1           WHEREAS, On March 12, 1997, the City and the Navy executed the Base Caretaker  
2 Cooperative Agreement in which the City agreed to assume certain caretaker responsibilities  
3 for the interim management and operation of the Base during the disposition process; and

4           WHEREAS, The Board of Supervisors approved the designation of TIDA as a  
5 redevelopment agency for Treasure Island in 1997; and

6           WHEREAS, In 1998 TIDA assumed the caretaker responsibilities outlined in the  
7 Cooperative Agreement; and

8           WHEREAS, Under the Cooperative Agreement the City, and later TIDA, agreed to  
9 assume, in addition to other responsibilities, certain responsibilities for operation and  
10 maintenance of the water, waste water, storm water, electric and gas utility systems on the  
11 Base; and

12           WHEREAS, The SFPUC has been performing utility services for the Base on behalf of  
13 TIDA without benefit of a written agreement for such services; and

14           WHEREAS, After a competitive bid process, the TIDA Board selected Treasure Island  
15 Community Development, LLC ("TICD") as the proposed master developer of the Base; and

16           WHEREAS, In June 2011 the TIDA Board and the Board of Supervisors approved  
17 numerous transactions and entitlement documents related to the proposed development of  
18 the Base, including a Disposition and Development Agreement with TICD (the "DDA") and an  
19 attached Infrastructure Plan describing certain infrastructure to be built on the Base by TICD;  
20 and

21           WHEREAS, Under the transaction documents, the development is anticipated to  
22 include (1) up to 8,000 new residential units, at least 25 percent of which (2,000 units) will be  
23 made affordable, (2) adaptive reuse of approximately 311,000 square feet of historic  
24 structures, (3) up to approximately 140,000 square feet of new retail uses and 100,000 square  
25 feet of commercial office space, (4) approximately 300 acres of parks and open space, (5)

1 new and/or upgraded public facilities, including a joint police/fire station, a school, facilities for  
2 the Treasure Island Sailing Center and other community facilities, (6) a 400-500 room hotel,  
3 and (7) landside improvements for a new 400 slip marina (collectively, the "Project"); and

4 WHEREAS, The SFPUC reviewed and consented to the DDA and the Infrastructure  
5 Plan, and was a party to an Interagency Cooperation Agreement under which various City  
6 agencies agreed to work with TIDA in connection with the Project; and

7 WHEREAS, On January 24, 2012, the Board of Supervisors rescinded designation of  
8 TIDA as the redevelopment agency for Treasure Island under California Community  
9 Redevelopment Law in Resolution No. 11-12, and such rescission does not affect TIDA's  
10 status as the Local Reuse Authority for Treasure Island or the Tidelands Trust trustee for the  
11 portions of Treasure Island subject to the Tidelands Trust, or any of the other powers of TIDA,  
12 including the power to implement and complete the Project; and

13 WHEREAS, TIDA and SFPUC staff have negotiated a Memorandum of Understanding,  
14 a copy of which is on file with the Clerk of the Board (the "MOU"), to memorialize the terms  
15 and conditions of continued performance by the TIDA and the SFPUC of certain defined utility  
16 services consistent with the Cooperative Agreement and past practice; and

17 WHEREAS, The proposed MOU memorializes the informal arrangement between TIDA  
18 and the SFPUC whereby SFPUC has provided certain utility services on Treasure Island.  
19 Because the MOU does not contemplate any change in the existing operation, maintenance,  
20 and supply of utility services, authorizing execution of the MOU is not a "Project" subject to the  
21 California Environmental Quality Act ("CEQA") under the definition set forth in CEQA Public  
22 Resources Code Section 21065 and the CEQA Guidelines Section 15378; and

23 WHEREAS, TIDA's organizational documents require TIDA to obtain approval from the  
24 Board of Supervisors before entering into contracts worth more than \$1 million or that have a  
25

1 term of 10 or more years, and the anticipated payments to the SFPUC under the MOU will be  
2 more than \$1 million; now, therefore, be it

3 RESOLVED, That the Board of Supervisors approves the MOU, retroactive to October  
4 1, 2013, in substantially the form on file with the Clerk of the Board, and authorizes the  
5 SFPUC General Manager and the Treasure Island Director to execute and deliver the  
6 executed MOU to the Clerk of the Board for inclusion into the official file within thirty (30) days;  
7 and, be it

8 FURTHER RESOLVED, That the Board of Supervisors authorizes the SFPUC General  
9 Manager and Treasure Island Director to enter into any additions, amendments or other  
10 modifications to the MOU that the SFPUC General Manager and the Treasure Island Director  
11 determine, following consultation with the City Attorney, are in the best interests of the City,  
12 that do not materially increase the obligations or liabilities of the City, that do not materially  
13 reduce the rights of the City, and are necessary or advisable to complete the transactions  
14 contemplated by the MOU, such determination to be conclusively evidenced by the execution  
15 and delivery of the documents.

<p><b>Items 6, 7, 8 and 9</b>  <b>Files 13-0883, 13-0884, 13-0885</b>  <b>and 13-0086</b></p>	<p><b>Departments:</b>                  Treasure Island Development Authority (TIDA)                  Public Utilities Commission (PUC)</p>
---	---

**EXECUTIVE SUMMARY**

**Legislative Objective**

File 13-0884 is a resolution approving a one-year extension of the Cooperative Agreement between the U.S. Navy and the Treasure Island Development Authority (TIDA) from October 1, 2013 through September 30, 2014.

File 13-0886 is a resolution approving a Memorandum of Understanding (MOU) between TIDA and the San Francisco Public Utilities Commission (PUC) for PUC to provide utilities services and maintain and operate utility infrastructure on Treasure Island and Yerba Buena Island.

File 13-0885 is a resolution authorizing the City’s Director of Public Finance to issue \$13,500,000 in Certificates of Participation (COPS) to pay for utility infrastructure improvements.

File 13-0883 is an ordinance appropriating \$13,500,000 in COPS proceeds to finance utility infrastructure improvement projects on Treasure Island and Yerba Buena Island.

**Key Points**

- TIDA has a Cooperative Agreement with the Navy, in which TIDA provides caretaker services for former naval base properties on Treasure Island and Yerba Buena Island pending transfer of these properties to TIDA. File 13-0884 would extend the existing Cooperative Agreement by one-year from October 1, 2013 through September 30, 2014.
- The PUC maintains and operates electricity, gas, water, wastewater and stormwater utilities on Treasure Island and Yerba Buena Island but has not previously entered into an MOU with TIDA for these services. File 13-0886 would approve the proposed MOU between TIDA and the PUC for one year from October 1, 2013 through September 30, 2014, which establishes the terms for the PUC to provide these services.
- The PUC has identified costs for improvements to the utility infrastructure on Treasure Island and Yerba Buena Island of up to \$47 million over ten years. Because the utility infrastructure is currently owned by the Navy, and is not a PUC asset, PUC cannot fund these improvements with ratepayer revenues.
- Under the Development and Disposition Agreement between TIDA and the master developer, Treasure Island Community Development, LLC, the master developer is responsible for all utility infrastructure improvements over 20 years of the development project, but because the Navy has not yet conveyed the Treasure Island and Yerba Buena Island properties to TIDA, the development project has not yet begun.
- The City’s Capital Planning Committee has approved a \$10 million TIDA Utility Infrastructure Project to maintain the reliability and safety of utility services until new systems are constructed through the development project. TIDA proposes to finance the cost, because neither the PUC nor the master developer is responsible for this project. The proposed resolution (File 13-0885) would authorize the Director of Public Finance to issue \$13,500,000 in COPS to finance the utilities infrastructure projects, and TIDA would pay debt service on the COPS from TIDA’s future revenues.

- File 13-0883 is an ordinance appropriating \$13,500,000 in COPS proceeds, including \$10,000,000 for utility infrastructure projects; \$2,095,000 for financing, and related costs; and \$1,405,000 for a reserve pending sale.

#### **Fiscal Impact**

- COPS proceeds are estimated to be \$12,095,000, including \$10,000,000 for utility infrastructure projects and \$2,095,000 for financing and related costs. Total debt service is estimated to be \$15,036,684 over ten years, of which \$12,095,000 is principal and \$2,941,684 is interest.
- Average annual debt service of approximately \$1,500,000 would come from residential, commercial and government utility user charges. Rates charged to utility users would increase by an average of 33 percent to generate an additional \$1,500,000 in revenues to pay annual debt service.

#### **Policy Consideration**

- According to Mr. Robert Beck, TIDA Project Director, TIDA anticipates requesting an annual General Fund appropriation to pay a share of the annual debt service that would otherwise be borne by residents of supportive housing, below market rate housing and other low-income housing under the Treasure Island Homeless Development Initiative (TIHDI). Mr. Beck estimates that the annual General Fund share for TIHDI residents is \$275,000, which would be subject to annual appropriation by the Board of Supervisors.
- The City's commercial paper program and issuance of COPS are an obligation of the City, and if Treasure Island and Yerba Buena Island utility user charges and other TIDA operating revenues are insufficient to pay annual debt service, the City's General Fund would pay the difference. As shown in Table 4 below, TIDA estimates that utility user charges are sufficient to cover the cost of annual debt service.

#### **Recommendations**

- Approve File 13-0883, which is an ordinance appropriating \$13,500,000 in Certificates of Participation (COPS) proceeds to finance utility infrastructure improvements on Treasure Island and Yerba Buena Island.
- Amend File 13-0884, which is a resolution approving the one-year extension of the Cooperative Agreement between the U.S. Navy and TIDA from October 1, 2013 through September 30, 2014, to be retroactive to October 1, 2013; and approve as amended.
- Amend File 13-0885, which is a resolution authorizing the Director of Public Finance to issue not-to-exceed \$13,500,000 of COPS, to require TIDA to (a) report to the Budget and Finance Committee during the annual budget review each year that details the General Fund share of annual debt service for TIHDI residents; (b) submit a 10-year financial plan to the Board of Supervisors that coincides with the debt service on the subject COPS; and (c) enter into an MOU with the City to reimburse the General Fund in the event that a General Fund subsidy, other than the appropriation for TIHDI residents, is required to meet annual debt service on the COPS; and approve as amended.
- Amend File 13-0886, which is a resolution approving a MOU between TIDA and PUC for PUC to maintain and operate Treasure Island and Yerba Buena Island utilities, to be retroactive to October 1, 2013; and approve as amended.

## MANDATE STATEMENT

Charter Section 9.118 requires Board of Supervisors approval for (1) contracts exceeding ten years or expenditures of \$10,000,000; and (2) leases with a term of over ten years or expenditures of over \$10,000,000. The proposed not-to-exceed issuance of \$13,500,000 of Certificates of Participation requires the City to enter into a lease which exceeds ten years and \$10,000,000.

Charter Section 9.105 requires Board of Supervisors approval for amendments to the annual appropriation ordinance.

California Assembly Bill (AB 699) and the Treasure Island Development Authority's Bylaws require Board of Supervisors' approval for agreements that have a term exceeding ten years or anticipated revenues of \$1,000,000 or more.

## BACKGROUND

### Treasure Island Cooperative Agreement

The former Treasure Island Naval Base, located on Treasure Island and Yerba Buena Island, is currently owned by the U.S. Navy, pending full conveyance to the City. The City originally entered into a Cooperative Agreement with the U.S. Navy in 1997, in which the Treasure Island Development Authority (TIDA) provides services to the U.S. Navy for the former naval base. These services include:

- (i) Operation and maintenance of the water, waste water, storm water, electric and gas utility systems;
- (ii) Security, public health and safety services;
- (iii) Grounds and street maintenance and repair; and
- (iv) Property management and caretaker services.

Under the original Cooperative Agreement, TIDA and the Navy negotiated annually on the reimbursements paid by the Navy to TIDA for these services, but in FY 2001-02 the Navy determined that TIDA earned sufficient revenues from the former naval base to cover the costs of services. Since FY 2002-03, revenues generated from leasing of existing residential and commercial facilities, special events and film and photo productions have offset the costs associated with the Cooperative Agreement.

### Conveyance and Development of Treasure Island and Yerba Buena Island

#### Development and Disposition Agreement

In July 2011, the Board of Supervisors approved the Development and Disposition Agreement between TIDA and Treasure Island Community Development, LLC (File 11-0291) in which Treasure Island Community Development will:



- Construct infrastructure, including utilities and roads, to support housing development on Treasure Island;
- Construct public parks and open spaces;
- Remediate certain hazardous and unstable geologic conditions; and
- Sell ground leases to developers to construct housing and commercial and public facilities.

The Development and Disposition Agreement provides for the utility infrastructure on Treasure Island and Yerba Buena Island to be replaced over 20 years. The costs of the utility infrastructure and other improvements are to be paid by Treasure Island Community Development, LLC.

