

File No. 091274

Committee Item No. 8

Board Item No. 17

COMMITTEE/BOARD OF SUPERVISORS
AGENDA PACKET CONTENTS LIST

Committee BUDGET AND FINANCE

Date 11/18/09

Board of Supervisors Meeting

Date 11/24/09

Cmte Board

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Completed by: Gail Johnson

Date 11/13/09

Completed by: [Signature]

Date 11/19/09

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

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1 [Appropriating \$33,395,571 of Port revenue bond proceeds for Pier repairs and renovations at
2 the Port of San Francisco for Fiscal Year 2009-2010.]

3
4 **Ordinance appropriating \$33,395,571 of bond revenue for the Port of San Francisco to**
5 **make repairs and renovations to Piers 35, 33, 19 or 23, 27, and 50 for Fiscal Year 2009-**
6 **2010, and placing \$33,395,571 on Controller's reserve pending sale of bonds.**

7
8 Be it ordained by the People of the City and County of San Francisco:

9
10 Section 1. The sources of funding outlined below are herein appropriated to reflect the
11 funding available for Fiscal Year 2009-2010.

12
13 **SOURCES Appropriation**

Fund	Index Code	Subobject	Description	Amount
5P CPF 09A- Port Revenue Bonds-Series 2009A	390910	80111	Proceeds from Sale of Bonds	\$13,135,743
5P CPF 09B- Port Revenue Bonds-Series 2009B	390912	80111	Proceeds from Sale of Bonds	\$20,259,828
Total SOURCES Appropriation				\$33,395,571

1 Section 2. The uses of funding outlined below are herein appropriated in the Subobject 06700
 2 Buildings Structures and Improvements, and reflects the projected uses of funding to support
 3 the repairs and renovations to Piers 35, 33, 19 or 23, 27, and 50 for the Port of San Francisco
 4 for Fiscal Year 2009-2010.

5
 6 **USES Appropriation**

Fund	Index Code / Project Code	Subobject	Description	Amount
5P CPF 09A— Port Revenue Bonds-Series 2009A	390910 Project: CPO769 9A27CT	06700 Buildings Structures and Improvements	Cruise Terminal Pier 27	\$6,226,748
5P CPF 09A— Port Revenue Bonds-Series 2009A	390910 Project: CPO920 9A1923	06700 Buildings Structures and Improvements	Piers 19/23 Planning and Roof Replacement	\$168,845
5P CPF 09A— Port Revenue Bonds-Series 2009A	390910 Project: CPO921 9A3335	06700 Buildings Structures and Improvements	Piers 33/35 Repairs and Improvements	\$5,500,000

	Fund	Index Code / Project Code	Subobject	Description	Amount
3	5P CPF 09A--	390910	06700 Buildings	Pier 50 Entryways Repairs	\$881,044
4	Port Revenue		Structures and		
5	Bonds-Series	Project: CPO922	Improvements		
6	2009A	9A50ER			
7					
8	5P CPF 09A--	390910	06700 Buildings	CEQA Reviews	\$134,489
9	Port Revenue		Structures and		
10	Bonds-Series	Project: CPO924	Improvements		
11	2009A	9ACEQA			
12					
13	5P CPF 09A--	390910	06700 Buildings	Bond Issuance Costs	\$191,221
14	Port Revenue		Structures and		
15	Bonds-Series	Project: CPO925	Improvements		
16	2009A	9ABC01			
17					
18	5P CPF 09B--	390910	06700 Buildings	Cruise Terminal Pier 27	\$3,773,252
19	Port Revenue		Structures and		
20	Bonds-Series	Project: CPO769	Improvements		
21	2009B	9B27CT			
22					
23	5P CPF 09B--	390910	06700 Buildings	Piers 19/23 Planning and	\$5,331,155
24	Port Revenue		Structures and	Roof Replacement	
25	Bonds-Series	Project: CPO920	Improvements		
	2009B	9B1923			

1	Fund	Index Code /	Subobject	Description	Amount
2		Project Code			
3					
4	5P CPF 09B--	390910	06700 Buildings	Piers 33/35 Repairs and	\$2,000,000
5	Port Revenue		Structures and	Improvements	
6	Bonds-Series	Project: CPO921	Improvements		
7	2009B	9B3335			
8					
9	5P CPF 09B--	390910	06700 Buildings	Pier 50 Entryways Repairs	\$618,956
10	Port Revenue		Structures and		
11	Bonds-Series	Project: CPO922	Improvements		
12	2009B	9B50ER			
13					
14	5P CPF 09B--	390910	06700 Buildings	South Waterfront	\$8,000,000
15	Port Revenue		Structures and	Backlands Improvements	
16	Bonds-Series	Project: CPO923	Improvements		
17	2009B	9ASWBI			
18					
19	5P CPF 09B--	390910	06700 Buildings	CEQA Reviews	\$207,722
20	Port Revenue		Structures and		
21	Bonds-Series	Project: CPO924	Improvements		
22	2009B	9BCEQA			
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Fund	Index Code / Project Code	Subobject	Description	Amount
5P CPF 09B-- Port Revenue Bonds-Series 2009B	390910 Project: CPO925 9BBC01	06700 Buildings Structures and Improvements	Bond Issuance Costs	\$295,347
5P AAA AAA-- Port-Operating- Non-Project- Controlled Fund	390408	081C4 GF-CON- Internal Audits	0.2% City Services Auditor (CSA) Audit	\$66,792
Total USES Appropriation				<u>\$33,395,571</u>

Section 3. The entire amount of \$33,395,571 is hereby placed on Controller's Reserve pending sale of the revenue bonds.