#### Memorandum of Agreement

When the Board of Supervisors approved the Development and Disposition Agreement in July 2011, they also approved the Memorandum of Agreement between TIDA and the Navy (File 11-0290), which defined the terms under which the Navy will convey Treasure Island to TIDA in several phases. The resolution approving the Memorandum of Agreement authorized the Treasure Island Project Director, prior to final execution, to make changes in consultation with the City Attorney that do not materially decrease the benefits or materially increase the obligations of the City or TIDA.

According to Mr. Robert Beck, TIDA Project Director, TIDA and the Navy are in negotiations over the final terms of the Memorandum of Agreement pertaining to the schedule for transfer of Treasure Island and Yerba Buena Island properties and utilities to TIDA and other issues. Mr. Beck states that TIDA will submit the revised Memorandum of Agreement to the Board of Supervisors for approval when negotiations are completed and the agreement is finalized.

Mr. Beck states that the first conveyance of Navy property to TIDA is expected in 2014, and Treasure Island Community Development, LLC, hopes to begin work on the development project in the third quarter of 2014. TIDA will continue to manage all Treasure Island properties under the Cooperative Agreement until full conveyance in approximately 2019.

#### **DETAILS OF PROPOSED LEGISLATION**

File 13-0884 is a resolution approving a one-year extension of the existing Cooperative Agreement between the U.S. Navy and TIDA from October 1, 2013 through September 30, 2014.

File 13-0886 is a resolution approving a Memorandum of Understanding (MOU) between TIDA and the San Francisco Public Utilities Commission (PUC) for PUC to provide utilities services and maintain and operate utility infrastructure on Treasure Island and Yerba Buena Island.

File 13-0885 is a resolution:

- (i) Authorizing the execution and delivery of not-to-exceed \$13,500,000 of COPS or other forms of indebtedness to finance the costs of additions and improvements to the utility infrastructure of Treasure Island;
- (ii) Authorizing the Director of Public Finance to cause the preparation of documents necessary for the execution and delivery of the certificates or other forms of indebtedness, including a Trust Agreement, a Property Lease, a Project Lease, Notice of Sale, Official Notice of Sale, an Official Statement, and if required, a Purchase Contract and such other necessary documents;
- (iii) Authorizing the Director of Public Finance to issue commercial paper in an amount not to exceed \$13,500,000 in anticipation of the issuance of the COPS or other forms of indebtedness;
- (iv) Granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale and delivery of the commercial paper and COPS;
- (v) Approving modifications to documents and agreements;
- (vi) Making findings under the California Environmental Quality Act (CEQA) and determination of consistency with the General Plan; and
- (vii) Ratifying previous actions taken.

File 13-0883 is an ordinance appropriating \$13,500,000 in Certificates of Participation (COPS) proceeds to finance utility infrastructure improvements on Treasure Island and Yerba Buena Island.

#### **Cooperative Agreement (File 13-0884)**

The Board of Supervisors has approved one-year extensions of the existing Cooperative Agreement between TIDA and the U.S. Navy numerous times, most recently in September 2012 (File 12-0740), which extended the agreement from October 1, 2012 through September 30, 2013. The proposed resolution would amend the existing Cooperative Agreement to extend the agreement by one year from October 1, 2013 through September 30, 2014. The proposed amendment to the existing Cooperative Agreement retains the existing major terms and conditions.<sup>1</sup>

#### **Memorandum of Understanding (File 13-0886)**

PUC has maintained and operated electricity, gas, water, wastewater and stormwater utilities on Treasure Island and Yerba Buena Island since 1997, receiving reimbursement from TIDA for its

---

<sup>1</sup> The proposed amendment only revises contact information for TIDA and the Navy, and certain procedures for emergency and other calls.

maintenance and operating costs<sup>2</sup>. TIDA and the PUC have not previously had an MOU setting the terms and conditions for PUC to maintain and operate the electricity, gas, water, wastewater and stormwater utility services. The proposed MOU between the PUC and TIDA documents their respective roles in providing these utility services under the existing Cooperative Agreement, including:

- The term is for one year from October 1, 2013 through September 30, 2014, concurrent with the Cooperative Agreement;
- The PUC will continue to provide electricity, gas, water, wastewater and stormwater utility services, subject to full reimbursement from TIDA;
- The PUC is not responsible for permit or regulatory violations from the utility facilities, which were built by the Navy and do not conform to PUC standards; and
- TIDA is responsible under the Cooperative Agreement for communications with the Navy and other third parties regarding the conditions of the utility systems or interruptions in services.

The PUC's budgeted maintenance and operating costs for these utilities in FY 2013-14 are \$4,559,572, which will be fully reimbursed by TIDA.

#### **Certificates of Participation Issuance and Appropriation (Files 13-0885 and 13-0883)**

The proposed resolution (File 13-0885) would authorize the issuance of \$13,500,000 in COPS to fund utility infrastructure projects on Treasure Island and Yerba Buena Island. The proposed ordinance (File 13-0883) would appropriate the COPS proceeds of \$13,500,000 to pay financing, and utility infrastructure project costs.

#### Status of Treasure Island and Yerba Buena Island Utilities Infrastructure

##### *San Francisco Public Utilities Commission*

The gas, electricity, wastewater and stormwater, and water utilities on Treasure Island and Yerba Buena Island were constructed by and are currently owned by the Navy, pending conveyance of Treasure Island and Yerba Buena Island to TIDA. Under the Cooperative Agreement with the Navy, TIDA has caretaker responsibilities for the utility system; and the PUC maintains and operates these utilities as a contractor to TIDA but the utilities, which do not conform to PUC standards, are not a PUC asset.

##### *Utility Infrastructure Improvements*

According to the September 6, 2012 memorandum from the PUC to the City Administrator, the estimated costs of utility infrastructure improvements on Treasure Island and Yerba Buena Island over the next 10 years range from \$43 million to \$47 million. Because the Navy owns these

---

<sup>2</sup> Because TIDA's reimbursements were insufficient to cover PUC's costs for maintaining and operating the utilities prior to 2009, TIDA and PUC entered into an agreement in 2009, in which TIDA would pay PUC for these insufficient reimbursements over a ten-year period from 2009 through 2019.

utilities, the PUC cannot pay for these costs with ratepayer revenues, and current reimbursements to the PUC for maintenance and operation of Treasure Island and Yerba Buena Island utilities are insufficient to cover utility infrastructure improvement costs.

Although the Development and Disposition Agreement between TIDA and Treasure Island Community Development, LLC provides for the developer to replace the utility infrastructure over the next 20 years as part of the development project, the development work has not begun because the Navy has not yet conveyed Treasure Island and Yerba Buena Island properties to TIDA. However, the PUC has determined that improvements to some existing utility infrastructure are immediately necessary in order to maintain the reliability and safety of utility services until new systems are constructed through the development project. The PUC has recommended a list of priority projects, totaling \$10,000,000, shown in Table 2 below.

**Table 2: Priority Utility Infrastructure Improvements Identified by the PUC**

	Year One	Year Two	Year Three	Year Four	Total
Wastewater and Stormwater	\$4,000,000	\$1,600,000	\$1,300,000	\$0	\$6,900,000
Natural Gas and Electricity	0	400,000	350,000	0	750,000
Water	0	0	350,000	2,000,000	2,350,000
<b>Total</b>	<b>\$4,000,000</b>	<b>\$2,000,000</b>	<b>\$2,000,000</b>	<b>\$2,000,000</b>	<b>\$10,000,000</b>

According to Mr. Beck, final selection of the specific projects will be determined after further evaluation of the utilities infrastructure conditions by the PUC. At their September 9, 2013 meeting, the Capital Planning Committee approved the proposed \$10,000,000 for priority utility infrastructure improvements.

#### Financing the Utility Infrastructure Improvements

TIDA proposes to finance the cost of the utility infrastructure projects, noted in Table 2 above, because neither the PUC nor the developer is responsible for these projects. Under the proposed resolution (File 13-0885), the Director of Public Finance would issue COPS to finance the utility infrastructure projects, and TIDA would pay debt service on the COPS from TIDA revenues.

#### *Commercial Paper and Certificates of Participation Issuance*

The proposed resolution (File 13-0885) authorizes the City's Director of Public Finance to issue COPS in an amount not to exceed \$13,500,000 to finance the TIDA utility infrastructure projects.

In accordance with the resolution, initial financing of the projects will come from the City's \$250 million commercial paper program<sup>3</sup>, previously authorized by the Board of Supervisors.

<sup>3</sup> Commercial paper is short term debt with maturity from one to 270 days, which can be refinanced by issuing subsequent commercial paper or by other debt, such as bonds or COPS.

According to Ms. Nadia Sesay, Director of Public Finance, the City has previously issued \$55.2 million in commercial paper, resulting in unused authorization of \$194.8 million; and will issue \$10 million in commercial paper to initially fund TIDA's utility projects.

The COPS to refinance the commercial paper will be issued in approximately 2018 after completion of construction of the utility infrastructure projects. According to Ms. Sesay, the timing of the sale of the COPS is anticipated at the completion of the projects to achieve the lowest cost of borrowing.

Prior to the sale of the COPS, the Director of Public Finance will submit the final financing documents to the Board of Supervisors for approval.

#### *Interest Rates and Maturity*

The proposed resolution provides for a true interest cost<sup>4</sup> of 12 percent per year with a maturity date of 25 years. According to Ms. Sesay, the estimated true interest cost on the proposed COPS ranges from 2.56 percent to 4.68 percent, and the actual maturity date is 10 years to conform to the useful life of the proposed utilities infrastructure projects.

In order to reduce interest payments on the proposed COPS, the proposed resolution authorizes the Director of Public Finance to obtain bond insurance or other form of surety.

#### *Sale of COPS*

The proposed resolution authorizes the Director of Public Finance to sell the COPS either by competitive or negotiated sale. If the Director of Public Finance determines to sell the COPS by negotiated sale, the resolution authorizes her to appoint one or more financial institutions to act as underwriter in accordance with City policies.

#### *California Environmental Quality Act and General Plan Conformance*

The Board of Supervisors has previously approved a resolution (File 11-0328), making findings under the California Environmental Quality Act (CEQA), including a mitigation monitoring and reporting program and statement of overriding considerations for the proposed development on Treasure Island and Yerba Buena Island, including the utility infrastructure projects. Approval of the proposed resolution includes findings by the Board of Supervisors that:

- Since the original Environmental Impact Report (EIR) was made final, there have been no substantial project changes or circumstance that affect the EIR; and
- The previous finding that the proposed development on Treasure Island and Yerba Buena Island is consistent with the General Plan (File 11-0228) also applies to the proposed utility project.

---

<sup>4</sup> The true interest cost includes all ancillary fees and costs such as finance charges, discount points and prepaid interest.

According to Mr. Beck, the development project contemplated and the EIR considered the ongoing use, maintenance and repair of the utility infrastructure to the date of replacement. The proposed work is therefore consistent with what has been analyzed under the EIR, and does not change the development project, the land uses, the intensity of uses, or other matters that could result in the need for additional environmental review.

## FISCAL IMPACT

The proposed ordinance appropriates \$13,500,000 in COPS proceeds as shown in Table 3 below (File 13-0883).

**Table 3: Sources and Uses of Funds**

<b>Sources</b>	
Par Amount	\$12,095,000
<b>Total Sources</b>	<b>12,095,000</b>
<b>Uses</b>	
Utilities Infrastructure Projects	10,000,000
Controller's Audit Fund (0.2% of Project Costs)	20,000
Repayment Commercial Paper Interest	323,255
Debt Service Reserve Fund (12% of Project Costs)	1,209,500
Cost of Issuance (4.8% of Project Costs)	481,770
Underwriter's Discount (0.6% of Project Costs)	60,475
<b>Total Uses</b>	<b>12,095,000</b>
Reserve Pending Sale (for Market Uncertainty)	1,405,000
<b>Total Not-to-Exceed Amount</b>	<b>\$13,500,000</b>

Total debt service on the \$12,095,000 in COPS proceeds is estimated to be \$15,036,684 over ten years, of which \$12,095,000 is principal and \$2,941,684 is interest, as shown in the Attachment. Average annual debt service payments would be approximately \$1,503,000.

Revenues to meet the debt service obligation are intended to be generated from the residential, commercial and government utility users on Treasure Island and Yerba Buena Island through a combination of utility charges, common area charges and other TIDA operating revenues, as shown in Table 4 below.

**Table 4: Sources of Revenues to Pay Annual Debt Service<sup>1</sup>**

Source of Revenues	Amount
Residential Utility User Charges	\$818,000
Commercial Utility User Charges	450,000
Government Utility User Charges	235,000
Common Area Charges <sup>2</sup>	n/a
Other TIDA Operating Revenues <sup>3</sup>	n/a
<b>Total</b>	<b>\$1,503,000</b>

<sup>1</sup> The allocation of utility user charges shown in Table 4 is an estimate based on (a) PUC records of electric, gas, water and wastewater utility use by customer class and (b) the proposed projects shown in Table 2. The final allocation may differ based on the actual projects selected.

<sup>2</sup> TIDA is evaluating but has not yet implemented common area charges to commercial tenants to assess debt service expense in lieu of adjustments to commercial utility user charges.

<sup>3</sup> TIDA intends that sufficient revenues for debt service will be generated from residential, commercial and government utility charges to meet the annual debt service obligation; TIDA would allocate operating revenues to pay debt service in the event of a shortfall in utility user charges.

Based on PUC's FY 2013-14 budgeted maintenance and operating costs for these utilities of \$4,559,572, rates charged to residential, commercial and government utility users would increase by an average of 33 percent to generate an additional \$1,503,000 in revenues to pay annual debt service.<sup>5</sup>

## POLICY CONSIDERATION

### Issuance of the COPS Would Have a General Fund Impact

#### General Fund Share of Debt Service for Low-Income Housing Utilities Users

According to Mr. Beck, TIDA anticipates requesting an annual General Fund appropriation to pay a share of annual debt service that would otherwise be borne by residents of supportive housing, below market rate housing and other low-income housing under the Treasure Island Homeless Development Initiative (TIHDI). Mr. Beck estimates that the annual General Fund share for TIHDI residents is \$275,000, which would be subject to annual appropriation by the Board of Supervisors.

#### Issuance of Commercial Paper and COPS Obligate the City

The City's commercial paper program and issuance of COPS are an obligation of the City, and if Treasure Island and Yerba Buena Island utility user charges, common area charges, and other TIDA operating revenues are insufficient to pay annual debt service, the City's General Fund

<sup>5</sup> The actual impact of annual debt service on specific utility rates by customer (residential, commercial, or government) will vary based on the final selection of utility infrastructure projects shown in Table 2 above.

would pay the difference. As shown in Table 4 above, TIDA estimates that utility user charges are sufficient to cover the cost of annual debt service.

### Recommendations

The Budget and Legislative Analyst recommends approval of the issuance of up to \$13,500,000 in COPS and appropriation of COPS proceeds because the utility infrastructure projects funded by the COPS are necessary and TIDA estimates that utility user charges are sufficient to pay future annual debt service.

Although TIDA anticipates requesting an annual General Fund appropriation to pay a share of annual debt service for TIHDI residents, any General Fund appropriation would be subject to future Board of Supervisors approval. The Board of Supervisors should amend the proposed resolution (File 13-0885) to require a report to the Budget and Finance Committee during the annual budget review each year that details the General Fund share of annual debt service for TIHDI residents.

In the event that utility user charges, common area charges, and TIDA operating revenues are insufficient to pay annual debt service, resulting in a General Fund subsidy to pay the annual debt service, the Board of Supervisors should amend the proposed resolution (File 13-0885) to require TIDA to:

(a) Submit a 10-year financial plan to the Board of Supervisors to coincide with the projected debt service on the subject COPS at the same time that the Director of Public Finance submits the financial documents prior to the issuance of the COPS; and

(b) Enter into a separate MOU with the City to reimburse the General Fund for the potential future General Fund subsidies, other than the subsidy for the TIHDI residents, that may be required to meet TIDA's future annual debt service on the COPS.

## **RECOMMENDATIONS**

1. Approve File 13-0883, which is an ordinance appropriating \$13,500,000 in Certificates of Participation (COPS) proceeds to finance utility infrastructure improvements on Treasure Island and Yerba Buena Island.
2. Amend File 13-0884, which is a resolution approving the one-year extension of the Cooperative Agreement between the U.S. Navy and TIDA from October 1, 2013 through September 30, 2014, to be retroactive to October 1, 2013; and approve as amended.
3. Amend File 13-0885, which is a resolution authorizing the Director of Public Finance to issue not-to-exceed \$13,500,000 of COPS to require TIDA to:
  - (a) Provide a report to the Budget and Finance Committee during the annual budget review each year that details the General Fund share of annual debt service for TIHDI residents;



- (b) Submit a 10-year financial plan to the Board of Supervisors to coincide with the projected debt service on the subject COPS at the same time that the Director of Public Finance submits the financial documents prior to the issuance of the COPS;
  - (c) Enter into a separate MOU with the City to reimburse the General Fund for the potential future General Fund subsidies, other than the subsidy for TIHDI residents, that may be required to meet TIDA's future annual debt service on the COPS.
4. Amend File 13-0886, which is a resolution approving a MOU between TIDA and PUC for PUC to maintain and operate Treasure Island and Yerba Buena Island utilities, to be retroactive to October 1, 2013; and approve as amended.

**\$12,095,000****City & County of San Francisco****Certificates of Participation - Treasure Island Utility Improvements****Debt Service Schedule**

<b>Date</b>	<b>Principal</b>	<b>Interest</b>	<b>Total P+I</b>
06/30/2017			
06/30/2018	1,035,000.00	468,095.50	1,503,095.50
06/30/2019	1,060,000.00	441,599.50	1,501,599.50
06/30/2020	1,095,000.00	410,541.50	1,505,541.50
06/30/2021	1,130,000.00	374,625.50	1,504,625.50
06/30/2022	1,170,000.00	333,832.50	1,503,832.50
06/30/2023	1,215,000.00	289,021.50	1,504,021.50
06/30/2024	1,265,000.00	240,178.50	1,505,178.50
06/30/2025	1,315,000.00	187,048.50	1,502,048.50
06/30/2026	1,375,000.00	129,583.00	1,504,583.00
06/30/2027	1,435,000.00	67,158.00	1,502,158.00
<b>Total</b>	<b>\$12,095,000.00</b>	<b>\$2,941,684.00</b>	<b>\$15,036,684.00</b>

**Memorandum of Understanding between the Treasure Island Development Authority  
(TIDA) and the San Francisco Public Utilities Commission (SFPUC)  
Regarding Naval Station Treasure Island Utility Services during the Term of the Base  
Caretaker Cooperative Agreement between TIDA and the U.S. Navy**

**THIS MEMORANDUM OF UNDERSTANDING** (this "MOU") is entered into as September \_\_, 2013, by and between the **CITY AND COUNTY OF SAN FRANCISCO** ("City"), a municipal corporation acting by and through the San Francisco Public Utilities Commission ("SFPUC"), and the **TREASURE ISLAND DEVELOPMENT AUTHORITY**, a California non-profit public benefit corporation ("TIDA"), collectively, the "parties", upon the following facts, intentions and understandings of the parties:

**RECITALS**

A. In 1993, Naval Station Treasure Island ("NSTI"), consisting of both Treasure Island and portions of Yerba Buena Island, was designated for closure and disposition by the Base Realignment and Closure Commission acting under Public Law 101-510 and its subsequent amendments. The Department of Defense subsequently designated the City and County of San Francisco ("City"), and later TIDA, as the Local Reuse Authority ("LRA") responsible for the conversion of NSTI under the federal disposition process.

B. TIDA was created in 1997 to serve as a single-purpose entity responsible for the redevelopment of NSTI. Under the Treasure Island Conversion Act of 1997, which amended Section 33492.5 of the California Health and Safety Code and added Section 2.1 to Chapter 1333 of the Statutes of 1968 (the "Act"), the California Legislature (1) designated TIDA as a redevelopment agency under the California Community Redevelopment Law with authority over NSTI, and (2) with respect to those portions of NSTI that are subject to the public trust for commerce, navigation and fisheries (the "Tidelands Trust" or "Trust"), vested in TIDA the authority to administer the Tidelands Trust as to such property in accordance with the terms of the Act.

C. The City and the Navy entered into the Base Caretaker Cooperative Agreement executed March 12, 1997, as amended from time to time (collectively, the "Cooperative Agreement"), for the interim management and operation of NSTI during the disposition process. Under the Cooperative Agreement, the City assumed responsibility for certain caretaker duties at NSTI including the operation, maintenance and repair of the Navy's utility systems that service NSTI. These caretaker responsibilities were later assumed by TIDA in 1998.

D. In January 2012 in response to AB26, the Board of Supervisors rescinded its designation of the TIDA as the redevelopment agency under California Community Redevelopment Law, but preserved TIDA's status as the LRA for NSTI and all other powers and authority that the City had granted to TIDA or that TIDA otherwise had.

E. The Cooperative Agreement includes various Function Annexes that describe in detail the caretaker duties for which TIDA is responsible under the Cooperative Agreement. Functional Annex 6 – Utilities Services – describes the Caretaker responsibilities for the

operation and maintenance of utilities systems at NSTI that TIDA is responsible to provide. The SFPUC has provided utility services on NSTI on behalf of TIDA, including the operation and maintenance of the active NSTI utility systems and the delivery of utilities to the occupants and users of NSTI. SFPUC activities include delivery of electricity, gas, water, stormwater and the operation and maintenance of the existing wastewater treatment plant and related facilities and pipe network on NSTI. Because the utility related facilities are not owned by the City or TIDA and have not been accepted by the Board of Supervisors pursuant to City ordinances, these utilities are not under the jurisdiction of the SFPUC. The SFPUC has been performing utility services for TIDA to the extent it can be reimbursed by NSTI utility revenues imposed or collected by TIDA, or other TIDA revenues. To date, the SFPUC has performed utility services at NSTI without a formal agreement with TIDA, and the purpose of this MOU is to memorialize the terms and conditions of continued performance of certain defined utility services.

F. In 2011, the City, TIDA and Treasure Island Community Development, LLC. ("TICD"), entered into three related agreements: a Disposition and Development Agreement (the "DDA") between TIDA and TICD; a Development Agreement (the "DA") between the City and TICD; and an Interagency Cooperation Agreement (the "ICA") between the City and TIDA (for reference purposes, all of these agreements are dated as of June 28, 2011). The DDA details a phased program for the development of NSTI including an Infrastructure Plan, Exhibit FF to the DDA, which describes the future utilities to be constructed by TICD as part of the development project.

G. TIDA is negotiating with the Navy an Economic Development Conveyance Memorandum of Agreement (the "EDC MOA") seeking conveyance of all of NSTI other than the portions that the Navy previously conveyed to the United States Department of Labor Job Corps, the United States Coast Guard and the Federal Highway Administration through federal-to-federal transfers. The portions of NSTI that are subject to the EDC Application are collectively referred to in this MOU as the "Property". Following execution of the EDC MOA, the Navy will transfer the Property to TIDA, as the designated LRA, in phases in accordance with the conditions set forth in the EDC MOA (the "Transfer"). The EDC MOA will address the obligations of the Navy and TIDA with respect to maintenance, operation, and replacement of utility systems during the course of the Transfer process through a Utility Agreement that is being negotiated between TIDA and the Navy. The parties anticipate that TIDA and the SFPUC will negotiate a new MOU, or an amendment to this MOU, related to utility services provided under the term of the EDC MOA and Utility Agreement.

H. For purposes of this MOU utility infrastructure on the Property that has not yet been transferred to the City is referred to as "Pretransfer Infrastructure."

I. The parties acknowledge that the existing infrastructure on NSTI was built by the Navy and does not meet current SFPUC standards. Given the state of the existing infrastructure, the SFPUC may not be able to provide utility services on NSTI equivalent to the services that SFPUC provides in the other areas of San Francisco, pending construction, dedication and acceptances of new utility systems. SFPUC has worked with TIDA on plans for long term capital improvements to the substandard infrastructure through the redevelopment of NSTI.

**NOW, THEREFORE,** the parties hereto agree as follows:

1. **Term.** The term of this MOU will commence on the date on which the parties hereto have executed and delivered this MOU and will expire, unless sooner terminated, on September 30, 2014, unless amended by the parties in writing.

2. **Provision of Utility Services.**

(a) During the Term, the SFPUC agrees that it will continue to provide utility services for, and on behalf of, TIDA on NSTI consistent with past practices, and to the extent feasible given the condition of the utility systems and related infrastructure (the "Services"). These Services are described in Functional Annex 6 of the current Cooperative Agreement with noted exceptions and amendments as shown on Exhibit A, attached hereto, and subject to the terms and conditions of this MOU. The scope of the Services may be amended by written agreement between the parties hereto. In no event shall the SFPUC be required to continue to provide the Services if TIDA fails to fulfill its payment obligations set forth in Section 3 below.

(b) The parties acknowledge that all Services rendered by the SFPUC to TIDA hereunder are as a contractor, not as a public utility provider, and the SFPUC's expenditure authority in providing the Services is limited to the funds realized under Section 3 below as payment for the Services. These payments are expected to include funds for the day-to-day operation and maintenance of the Pretransfer Infrastructure, including any claims or judgments, so that the SFPUC is made whole.

(c) The Navy, as the owner of NSTI, has responsibility for investigating and remediating Hazardous Materials consistent with Federal and State law, and the terms of the pending EDC MOA. TIDA is responsible for conveying information concerning Navy activities to SFPUC and developing and distributing Health and Safety Plans for the use of SFPUC employees performing services under this MOU. TIDA agrees to inform SFPUC as soon as practicable of any work that the Navy is performing as part of the remediation or otherwise, that will impact Navy infrastructure that the SFPUC is responsible under this MOU to service. TIDA agrees to convey as built drawings of any repaired or replaced Navy infrastructure to the SFPUC as soon as practicable. Upon SFPUC's request, TIDA will schedule meetings with the persons most knowledgeable about the Navy's remediation activities in order to provide current information to the SFPUC.

(d) The SFPUC will inform TIDA of all known conditions related to providing Services that could result in threats to public health and safety or regulatory violations due to infrastructure failure. The SFPUC conducted a condition assessment of certain utility infrastructure on NSTI, and provided those reports to TIDA. In addition, the SFPUC provided TIDA an assessment and cost estimate for the most immediate necessary capital improvements for the existing utilities on NSTI, including system reliability, regulatory compliance, and public/worker safety. TIDA is pursuing Board approval of capital funding in the amount of \$10 Million to address critical near term repairs to the existing infrastructure. SFPUC will coordinate with TIDA in the implementation of those capital repair projects.

(e) SFPUC will not continue to provide Services if conditions at NSTI work locations present a threat to the health and safety of SFPUC staff or contractors. SFPUC shall notify TIDA when it becomes aware of circumstances that pose an immediate or near term threat to the health or safety of SFPUC staff or others. Immediate threats to the health or safety of SFPUC staff will result in the immediate cessation of applicable Services until TIDA, or a third party, remedies the unsafe situation to a satisfactory level to permit the continuation of the applicable Services. Near term threats to the health or safety of SFPUC staff will be reported by the SFPUC to TIDA with a summary of work needed to remedy the unsafe situation, including an estimated timeframe for how long the SFPUC will be able to safely provide utility services before the situation must be remedied.

(f) As noted in Recital I above, the existing infrastructure on NSTI was built by the Navy and does not meet current SFPUC standards. SFPUC is not responsible for permit or regulatory violations that result from facilities that the SFPUC has notified TIDA are in need of repair or replacement. SFPUC currently prepares, and will continue to prepare, the reports for state and federal wastewater, stormwater, air emissions and drinking water permits for the Navy, but the Navy is responsible for certifying and submitting those reports. The Navy is also responsible for meeting any permit violation reporting requirements. The SFPUC currently uploads, and will continue to upload data to C.I.W.Q.S, but the Navy is ultimately responsible for certifying all monitoring data and reporting.

(g) TIDA is responsible under the Cooperative Agreement for communications with the Navy and all third parties on NSTI regarding the conditions of the utility systems, and any interruptions to Services. The SFPUC will assist as needed in any such communications.

### 3. Compensation.

(a) TIDA shall pay, or cause the SFPUC to be paid by the occupants of NSTI, for the costs to perform the Services, including any claims or judgments arising from such performance, such that the SFPUC is made whole (without penalty or profit). The SFPUC shall recommend to TIDA annual budgets and supplemental budgets as needed to perform the Services and the parties will meet and discuss all recommended repairs, upgrades and ongoing utility costs, and continue to make adjustments to budgets and charges as needed. The SFPUC agrees to invoice NSTI residents and businesses consistent with existing practices. The parties will meet and confer to discuss recommended changes to charges. All amounts collected by the SFPUC from NSTI residents and businesses shall be credited against amounts otherwise due and owing from TIDA to the SFPUC under this MOU.

(b) In January 2009, the Board of Supervisors approved an agreement between the SFPUC and TIDA, where TIDA agreed to make payments to the SFPUC in the amounts set forth in the Memorandum of Understanding Regarding Utility Rate Adjustments, to reimburse the SFPUC for unpaid amounts of utility services provided during Fiscal Years 1997/1998 through 2005/2006 over a term extending to the Fiscal Year 2018/2019, and TIDA shall continue to make those payments pursuant to such MOU until all the payments have been made.

(c) The parties further agree to meet and confer on a regular basis to review charges and payment amounts and make recommendations as to changes if appropriate.

4. **Cooperation.** The SFPUC and TIDA agree to cooperate with one another to implement the terms of this MOU in good faith, and shall meet regularly to discuss utilities operations and maintenance matters at NSTI.

5. **Notices.** Any notice given under this Agreement shall be in writing and given by delivering the notice in person, by commercial courier or by sending it by regular mail, with postage prepaid, to the mailing address listed below or any other address notice of which is given. For the convenience of the parties, copies of notices may also be given by facsimile, to the telephone number listed below or such other numbers as may be provided from time to time.

Address for SFPUC: 525 Golden Gate Ave,  
13<sup>th</sup> Floor  
San Francisco, CA 94103  
Attn: Harlan L. Kelly Jr., General Manager  
Telephone No: (415) 554-4704  
Email: HKelly@sfgwater.org

Address for the Authority: 1 Avenue of the Palms, Suite 241  
Treasure Island  
San Francisco, CA 94130  
Attn: Robert Beck, Treasure Island Director  
Fax No: (415) 274-0662  
Telephone No: (415) 274-0660  
Email: bob.beck@sfgov.org

7. **Miscellaneous Provisions.**

a. **California Law.** This Agreement shall be construed and interpreted in accordance with the laws of the State of California and the City, including the City's Charter.

b. **Entire Agreement.** Subject to any subsequent agreements authorized pursuant to this Agreement, this Agreement contains all of the representations and the entire agreement between the parties with respect to the subject matter of this Agreement. No prior drafts of this Agreement or changes from those drafts to the executed version of this Agreement shall be introduced as evidence in any litigation or other dispute resolution proceeding by any party or other person, and no court or other body should consider those drafts in interpreting this Agreement.

c. **Amendments.** No amendment of this Agreement or any part hereof shall be valid unless it is in writing and signed by all of the parties hereto.

d. **No Party Drafter; Captions.** The provisions of this Agreement shall be construed as a whole according to their common meaning and not strictly for or against any party in order to achieve the objectives and purposes of the parties. Any caption preceding the text of any

section, paragraph or subsection or in the table of contents is included only for convenience of reference and shall be disregarded in the construction and interpretation of this Agreement.

e. Further Assurances. The parties hereto agree to execute and acknowledge such other and further documents as may be necessary or reasonably required to carry out the mutual intent of the parties as expressed in this Agreement.

f. Necessary Approvals. This Agreement may be subject to approval by the San Francisco Public Utilities Commission and the Treasure Island Development Authority, each in its sole and absolute discretion.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

SFPUC:

THE AUTHORITY:

CITY AND COUNTY OF SAN FRANCISCO, acting by and through its Public Utilities Commission

TREASURE ISLAND DEVELOPMENT AUTHORITY, a California public benefit corporation

By: \_\_\_\_\_  
Harlan L. Kelly, Jr.  
General Manager

By: \_\_\_\_\_  
Robert Beck  
Treasure Island Director

Approved as to form:

Dennis J. Herrera,  
City Attorney

By: \_\_\_\_\_  
Deputy City Attorney



## Exhibit A

### Description of the Services

The attached Functional Annex 6 from the Cooperative Agreement between the US Navy and the City and County of San Francisco outlines "Caretaker" responsibilities for the maintenance and operation of existing utility systems on the for Naval Station Treasure Island / Yerba Buena Island (NAVSTA TI/YBI) assumed by the City and County under the Cooperative Agreement.

Bold parenthetical comments [**Example**] are provided to clarify the Caretaker roles assumed by the Treasure Island Development Authority (TIDA) and San Francisco Public Utilities Commission (SFPUC) under this MOU and to provide clarifying language for certain other terms.

## FUNCTIONAL ANNEX 6

### UTILITIES SERVICES

#### 6.1. Description

6.1.1. The Utilities Services function provides for maintenance and operation of electric, natural gas, sanitary sewer, sewage treatment and storm sewer systems by the Caretaker as well as for establishment of rates and collection of revenue to offset operating costs.

6.1.2. The Caretaker may use Building 264 and storage lot 292 at Treasure Island for performance of the Utilities Services function.

#### 6.2. Concept of Operations

6.2.1. Lease of Utility Systems to the Treasure Island Development Authority: It is the intent of the Caretaker to enter into a lease for Navy owned utility systems serving Naval Station Treasure by the signing of EDC/LIFO for the property. Prior to execution of the planned lease, and within the term of this agreement, the Caretaker will operate utility systems in accordance with requirements of this Annex and of the Technical Execution Plan for Utilities Management which is attached to and made part of this agreement. After execution of the lease, provisions of this agreement pertaining to utilities operations will be extinguished and requirements of the lease will prevail.

6.2.2. Assumption of Environmental and Operating Permits by the Caretaker: The Caretaker agrees to cooperate with the Navy and regulators to support the timely transfer of the permits required for the continuing operations of the Caretaker. This includes updating the permits to provide the organizational name(s) of the current operators for purposes of reporting required under the permits. The Caretaker will operate utilities in conformance with applicable permits and will perform regular monitoring and reporting required by these permits. All responses (written or oral) to violations or operations outside the permit limits will be brought to the immediate attention of the Navy, however, the responsibility to operate within the permit limits rests with the Caretaker. Specific schedules for transfer of the below listed permits shall be included in the EDC MOA, LIFO and any other leases entered into by the Navy and the Caretaker. **[The SFPUC will perform the services described in this section in accordance with Sec 2(f) of this MOU]**

- State of Calif. – Health and Welfare Agency, Water Supply Permit No. 02-04-96P-3810702
- BAAQMD Permit to Operate Air Emissions Sources for Plant # 479
- RWQCB NPDES General Storm Water Permit No. CAS000001 for Facility WDID No. 238S012140
- RWQCB NPDES Waste Water Treatment Plant Permit No. CA0110116 Operations Under This Agreement Prior to Leasing
- California Department of Public Works Permit S.F.O.B.B. #16 of 22 November 1944

#### 6.2.3. Operations

6.2.3.1. The Caretaker [SFPUC] will operate and maintain utility systems at Treasure Island and

Yerba Buena Island, as described in the applicable Technical Execution Plan (see paragraph 6.2.3.3), including electric, natural gas, water, sanitary sewer, storm sewer and sewage treatment systems. The Caretaker [TIDA] will defray associated costs through revenue generated by charging uniform rates established by the Caretaker [TIDA].

6.2.3.2. All storage and handling of materials and equipment necessary for utility maintenance shall be done in accordance with the Treasure Island Storm Water Pollution Prevention Plan.

6.2.3.3 The Technical Execution Plan (TEP) for this annex is attached and made part of this agreement. The Caretaker [SFPUC] agrees to conform to the requirements and guidelines of the TEP that defines the extent of Caretaker [SFPUC] responsibility for utilities operations as well as specific operating procedures.

6.2.4. Purchase of Utility Commodities: The Caretaker [SFPUC] will be responsible for purchase of all electricity, natural gas and water consumed on TI and YBI and for purchase of electric power provided to the east water pump station serving the base. **[East water pump station is currently inactive; back-up electrical power provisions already fulfilled]** The Caretaker remains responsible per modification P00009 of this agreement, and agrees to make payment for back-up electrical power delivered to Treasure Island under Navy contract during fiscal year 1999. Payment will be made by the Caretaker directly to the Pacific Gas and Electric Co. upon submission of invoices by that company to the Navy.

6.2.5. Recovering Funds for Consumption by the Navy: Consumption for which the Navy is responsible have been determined through estimates mutually agreed upon by the Navy and the Caretaker. Estimated Navy consumption is itemized in figure 6-1. Total annual charges will not exceed \$48,139.92 annually or \$4,011.66 per month.

Annex 6, Figure 6-1 Navy Liability for Utilities Consumption September 99					
Notes	Use	Consumption Chargeable Monthly	Rate	Monthly cost	Annual Cost
[1]	Electricity for CSO (B's 1 and 570)	24 MWH	\$121.34	\$2,912.16	\$34,945.92
[2]	Natural gas for CSO (B's 1 and 570)	197 MCF	\$5.10	\$1,004.70	\$12,056.40
[3]	Water for CSO	10KGAL	\$4.59	\$45.90	\$550.80
[4]	Sewer for CSO	10KGAL	\$4.89	\$48.90	\$586.80
<b>Totals</b>				<b>\$4,011.66</b>	<b>\$48,139.92</b>

Notes:

[1] B's 1 & 570 = 10w / sq ft x 9,000 sq ft, 12 hrs per day, 22 days per month = 24MWH / month

[2] 30 btu's / sq ft / hr x 9,000 sq ft, 24 hrs per day 365 days per year

[3] 30 GPD / person, 22 days per month assuming average staff including contractors of 15.

[4] equal to domestic water consumption by CSO

## 6.2.5 System Extension and Provision of New Service

6.2.5.1. New Services Requested by the Navy and other Federal Users: Subject to the availability of funds for such purpose, the Caretaker [SFPUC] will provide any extension or alteration of systems along with any metering or service connections requested by the Navy or as concurred to by the Navy for other Federal users on the base. The Caretaker [TIDA] will recover costs for such work for other Federal users directly from the *benefiting* agency. Costs incurred for any such work requested by and executed for the Navy will be reimbursed via the provisions of this agreement or by amendment of this agreement as may be required.

6.2.5.2. New Services Required by Lessees or Licensees: The Caretaker [TIDA] may also provide [authorize] system extensions and alterations along with metering and service connections required to fully and exclusively meter use of water, electricity and natural gas within any premises which may be under license or lease from the Navy during the term of this agreement. Costs for any such work will be recovered by the Caretaker [TIDA] directly from the benefiting Lessee or Licensee and will not be charged to the Navy. **[All utility connections, extensions and alterations will only be performed by the SFPUC after a building permit and occupancy certificate are obtained from the authorities having jurisdiction (i.e., Department of Building Inspection) and all utility service connection, inspection, and building costs and fees are paid in full.]**

**TECHNICAL EXECUTION PLAN  
UTILITES MANAGEMENT**

Paragraph Contents

1.0	Purpose	40
2.0	Background	40
3.0	Systems Definition, Extent of Caretaker Responsibility	40
4.0	Organization and Communication	42
5.0	Preventive Maintenance & Repair	42
6.0	Trouble Call Response and Reporting	43
7.0	Emergency Response	43
8.0	System Extension and Provision of New Service	44
9.0	Billing & Payment for Utilities Consumption	44
10.0	Equipment Purchases	44
11.0	Outage Management	45
12.0	Excavation Management	45
13.0	Marking Utilities Locations	46
14.0	Maintenance of Government Furnished Vehicles	46
15.0	Environmental Permit Management	46
16.0	Responding to Environmental Hazards	47

Tables

6-1	Deleted	
6-2	Labor House & Response Targets	43
15-1	Environmental Permits For Which The Caretaker Will Perform Monitoring and Reporting	47

Appendix

A	Utilities Trouble/Emergency Call Reporting Procedures and Important Caretaker/Navy Call List	49
B	Glossary of Terms and Abbreviations	51

## TECHNICAL EXECUTION PLAN UTILITIES MANAGEMENT

Ref : (a) Cooperative Agreement between the City and County of San Francisco and the U.S. Navy, N62474-97-2-0003, Mod P00012 (period of 01 October 2001 through 30 September 2001)

### 1.0 Purpose

This document provides general operational procedures for the management of the electric, water, natural gas, and sewer systems on Treasure Island (TI) and Yerba Buena Island (YBI).

### 2.0 Background (Not used)

### 3.0 Systems Definitions, Extent of Caretaker Responsibility for Utilities Distribution

The physical extent of each utility system that will be maintained by the Caretaker [SFPUC] is as described below. These descriptions apply to all elements of systems on Treasure Island and Yerba Buena Island and water and electric systems deriving in Emeryville and Oakland respectively with the exception of elements of systems serving the U.S. Coast Guard on Yerba Buena Island which are beyond designated service points and within the boundaries of Coast Guard owned property. The Caretaker [TIDA] will establish responsibilities within the Coast Guard boundaries through direct negotiations with the Coast Guard.

3.1 Water System: Facilities that are operated and maintained by the Caretaker [SFPUC] under the Cooperative agreement consist of the existing water delivery facilities at NAVSTA TI/YBI including:

3.1.1. Supply and delivery pipelines, originating at the supply points for NAVSTA TI/YBI from San Francisco City Distribution System and from the East Bay Municipal Utility District (EBMUD). The Caretaker [SFPUC; **if/when connection utilized**] agrees to conform to all requirements of California Department of Transportation S.F.O.B.B. Permit No. 16 Dated 22 November 1944 as it pertains to operation of the pipeline originating at the East Bay Municipal Utility District service point in Emeryville to the last (upstream) point of attachment of the Bay Bridge on YBI.

3.1.2. Water storage facilities

3.1.3. Water pumping and chlorinating stations

3.1.4. The water pumping station located in pier E23 of the east span of the San Francisco Bay Bridge.

3.1.5. All supply lines that cross through or under any leased or non-leased building for facility that do not serve that building or facility.

3.1.6 For metered buildings and facilities, the Caretaker [SFPUC] responsibility ends at the first valve or meter upstream of the building or facility.

3.1.5. For building and Facilities that are not metered, the Caretaker [SFPUC] responsibility will include all supply lines and water system facilities up to five (5) feet from any building or facility.

3.2 Sanitary Sewer System: Facilities which are operated and maintained by the Caretaker [SFPUC] consist of the existing sanitary sewer collection and pumping facilities at NAVSTA TI/YBI, including:

3.2.1. Waste water treatment plant including all facilities within the perimeter fence of the plant and including all piping and appurtenant facilities to the point of discharge to San Francisco Bay.

3.2.2 Waste water-pumping stations **[and associated control rooms]**

3.2.3 Mainline sewers

3.2.4 Forced mains

3.2.5 Collection and service sewers to the limit of lease holding for leased facilities.

3.2.6 For buildings and facilities which are not leased or otherwise occupied, or which are in use by the Navy or Navy Customers; Collection and service sewers to either [a] the last cleanout upstream of the mainline sewer along the service to the building or facility, or [b] a point five (5) feet from the foundation of the building or facility.

3.3 Storm Water System: Facilities which are operated and maintained by the Caretaker [SFPUC] consist of the existing storm water collection and discharge facilities at NAVSTA TI/YBI including:

3.3.1 Storm water collections system from the transition structure of surface flow entering the below surface piping (including drop inlets and other collection structures). Surface and street flows are not included.

3.3.2 Storm water-pumping stations

3.3.3 Storm water outfalls

3.4 Natural Gas System: Natural gas is delivered to NAVSTA TI/YBI by a supply line owned by the Pacific Gas and Electric Co. (PG&E). PG&E also owns and operates the main meters and pressure reducing stations at the point of delivery. The responsibility of the Caretaker [SFPUC] is for all facilities downstream of PG&E facilities including:

3.4.1 Supply and delivery pipeline downstream of the main meter and pressure reduction station located on NAVSTA TI/YBI.

3.4.2 Supply lines to and including that last valve or corporation stop leading to all leased, non-leased, occupied or non-occupied buildings and facilities.

3.5 Electrical Distribution System: Facilities that are operated and maintained by the Caretaker [SFPUC] consist of the existing transformational and distribution facilities at NAVSTA TI/YBI including:

3.5.1 The entire high voltage transmission line serving Treasure Island originating at the point of connection to the breakers at the Port of Oakland's Davis Substation at Point Arnold including overhead and underground elements of the line located on the Fleet and Industrial Supply Center and the Oakland Army Base [now Port of Oakland and City of Oakland], the underground element extending from the Oakland Army Base including the junction with the submarine section of the line and the submarine

section including the junction and the underground section of line at Treasure Island to the point of connection at the main Treasure Island substation.

3.5.2 Main substation at NAVSTA TI/YBI.

3.5.3 Distribution system and related equipment between the substations and the end users.

3.5.4 For metered buildings and facilities, service up to and including the meter.

3.5.5 For building and facilities which are not metered or which have dedicated switch-gear or transformers at the building or facility, service to the low side of the dedicated switch-gear or transformer and shall include the dedicated switch gear or transformer.

3.5.6 For buildings and facilities which are not metered and which do not have dedicated switch-gear or transformers at buildings or facilities, service to the weatherhead, building perimeter, or equipment connection.

3.5.7 The Davis Substation at the Fleet and Industrial Supply Center [**Now Port of Oakland**], Oakland, CA.

#### 4.0 Organization and Communication

4.1 Caretaker and Navy: Although there is no requirement for regular meetings between the Caretaker [**TIDA**] and the Navy, all essential communications (status of environmental clean-up projects, etc.) with the Navy shall be conducted with the appropriate Navy SWDIV ("Southwest Division," the Navy's Facilities Management Headquarters located in San Diego) representative. Notification of planned outages or any other pertinent utilities information shall be forwarded to the Navy Caretaker Site Office with the same consideration and priority as extended to any other utility customer served by the Caretaker.

---

##### 4.1.1 The Caretaker's Representative is:

Robert Beck  
Office: Treasure Island, Building 1  
Phone: (415) 274-0662

##### 4.1.2 The Navy Representative is:

Patricia McFadden  
Office: Treasure Island, Building 1  
Phone: (415) 743-4720

---

5.0 Preventative Maintenance & Repair Work: Regularly scheduled preventive maintenance and all non-emergency repair work will be executed as determined necessary by the Caretaker [**SFPUC; subject to funding availability**]. Financial reporting [**by TIDA**] to the appropriate Navy representative is required by provisions of the Cooperative Agreement.



6.0 Trouble Call Response and Reporting

6.1 Origin and Reception of Trouble Calls: Trouble calls may be initiated by any customer by calling 311. The 311 Operator will, in turn, direct calls requiring response that falls within the scope of the CA to the appropriate Caretaker department or subcontractor.

6.2 Caretaker Points of Contact: In addition to the 311 telephone number, the Caretaker shall provide to the Navy Caretaker Site Office an up to date list of telephone numbers for primary Caretaker managers responsible for utilities operations at NAVSTA TI/YBI. This list includes the responsible utility group and will be used by the Navy in cases of emergency and when responses to trouble calls do not occur within a reasonable time period (see response targets of Table 6-2). Note: Appendix 'A' provides operational procedures for Trouble Calls and Emergency Response in addition to key points of contact – both Caretaker and Navy.

Type of action	TEP paragraph	Urgency and response targets	
		Routine [1]	Emergency, note [2]
		RegHours / AfterHours	RegHours / AfterHours
Minor, unscheduled repairs	5.0	8hr / NA	4hr / NA
Major repair work	5.0	8hr / NA	4hr / NA

- NOTES: [1] Response required during normal working hours only  
 [2] Response required 24 hours / day, seven days / week  
 [3] N/A – No After Hour

6.3 Caretaker Trouble Call Reception, Response Targets and Reporting: Upon receiving a request from the CSO or other authorized party for trouble call, the Caretaker reception desk will issue a Trouble Call (TC) number which will serve as a key identifier for the call and will be used to track and report on response. The Caretaker will maintain records of all TC#'s issued along with pertinent details on response and resolution and will provide summaries of this information to the Navy Utilities PM as requested.

7.0 Emergency Response

7.1 Emergency Requirements

7.1.1 Definition: 911 should be called where it has been determined or is suspected that immediate action is required to eliminate a threat to human health, the environment, to protect property or to avoid disruption of essential operations.

7.1.2 Reporting: Direct reporting to the Navy is not required during an event, however, the Caretaker [TIDA] will provide the Navy with a written summary of any "significant event" (major personal injury or death, major property damage, "large" fires for example) that has occurred at TI/YBI.

## 8.0 System Extension, Provision of New Service

8.1 New Services Requested by the Navy and other Federal Users: Subject to the availability of funds for such purpose, the Caretaker [SFPUC] will provide any extension or alteration of systems along with any metering or service connections requested by the Navy or as concurred to by the Navy for other federal users on the base. The Caretaker [TIDA] will recover costs for such work for other Federal users directly from the other Federal users. Costs incurred for any such work requested by and executed for the Navy will be reimbursed via the provisions of this agreement or by amendment of this agreement as may be required

8.2 New Services Required by the Lessees or Licenses: The Caretaker [TIDA] may also provide [authorize] system extensions and alterations along with metering and service connections required to fully and exclusively meter use of water, electricity and natural gas within any premises which may be under license or lease. Costs for any such work will be borne by the Lessee or Licensee. The Cooperative Agreement (paragraph 6.2.5) forbids delivery of any utility commodity to a premise under lease or license that is not fully and exclusively metered (exceptions may be granted if plans are in place for the installation of subject meter.). **[All utility connections, extensions and alterations will only be performed by the SFPUC after a building permit and occupancy certificate are obtained from the authorities having jurisdiction (i.e., Department of Building Inspection) and all utility service connection, inspection, and building costs and fees are paid in full.]**

9.0 Purchase of Utility Commodities: The Caretaker [SFPUC] will be responsible for purchase of all electricity, natural gas and water consumed on TI and YBI and for purchase of electric power provided to the east water pump station serving the base **[Currently inactive]**

10.0 Billing and Payment for Utilities Consumption: The Caretaker [TIDA] will defray costs of utility commodities purchased and costs of the operation and maintenance of the utility systems through revenues generated by charging uniform rates established by the Caretaker [TIDA]. The Caretaker [TIDA] will enter into Utility Service Contracts (USC's) with all Federal users including the Navy or the Navy's contractors as required. The USC shall contain pertinent information regarding the utilities agreement between the Caretaker [TIDA] and the specific Federal user, including rates. The Caretaker [SFPUC] will purchase electricity, natural gas and water including electric power for the east water pump station serving TI and YBI **[East water pump station is currently inactive]**.

10.1 Billing Non-Navy Tenants: The Caretaker **[SFPUC if requested by TIDA]** will be responsible for billing and **[TIDA will be responsible for]** obtaining payment from all Lessees, Licensees and non-Navy Federal activities permitted to receive utilities services on the base. Charges to these tenants for use of electricity, natural gas, water and sewer service will be determined by the Caretaker [TIDA] (per Annex 6, paragraph 6.2.3.1). In general, consumption will be read from meters which fully and exclusively measure permitted consumption. Where determined to be more economic, consumption may be determined through engineered estimates prepared by the Caretaker [SFPUC].

10.2 Recovering Funds for Consumption by the Navy: Units of consumption for which the Navy is responsible have been determined through estimates mutually agreed upon by the Navy and the Caretaker [TIDA]. The Cooperative Agreement lists estimated uses and the annual/monthly charges to be billed by the Caretaker.

10.3 Charging for Sanitary Sewer Service: Deleted.

## 11.0 Outage Management

11.1 Scheduled Outages: The following procedures will be used by the Caretaker [TIDA] for any utility outage not resulting from an emergency or unplanned failure:

11.1.1 Caretaker Action: The Caretaker [TIDA] shall coordinate all outages directly with the applicable parties including the Navy and its contractors. Prior to a scheduled outage, the Caretaker [TIDA] shall contact all customers (including those who may be impacted) that will be impacted and provide the following information:

- Purpose of outage
- Utilities commodities affected
- Buildings and facilities affected
- Proposed start and completion dates and times

11.1.2 Coordination by Navy: Navy representative will coordinate the outage request for Navy managed facilities. The Caretaker [TIDA] will coordinate the outage all non-Navy and any affected utilities customers.

11.1.3 Planned Outages: The Caretaker [SFPUC] will execute the outage at the agreed upon time. Authorization from the Navy is not required

11.1.4 Disapproved or Cancelled Outages: In cases in which the outage cannot be executed, the Caretaker [TIDA] will revisit all impacted customers and advise them of cancellation or revised outage schedule and why it was necessary.

11.1.5 Unscheduled Outages: The Caretaker [SFPUC] will take immediate action to restore service. Authority from the Navy is not required. An "information-only" notice to the Navy representative is required after the event (verbal or written ok).

## 12.0 Excavation Management

12.1 Scheduled Excavations: The Caretaker [TIDA] will serve as the initial point of contact for all parties seeking to perform excavations at TI/YBI and will implement procedures to assure that no excavation is permitted without advance clearance with regard to underground utilities (see Annex 6. TEP paragraph 13.0) and from the designated Navy representative for environmental conditions. The following procedure will be used by the Caretaker [TIDA] to obtain Navy concurrence for any excavation not resulting from an emergency or unplanned system failure:

12.1.1 Excavation Process: The Caretaker [TIDA] shall retain established Underground Service Alert (USA) membership for the area encompassing TI/YBI and shall be the initial point of contact for all excavation activities within said region. The Caretaker [SFPUC] will locate and, within 48 hours of notification, clearly mark all utilities in the vicinity of proposed excavation prior to start.

12.1.2 Excavation Coordination/Navy Concurrence: Where necessary, the Caretaker [TIDA] will

refer evacuation requests to the designated Navy representative to ensure environmental conditions of soil in and around the area of the planned excavation site can be conveyed to all parties so that they may plan accordingly

12.1.3 "Approved" Evacuation Requests: In cases in which the excavation plan is acceptable as proposed, the Navy will immediately inform the Caretaker [TIDA] of its concurrence and will provide the Caretaker [TIDA] with any special requirements which may be imposed by the Navy [TIDA to inform original requestor of any special requirement]. The Caretaker [TIDA] will then perform the excavation or permit the excavation to be performed by the original requestor at the agreed upon time and in accordance with any special requirements which may be imposed by the Navy.

12.1.4 "Disapproved" Excavation Requests: In cases in which the excavation notification or request cannot be concurred to for environmentally related reason(s), the Navy will propose alternatives in writing to the Caretaker [TIDA] for coordination.

### 13.0 Marking Utilities Locations:

13.1. Electric, Gas, Water, and Sewer: The Caretaker Utilities Manager [SFPUC] will locate and clearly mark all electric, natural gas, water, and sewer utilities. Requests for marking and response handled through the trouble call procedure described in paragraph 6.0, above will conform to the response targets of Table 6-2. In addition, the Caretaker [SFPUC] will locate and clearly mark all electric, natural gas, water, and sewer utilities in any area in which the Caretaker [TIDA] proposes performing an excavation (see Excavation Management, paragraph 12.0). Marking shall be made based on the Navy provided base maps and the best available local knowledge. The Caretaker [SFPUC] will take best efforts to mark abandoned lines to include steam distribution based on available drawings.

13.2 Telephone and abandoned lines: For telephone and other lines that are not Navy owned, the USA Dig will be notified. Caretaker Utilities Manager [TIDA] will provide San Francisco Telecommunications with copy of approved Dig Permit (primary 415-550-2725, sec 415-550-2747). The Utilities Manager [TIDA] will coordinate marking of these lines. Abandoned lines will be marked if known based on Navy maps.

14.0 Maintenance of Government Furnished Vehicles: The Caretaker has full responsibility for maintenance and repair of Navy-provided vehicles, tools and equipment. The Navy may provide additional equipment, as it becomes available, to support the operation and maintenance at T1 and YBI.

15.0 Environmental and Operating Permit Management: The Caretaker agrees to cooperate with the Navy and regulators to support the timely transfer of the permits required for the continuing operations of the Caretaker. This includes updating the permits to provide the organizational name(s) of the current operators for purposes of reporting required under the permits. The Caretaker will operate utilities in conformance with applicable permits and will perform regular monitoring and reporting required by these permits. All responses (written or oral) to violations or operations outside the permit limits will be brought to the immediate attention of the Navy, however, the responsibility to operate within the permit limits rests with the Caretaker. The Caretaker will comply with all regulatory requirements. **[The SFPUC will perform the services described in this section in accordance with Sec. 2(f) of this MOU.]**

15.1 Storm Water Permit: The Caretaker [SFPUC] will completely oversee all monitoring and reporting requirements of the Storm Water General Discharge Permit (issued by RWQCB) and the TI Storm Water Pollution Prevention Plan (sampling, laboratory analysis, and annual report preparation), For the entire duration of the Cooperative Agreement, the Caretaker [SFPUC] will support the Navy in the enforcement of permit requirements and the abatement of non-compliance violations noted during tenant/lessee inspections.

**Table 15-1**

**ENVIRONMENTAL PERMITS FOR WHICH THE CARETAKER WILL PERFORM MONITORING AND REPORTING**

<u>Item</u>	<u>Permit Type</u>	<u>Issuing Agency</u>	<u>Permit Number</u>	<u>Monitoring Required</u>	<u>Reporting Required</u>
001	NPDES permit for waste water treatment plant	California Regional Water Quality Control Board	CA0110116	Yes	Yes
002	Domestic Water Supply Permit	California Health and Welfare Agency	System No. 3810702	Yes	Yes
003	Permit to Operate all Air Emissions Sources	Bay Area Air Quality Management District	Plant #479	Yes	Yes
004	NPDES permit for storm water discharge	California Regional Water Quality Control Board	CA S000001 Order No.97-03-DWQ Facility WDID No. 238S012140	Yes	Yes

16.0 Responding to Environmental Hazards

16.1 Definition: Environmental hazards, for the purpose of this discussion, are defined as spills or releases of hazardous substances to the soil which pose potential hazards to Caretaker personnel attempting to perform utility systems maintenance or repair or which may pose a threat to human health in general or to the environment. This definition does not include hazardous materials that may be part of utility system equipment or facilities near utility system equipment such as lead or asbestos insulation or lead based paint.

16.2 Awareness: The Navy has undertaken an extensive program under its Installation Restoration Program (IRP) to document and remedy environmental hazards as defined above. Environmental conditions on the base are documented by the *BASEWIDE ENVIRONMENTAL BASELINE SURVEY*

(1995), *SITE SPECIFIC ENVIRONMENTAL BASE LINE SURVEYS (SSEBS)*, and by the *BRAC CLEAN-UP PLAN (BCP)*. Caretaker [TIDA & SFPUC] personnel engaged in utilities operations should be aware of these sources which show locations and types of contamination at NAVSTA TI/YBI in order to avoid unnecessary contact with contaminated soil. The Caretaker [TIDA] will coordinate with the Navy to obtain the most current maps and characterization of the hazards.

16.3 Procedures: Safety procedures normally observed by the Caretaker should be observed at all times in order to minimize contact with contaminated soil. The following procedures should be followed by Caretaker [TIDA & SFPUC] personnel in the event work is required in an area documented to contain contamination or if undocumented contamination is encountered or suspected.

#### 16.3.1 Planned Excavations

16.3.1.1 In conformance with excavation permit request procedures provided under paragraph 12.0, above, the Caretaker [TIDA] will inform the Navy of the location and planned schedule for any excavation (see 12.1.1).

16.3.1.2 The Navy will provide disclosure of environmental conditions in or adjacent to the excavation area. Disclosure will be communicated to the Caretaker [TIDA] in writing in accordance with excavation request/permit procedures (see 12.1.3).

16.3.1.3 The Caretaker [SFPUC] will perform the excavation in accordance with Caretaker [SFPUC] health and safety practices, and any applicable Federal, State, or local regulations. The Caretaker [SFPUC] will perform the excavation using any required protective equipment.

#### 16.3.2 Unplanned Evacuations

16.3.2.1 When soil contamination is encountered or suspected in the course of unplanned excavations, the Caretaker [SFPUC] will cease work and immediately contact its Environmental oversight office [TIDA]. The Caretaker [TIDA] and the Navy may then evaluate conditions and determine a course of action.

#### 16.3.3 Disposal

16.3.3.1 In any case in which contaminated excavation spoils [**where contamination did not arise from Navy occupancy/activity of NAVSTA TI/YBI**] are produced (either through an approved planned excavation or through an unplanned excavation) determination of proper management and disposition of the spoils will be the responsibility of the Caretaker [TIDA].

16.3.3.2 The Caretaker [TIDA] shall be responsible for disposal of soil, water, and other contaminated materials [**where contamination did not arise from Navy occupancy/activity of NAVSTA TI/YBI**] generated as a result of Caretakers excavations.

Appendix A

UTILITIES TROUBLE/EMERGENCY CALL REPORTING PROCEDURES  
AND IMPORTANT CARETAKER/NAVY CALL LIST

August 30, 2013

**GENERAL EMERGENCY NUMBER:** **311 OR 911 (as appropriate)**  
San Francisco City Distribution Division (CDD): (415) 550-4956

Call 911, as appropriate, where it has been determined or is suspected that immediate action is required to eliminate a threat to human health, the environment, to protect property, to avoid disruption of essential operations, or for specific problems including civil disturbance, traffic and fire and safety. All other utility trouble calls should be placed to 311.

1. 311 will receive a utility trouble call and contact CDD Dispatch at (415) 550-4956. The CDD Dispatch will assign a Trouble Call Number (TC#) and record information in TI book.
2. CDD will dispatch trouble call to the appropriate unit:
  - a. Water Problems – to on call team
  - b. Sewer Problems – (415) 648-6882
  - c. Electrical Problems – (209) 989-2099
  - d. Natural Gas Problems (415) 760-5179 for SFPUC and DPW “natural gas” plumbers, NOT PG&E
3. CDD will notify in the order below the following individuals for emergencies involving environmental issues, broken water mains, downed electrical lines, loss of electric power to an area, any sewer overflow/spill, fire, or other emergency involving personal injury or significant property damage:
  - a. Joseph Carlevaris (TI Buildings & Grounds Supervisor)  
(415) 554-1572 (office) |  
(415) 238-8549 (cell)  
If unavailable, notify:
  - b. Sam Larano (SFPUC Project Manager)  
(415) 554-0724 (office)  
(415) 370-2549 (cell)
  - c. Richard Stephens (Utility Services Manager)  
(415) 227-8501 (office)  
(415) 238-5600 (cell)
4. If directed, CDD dispatch shall notify:
  - a. SFPUC Communications  
Tyrone Jue (Manager, Communications)  
(415) 554-3247 (office)  
(415) 290-0163 (cell)

- b. Treasure Island Development Authority  
Robert Beck  
(415) 274-0662 (office)  
(415) 794-1129 (cell)
- c. Treasure Island Development Authority  
Peter Summerville  
(415) 274-0665 (office)  
(415) 740-8488 (cell)
- d. Doug De Long (Environmental Compliance Safety & Security Manager, Navy CSO)  
(415) 743-4713 (office)  
(510) 772-8832 (cell)  
If unavailable, notify:
- e. Patricia McFadden (BRAC Leader, Navy CSO)  
(415) 743-4720 (office)  
(415) 599-9961 (cell)



**APPENDIX B**

Glossary of Terms and Abbreviations		
Term/abbreviation	Full term	Definition
BRAC	Base Realignment and Close	Department of Defense initiative to "right size" the inventory of U.S. military installations. BRAC also refers to a set of laws passed with the FY93 and 94 defense appropriations acts which establish processes for promoting interim reuse of closed bases and for accelerating transfer of base property to the affected communities.
CA	Cooperative Agreement	A quasi-contractual instrument under which DOD components, such as the U.S. Navy can financially reimburse reuse authorities or affected communities for performing caretaking functions on closed bases.
Caretaker		The term used to refer to the reuse authority or community agency that takes over base caretaker functions under a cooperative agreement. In the case of NAVSTA TI/YBI, the Caretaker is the City and County of San Francisco.
EBMUD	East Bay Municipal Utility District	Local not-for-profit water company providing water to the east end of the Bay Bridge.
EFA West	Engineering Field Activity West	Field activity of the Naval Facilities Engineering Command which has responsibility for closure and disposal of Navy bases in the San Francisco Bay Area. All CSO's are organizational components of EFA West Code 60.
lessee / licensee		Holder of a lease or license issued by EFA West for use of facilities aboard a closed or closing BRAC installation. In general the lessee is the local reuse authority such as ARRA in the case of NAVSTA TI/YBI, Alameda.
NAVSTA TI/YBI	Naval Station Treasure Island	For the purpose of this SOP, NAVSTA TI/YBI is defined as Treasure Island and Yerba Buena Island.
CSO	Caretaker Site Office	The Navy office established at a closed base to oversee the caretaker mission. This duty includes coordination of any Cooperative Agreement which may be established.
Navy Public Works	Navy, Public Works Center, San Francisco Bay	The Navy's public works organization in the San Francisco Bay Area. PWCSFB has been the owner and operator of utility systems on BRAC bases. The command was disestablished under the BRAC initiative on 26 Sept 1997.
PG&E	Pacific Gas and Electric Company	Local for-profit gas and electric utility provider.
Utilities PM	Utilities Project Manager	Individual assigned to utilities project management.
Sublessee, sublicense		Holder of a sublease or sublicense for use of facilities on NAVSTA TI/YBI



## PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO. 13-0139

WHEREAS, The U.S. Department of Defense closed the Naval Station Treasure Island (NSTI), and the Navy conveyed portions of NSTI to the Coast Guard and to the U.S. Department of Labor, and retained ownership of the remainder of the land and facilities. In 1997, in anticipation of an agreement on the conveyance of the remainder of NSTI, the City and County of San Francisco (City) entered into a Base Caretaker Cooperative Agreement with the U.S. Navy to provide caretaker services (Caretaker Cooperative Agreement); and

WHEREAS, In 1998, and in every subsequent year to date, the Board of Supervisors authorized the Treasure Island Development Authority (TIDA), a non-profit public benefit corporation created by the City, to renew the Base Caretaker Cooperative Agreement; and

WHEREAS, Caretaker responsibilities generally include (1) operation and maintenance (O&M) services for all the existing utility systems on Treasure Island/Yerba Buena Island (TI/YBI), (2) grounds and street maintenance and repair, (3) property management, and (4) public health, security, and safety services; and

WHEREAS, TIDA has authority through the Caretaker Cooperative Agreement, and through Master Leases from the Navy for certain facilities on NSTI, to establish charges for certain caretaker services through its subleases and other agreements, and through that mechanism provides compensation to the SFPUC for utility services that have been provided to end users on NSTI; and

WHEREAS, The San Francisco Public Utilities Commission (SFPUC) has been providing O&M services for water, wastewater, electric and gas existing utility systems on TI/YBI since 1997 as requested by the City and TIDA; and

WHEREAS, Since 1998 TIDA and the Navy have renewed the Caretaker Cooperative Agreement on a yearly basis, with the approval of the Board of Supervisors and the Mayor; and

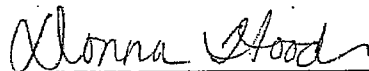
WHEREAS, The current term of the Caretaker Cooperative Agreement expires on September 30, 2013, and TIDA is seeking Board of Supervisors approval of a proposed extension of the term to September 30, 2014; and

WHEREAS, There is currently no formal agreement between the SFPUC and TIDA to perform O&M services for the existing utility systems on TI/YBI; and

WHEREAS, The proposed Memorandum of Understanding (MOU) memorializes the informal arrangement between the SFPUC and TIDA whereby SFPUC has provided certain utility services on NSTI since 1997. Because the MOU does not contemplate any change in the existing operation, maintenance, and supply of utility services, authorizing execution of the MOU is not a "Project" subject to the California Environmental Quality Act (CEQA) under the definition set forth in CEQA Public Resources Code Section 21065, and the CEQA Guidelines Section 15378; now, therefore, be it

RESOLVED, That this Commission hereby authorizes the General Manager of the San Francisco Public Utilities Commission to execute the Memorandum of Understanding between the Treasure Island Development Authority (TIDA) and the SFPUC, in substantially the form on file with the Commission Secretary, to provide certain utility services on Naval Station Treasure Island (NSTI) during the current term of the Base Caretaker Cooperative Agreement between TIDA and the Navy, and through September 30, 2014, provided that the Board of Supervisors approves an extension of the Caretaker Cooperative Agreement between TIDA and the Navy.

*I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting of September 10, 2013.*



---

Secretary, Public Utilities Commission

1 [Memoranda of Understanding Between the Treasure Island Development Authority and the  
2 San Francisco Public Utilities Commission regarding provision of utilities services on Treasure  
Island and Yerba Buena Island]

3 **RESOLUTION APPROVING A MEMORANDUM OF UNDERSTANDING BETWEEN THE**  
4 **TREASURE ISLAND DEVELOPMENT AUTHORITY AND THE SAN FRANCISCO PUBLIC**  
5 **UTILITIES COMMISSION FOR THE PROVISION OF UTILITIES SERVICES INCLUDING**  
6 **THE MAINTENANCE AND OPERATION OF UTILITY INFRASTRUCTURE ON TREASURE**  
7 **ISLAND AND YERBA BUENA ISLAND.**

8 WHEREAS, Former Naval Station Treasure Island is a military base located on  
9 Treasure Island and Yerba Buena Island (together, the "Base"), which is currently owned by  
10 the United States of America, acting by and through the Department of the Navy; and,

11 WHEREAS, The Base was selected for closure and disposition by the Base  
12 Realignment and Closure Commission in 1993, acting under Public Law 101-510, and its  
13 subsequent amendments; and,

14 WHEREAS, Under the Treasure Island Conversion Act of 1997, which amended  
15 Section 33492.5 of the California Health and Safety Code and added Section 2.1 to Chapter  
16 1333 of the Statutes of 1968 (the "Act"), the California Legislature (i) designated the Treasure  
17 Island Development Authority ("TIDA") as a redevelopment agency under California  
18 redevelopment law with authority over the Base upon approval of the City's Board of  
19 Supervisors, and (ii) with respect to those portions of the Base which are subject to Tidelands  
20 Trust, vested in TIDA the authority to administer the public trust for commerce, navigation and  
21 fisheries as to such property; and,

22 WHEREAS, On March 12, 1997, the City and the Navy executed the Base Caretaker  
23 Cooperative Agreement in which the City agreed to assume certain caretaker responsibilities  
24 for the interim management and operation of the Base during the disposition process; and,  
25

1           WHEREAS, The Board of Supervisors approved the designation of TIDA as a  
2 redevelopment agency for Treasure Island in 1997; and,

3           WHEREAS, In 1998 TIDA assumed the caretaker responsibilities outlined in the  
4 Cooperative Agreement; and,

5           WHEREAS, Under the Cooperative Agreement the City, and later TIDA, agreed to  
6 assume, in addition to other responsibilities, certain responsibilities for operation and  
7 maintenance of the water, waste water, storm water, electric and gas utility systems on the  
8 Base; and,

9           WHEREAS, The SFPUC has been performing utility services for the Base on behalf of  
10 TIDA without benefit of a written agreement for such services; and,

11           WHEREAS, After a competitive bid process, the TIDA Board selected Treasure Island  
12 Community Development, LLC ("TICD") as the proposed master developer of the Base; and,

13           WHEREAS, In June 2011 the TIDA Board and the Board of Supervisors approved  
14 numerous transactions and entitlement documents related to the proposed development of  
15 the Base, including a Disposition and Development Agreement with TICD (the "DDA") and an  
16 attached Infrastructure Plan describing certain infrastructure to be built on the Base by TICD;  
17 and,

18           WHEREAS, Under the transaction documents, the development is anticipated to  
19 include (1) up to 8,000 new residential units, at least 25 percent of which (2,000 units) will be  
20 made affordable, (2) adaptive reuse of approximately 311,000 square feet of historic  
21 structures, (3) up to approximately 140,000 square feet of new retail uses and 100,000 square  
22 feet of commercial office space, (4) approximately 300 acres of parks and open space, (5)  
23 new and/or upgraded public facilities, including a joint police/fire station, a school, facilities for  
24 the Treasure Island Sailing Center and other community facilities, (6) a 400-500 room hotel,  
25 and (7) landside improvements for a new 400 slip marina (the "Project"); and,

1           WHEREAS, The SFPUC reviewed and consented to the DDA and the Infrastructure  
2 Plan, and was a party to an Interagency Cooperation Agreement under which various City  
3 agencies agreed to work with TIDA in connection with the Project; and,

4           WHEREAS, On April 21, 2011, the Planning Commission by Motion No. 18325, and  
5 the TIDA Board of Directors by Resolution No. 11-14, as co-lead agencies, certified the  
6 completion of the Final Environmental Impact Report for the Project (the "EIR"). In consenting  
7 to the DDA, the SFPUC (as well as the Board of Supervisors and other City departments)  
8 made certain findings under the California Environmental Quality Act ("CEQA"), including a  
9 mitigation monitoring and reporting program and a statement of overriding considerations;  
10 and,

11           WHEREAS, The Project contemplated and the EIR considered the ongoing use,  
12 maintenance and repair of the utility infrastructure to the date of replacement by TICD. Since  
13 the EIR was finalized, there have been no substantial project changes and no substantial  
14 changes in project circumstances that would require revisions to the EIR due to the  
15 involvement of new significant environmental effects or an increase in the severity of  
16 previously identified significant impacts, and there is no new information that would change  
17 the conclusions set forth in the EIR; and,


18           WHEREAS, On January 24, 2012, the Board of Supervisors rescinded designation of  
19 TIDA as the redevelopment agency for Treasure Island under California Community  
20 Redevelopment Law in Resolution No. 11-12, and such rescission does not affect TIDA's  
21 status as the Local Reuse Authority for Treasure Island or the Tidelands Trust trustee for the  
22 portions of Treasure Island subject to the Tidelands Trust, or any of the other powers of TIDA,  
23 including the power to implement and complete the Project; and,

24           WHEREAS, TIDA and SFPUC staff have negotiated a Memorandum of Understanding,  
25 a copy of which is on file with the Board Secretary (the "Memoranda of Agreement"), to





1 above Resolution was duly adopted and approved by the Board of Directors of the  
2 Authority at a properly noticed meeting on September 11, 2013.

3  
4  
5   
6 Larry Del Carlo, Secretary

7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25



**Treasure Island Development Authority  
City and County of San Francisco**

**Resolution Approving a Memorandum of Understanding between the Treasure Island Development Authority and the San Francisco Public Utilities Commission for the continued provision of utility services, including the maintenance and operation of utility infrastructure, on Treasure Island and Yerba Buena Island.**

**SUMMARY OF PROPOSED ACTION:**

This item seeks approval and authorization for the San Francisco Public Utilities Commission ("SFPUC") General Manager and Treasure Island Director to execute a Memorandum of Understanding ("MOU") between the SFPUC and the Treasure Island Development Authority ("TIDA") for the continued provision of utility services on Treasure Island and Yerba Buena Island by the SFPUC on behalf of TIDA.

**BACKGROUND:**

In 1993, Naval Station Treasure Island ("NSTI"), consisting of both Treasure Island and portions of Yerba Buena Island, was designated for closure and disposition by the Base Realignment and Closure Commission acting under Public Law 101-510 and its subsequent amendments. The Department of Defense subsequently designated the City and County of San Francisco ("City"), and later TIDA, as the Local Reuse Authority ("LRA") responsible for the conversion of NSTI under the federal disposition process.

The City and the Navy entered into the Base Caretaker Cooperative Agreement executed March 12, 1997, as amended from time to time (collectively, the "Cooperative Agreement"), for the interim management and operation of NSTI during the disposition process. Under the Cooperative Agreement, the City agreed to assume certain responsibilities for (i) operation and maintenance for the water, waste water, storm water, electric and gas utility systems on the Base, (ii) security and public health and safety services, (iii) grounds and street maintenance and repair, and (iv) property management and caretaker services. These caretaker responsibilities were assumed by TIDA in 1998.

The current term of the Cooperative Agreement, as amended, expires on September 30, 2013, and TIDA and the Navy wish to extend the term of the Cooperative Agreement from October 1, 2013 to September 30, 2014 under the same terms and conditions as in the current term of the Cooperative Agreement. Because the term of the Cooperative Agreement has exceeded ten years, a resolution has been prepared and submitted requesting approval from the Board of Supervisors of a Cooperative Agreement modification extending the term to September 30, 2014.

In conjunction with the extension of the Cooperative Agreement, TIDA and the SFPUC have negotiated an MOU documenting their respective roles for the provision of utility services under the Cooperative Agreement. The Cooperative Agreement includes Function Annexes that describe in detail the duties for which TIDA is responsible under the Cooperative Agreement. Functional Annex 6 – Utilities Services – describes the Caretaker responsibilities for the

operation and maintenance of utilities systems at NSTI that TIDA is responsible to provide. The SFPUC has provided these utility services on NSTI on behalf of TIDA, including delivery of electricity, gas, water, stormwater and the operation and maintenance of the existing wastewater treatment plant and related facilities and pipe network on NSTI. The proposed MOU utilizes the provisions of Functional Annex as the basis for establishing the parties' responsibilities under the MOU.

The SFPUC has performed these utility services since 1997 without a written agreement with TIDA. The SFPUC has been paid by TIDA for the services, including under a 2009 MOU where certain escaped costs are being reimbursed by TIDA over the course of 10 years (from 2009 to 2019). The SFPUC payments come from utility revenues collected by the SFPUC or TIDA, as well as other TIDA revenues.

The proposed MOU memorializes the terms and conditions of the SFPUC's continued performance of certain defined utility services, including TIDA's reimbursement obligation. During the term of the MOU, the SFPUC will continue to provide utility services for, and on behalf of, TIDA on NSTI consistent with past practices and to the extent feasible given the condition of the utility systems and related infrastructure and the availability of funding.

TIDA shall continue to reimburse the SFPUC for the costs to provide utility services under the MOU. The SFPUC shall recommend to TIDA annual budgets and supplemental budgets as needed to perform the Services and the parties will meet and discuss all recommended repairs, upgrades and ongoing utility costs, and continue to make adjustments to budgets and charges as needed.

On September 10, 2013, the SFPUC Commission approved Resolution 13-0139, authorizing execution of the MOU subject to Board of Supervisors Approval and on September 11, 2013, the Authority Board approved Resolution 13-27-09/11 similarly authorizing the MOU.

**ACCOMPANYING LEGISLATION:**

This resolution authorizing the MOU between TIDA and the SFPUC has been prepared and introduced in conjunction with the renewal of the Cooperative Agreement between TIDA and the Navy.

In addition to these two resolutions, two companion measures have been prepared and submitted to the Board of Supervisors which would authorize the execution and delivery of Certificates of Participation (COPs) or other forms of indebtedness and making a supplemental appropriation of the proceeds of that debt issuance to allow the SFPUC and the Authority to address the most vulnerable components of the existing utility systems on Treasure Island and Yerba Buena Island to increase system resiliency and reliability.

With approval of the Board of Supervisors, TIDA has entered into a Disposition and Development Agreement with Treasure Island Community Development (TICD) for the proposed development of NSTI, including (1) up to 8,000 new residential units, at least 25 percent of which (2,000 units) will be affordable, (2) adaptive reuse of approximately 311,000 square feet of historic structures, (3) up to approximately 140,000 square feet of new retail uses

and 100,000 square feet of commercial office space, (4) approximately 300 acres of parks and open space, (5) new and/or upgraded public facilities, including a joint police/fire station, a school, facilities for the Treasure Island Sailing Center and other community facilities, (6) a 400-500 room hotel, and (7) landside improvements for a new 400 slip marina (the "Project").

The DDA includes an Infrastructure Plan which provides, amongst other improvements, for the Utility Infrastructure to be replaced over the next twenty years in connection with the Project. However, the majority of the existing utility infrastructure on NSTI is fifty or more years of age and has not benefitted from capital improvement or renewal. As a result, the accumulation of deferred maintenance and renewal capital needs has diminished the utility systems' reliability.

Pending construction, dedication and acceptances of new utility systems, the Authority desires to finance the cost of constructing and installing certain additions and improvements to address the most critical maintenance, repair and renewal needs of the existing utility infrastructure, increasing system resiliency and reliability, and decreasing the likelihood of future utility service disruptions.

The Public Finance Director, working with the Mayors' Office, the Authority and the SFPUC, has developed a proposal for financing up to \$13.5 Million through COPs or other debt to fund interim improvements to the utility systems. A resolution authorizing the debt issuance and a supplemental appropriation ordinance appropriating the proceeds are being introduced concurrent with the resolutions authorizing the execution of the MOU between TIDA and the SFPUC and the extension of the Cooperative Agreement between TIDA and the Navy.

**RECOMMENDATION:**

Approval of the resolution authorizing execution of the MOU between TIDA and SFPUC for the provision of utilities services including the maintenance and operation of utility infrastructure on Treasure Island and Yerba Buena Island is recommended.

**EXHIBITS:**

- A. Memorandum of Understanding between the Treasure Island Development Authority (TIDA) and the San Francisco Public Utilities Commission (SFPUC) Regarding Naval Station Treasure Island Utility Services during the Term of the Base Caretaker Cooperative Agreement between TIDA and the U.S. Navy
- B. San Francisco Public Utilities Commission Resolution 13-0139
- C. Treasure Island Development Authority Board Resolution 13-27-09/11

Prepared by Robert Beck, Treasure Island Director



OFFICE OF THE MAYOR  
SAN FRANCISCO



EDWIN M. LEE  
MAYOR

RECEIVED  
BOARD OF SUPERVISORS  
SAN FRANCISCO  
2013 SEP 17 PM 3:12

TO: Angela Calvillo, Clerk of the Board of Supervisors  
FROM: *je* Mayor Edwin M. Lee *je*  
RE: Memorandum of Understanding between the Treasure Island  
Development Authority and the San Francisco Public Utilities Commission  
regarding provision of utilities services on Treasure Island and Yerba  
Buena Island  
DATE: September 17, 2013

---

Attached for introduction to the Board of Supervisors is the resolution approving a memorandum of understanding between the Treasure Island Development Authority and the San Francisco Public Utilities Commission for the provision of utilities services including the maintenance and operation of utility infrastructure on Treasure Island and Yerba Buena Island.

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

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





## Presentation to Budget & Finance Committee

October 2, 2013

Treasure Island Development Authority



### Calendar Items

---

- **Item 6** - Appropriation - Certificates of Participation - Treasure Island - \$13,500,000 - FY2013-2014
- **Item 7** - Cooperative Agreement Modification - United States Navy – Treasure Island Development Authority
- **Item 8** - Certificates of Participation - Treasure Island Improvement Project – Not to Exceed \$13,500,000
- **Item 9** - Memorandum of Understanding - Treasure Island Development Authority and the Public Utilities Commission - Provision of Utilities Services - Treasure Island and Yerba Buena Island

## **Proposed Order of Presentation**

---

- **Item 7** - Cooperative Agreement Modification - United States Navy – Treasure Island Development Authority
- **Item 9** - Memorandum of Understanding - Treasure Island Development Authority and the Public Utilities Commission - Provision of Utilities Services - Treasure Island and Yerba Buena Island
- **Item 8** - Certificates of Participation - Treasure Island Improvement Project – Not to Exceed \$13,500,000
- **Item 6** - Appropriation - Certificates of Participation - Treasure Island - \$13,500,000 - FY2013-2014

## **Cooperative Agreement**

---

- Since 1997, the City and the Authority have maintained a Cooperative Agreement with the United States Navy to assume certain responsibilities for:
  - (i) operation and maintenance for the water, waste water, storm water, electric and gas utility systems on the Base,
  - (ii) security and public health and safety services,
  - (iii) grounds and street maintenance and repair, and
  - (iv) property management and caretaker services.
- The term of the Cooperative Agreement is proposed to be extended through September 30, 2014

## **TIDA – SFPUC MOU**

---

- Under the Cooperative Agreement with the US Navy, TIDA has been responsible for maintenance & operation of existing gas, electric, water, storm water, and wastewater systems on Treasure Island & Yerba Buena Island since 1998
- Compensation for utility operations comes from utility charges collected from system users on Treasure Island & Yerba Buena Island and other TIDA revenues
- SFPUC has maintained and operated the utilities as a contractor to TIDA without a formal agreement between the agencies establishing the specific conditions of service

## **TIDA – SFPUC MOU**

---

- The proposed MOU memorializes the terms and conditions of the SFPUC's continued performance of utility services consistent with past practices
- Operation and maintenance limited to the extent feasible given the condition of the utility systems and the availability of funding

## **Existing Utilities Infrastructure**

---

- Naval Station Treasure Island identified for closure in 1993
- Majority of infrastructure is fifty or more years of age and has not been the subject of capital improvement or renewal
- New utility infrastructure will be constructed through development, but elements of existing infrastructure will remain in service for more than a decade
- SFPUC has identified in excess of \$40 million in deficiencies and deferred maintenance needs that could jeopardize minimum levels of reliability over the next 10 years
- Deteriorated conditions could contribute to frequent or significant system failures

## **Proposed Financing**

---

- Companion Measures to establish funding for Treasure Island Utility Improvements
  - Item 8 – Certificates of Participation
  - Item 6 – Supplemental Appropriation
- Will allow the SFPUC and TIDA to address the most vulnerable components of the existing utility systems to increase system resiliency and reliability

## **Proposed Utility Priorities**

---

Wastewater	\$6,900,000
Water	\$2,350,000
Power & Gas	<u>\$750,000</u>
Total	\$10,000,000

- Final selection of projects to be determined after further evaluation of existing conditions and discussion between TIDA & SFPUC

## **Financing – Proposed Structure**

---

- Intended to support project costs of \$10,000,000
  - total appropriations/certificates of participation, including reserves, commercial paper interest, and other issuance costs is not to exceed \$13,500,000.
- Initial financing through the City's Commercial Paper program and the projects constructed over a two to three year period.
- At the completion of construction, refinance using Certificates of Participation and commence repayment
- Seeking authorization for debt issuance & expenditure for Treasure Island Utilities Improvement Project

## Financing – Repayment

- Repayment to occur over a 10 year period
- Projected average annual debt service, including principal and interest, estimated to be \$1,503,000 starting in FY 2017
- Revenues for debt service to be generated from residential, commercial and governmental utility users through a combination of utility charges and common area charges
- In future, will seek General Fund support for the share of the debt service otherwise attributable to residential units of the Treasure Island Homeless Development Initiative

## Financing – Supplemental Appropriation

DESCRIPTION OF APPROPRIATION OR FUND AMOUNT	AMOUNT
<b>Certificates of Participation – Treasure Island Utility Improvements</b>	
Certificates Expected Par Amount	\$12,095,000
<b>TOTAL SOURCES</b>	\$12,095,000
<b>Treasure Island Utilities Project:</b>	
Treasure Island Utility Improvement Project	\$10,000,000
<i>Other Costs (estimates):</i>	
0.2% Set Aside for the City Service Auditor (0.2% of Total Project Cost)	\$20,000
Repayment of Commercial Paper Interest	\$323,255
Debt Service Reserve Fund	\$1,209,500
Other Cost of Issuance	\$481,770
Other Underwriter's Discount	\$60,475
<b>TOTAL USES</b>	\$12,095,000
<b>Reserve Pending Sale</b>	\$1,405,000
<b>NOT TO EXCEED</b>	\$13,500,000

## **Capital Planning Committee Endorsement**

---

- At its September 9<sup>th</sup> meeting, the Capital Planning Committee endorsed the proposed financing and supplemental appropriation resolutions
- Will allow the SFPUC and TIDA to address the most vulnerable components of the existing utility systems to increase system resiliency and reliability

## **Treasure Island Utility Improvement Project**

---

*Questions?*