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FUNDS AVAILABLE

APPROVED AS TO FORM:

BEN ROSENFELD

DENNIS J. HERRERA, City Attorney

Controller

By: BSA

By: [Signature]

Deputy City Attorney

Date: 10/27/2009

Items 6, 7, and 8 - Files 09-1272, 09-1273, and 09-1274

Department: Port

Items: File 09-1272: Ordinance amending the City's Administrative Code to create a new Section 43.12, which would provide a procedure for the Port to issue revenue bonds without obtaining voter approval, subject to approval by the Board of Supervisors, for Port-related purposes to be repaid with Port revenues.

File 09-1273: Resolution authorizing the Port to issue up to \$45,000,000 in Port Revenue Bonds for seven Port repair and renovation projects, pursuant to proposed new procedure to issue revenue bonds proposed under File 09-1272 (see Financing Section below).

File 09-1274: Ordinance appropriating \$33,395,571 from the proceeds of the proposed Port Revenue Bonds authorized under File 09-1273 to finance seven Port repair and renovation projects (see Projects to be Funded Section below). The proposed ordinance would place the entire \$33,395,571 appropriation on Controller's reserve, pending the sale of the up to \$45,000,000 Port Revenue Bonds.

Amount: Up to \$45,000,000 (see Financing Section below)

Financing: Currently, Charter Section 9.107 provides the Port with authority to issue revenue bonds, without voter approval, pursuant to either (a) State law, or (b) a procedure approved by ordinance of the Board of Supervisors. To date, the Board of Supervisors has not approved a revenue bond issuance procedure by ordinance of the Board of Supervisors, such that the Port's only authorized procedure to issue revenue bonds is provided under State law.

The proposed ordinance (File 09-1272) would establish a procedure for the Port to issue an unlimited amount of revenue bonds, subject to

approval by the Board of Supervisors for each revenue bond issuance, by amending the City's Administrative Code to establish a new Section 43.12 entitled "Port Commission of the City and County of San Francisco Revenue Bond Law".

According to the new revenue bond issuance procedure proposed for the Port under File 09-1272, the Port would be authorized, subject to approval by the Board of Supervisors for each issuance of revenue bonds, to (a) issue revenue bonds only to finance Port projects, (b) repay such revenue bonds solely from Port revenues, (c) enter into necessary agreements¹ to facilitate the sale of such revenue bonds, and (d) sell such bonds through either competitive or negotiated sale.

According to Deputy City Attorney Mr. Kenneth Roux, the existing procedure under State law established by the Revenue Bond Law of 1940, which presently allows the Port to issue revenue bonds, would not meet the ongoing needs of the Port because the State law is archaic and generally does not provide for the flexibility that the Port requires.

The proposed bond authorization resolution (File 09-1273) would authorize the Port to issue up to \$45,000,000 in revenue bonds, pursuant to the proposed new procedure to issue revenue bonds which would be established by the proposed ordinance under File 09-1272. According to Ms. Tina Olson, Director of Finance for the Port, the Port intends to issue \$36,461,792 in bonds to generate \$32,500,000 for Port repair and renovation projects, and related costs, subject to Board of Supervisors appropriations approval, as shown in Table 1 below (see Comment No. 1).

¹ Such agreements could include credit enhancement, liquidity agreements, or financial advisory services.

**Table 1: Proposed Use of Revenue Bond
Proceeds**

Project Costs (see Projects Section)	\$32,500,000
Environmental Review Costs	342,211
City Services Auditor Costs	66,792
Costs of Bond Issuance	486,568
Appropriation Subtotal	\$33,395,571
Debt Service Reserve Fund	3,066,221
Total Bond Issuance	\$36,461,792

According to Ms. Olson, the Port anticipates issuing the proposed \$36,461,792 in Revenue Bonds in January of 2010 with a term of 30 years and an estimated interest rate of 7.14 percent. Ms. Olson estimates the average annual debt service would be \$2,730,035 for total debt service costs of \$81,901,050 over the 30 year period, including \$36,461,792 in principal and \$45,439,258 in interest.

The debt service would be repaid from various Port revenues and would be subject to annual appropriation approval by the Board of Supervisors. According to Ms. Olson, in July of 2009, the Port retired existing revenue bond debt with an average annual debt service of \$4,700,000, such that the Port will have sufficient debt capacity to issue the proposed \$36,461,792 in revenue bonds, with an average annual debt service of \$2,730,035.

According to Ms. Olson, although the Port anticipates issuing \$36,461,792 in revenue bonds, the subject, requested up to \$45,000,000 revenue bond issuance authority provided in the proposed resolution (File 09-1273) exceeds the anticipated issuance amount of \$36,761,792 by \$8,538,208 in order to allow for fluctuations in the market.

**Projects To Be
Funded:**

The proposed appropriation ordinance of \$33,395,571 (File 09-1274) would partially fund seven Port projects, which have a total estimated project cost of \$103,839,947. According to Ms.

Olson, the Port intends to fully fund these seven projects by combining (a) \$2,462,827 previously appropriated by the Board of Supervisors to the Port in previous annual budgets, (b) \$32,500,000 out of the \$33,395,571 from the proposed appropriation ordinance, and (c) separate future appropriations, subject to appropriation approval by the Board of Supervisors, of an estimated \$69,377,120, as shown in Table 2 below.

Table 2: Anticipated Funding Plan for the Seven Port Projects Included in the Proposed Appropriation Ordinance

Project	Previously Appropriated by the Board of Supervisors	Proposed Appropriation Request for Project Costs	Future Appropriations	Total Project Cost
Pier 19 Roof Replacement	\$0	\$3,500,000	\$0	\$3,500,000
Pier 19 or 23 Renovation	34,614	2,000,000	16,000,000	18,034,614
Pier 27 Renovation	1,622,880	10,000,000	52,877,120 ²	64,500,000
Pier 33 Renovation	0	2,000,000	0	2,000,000
Pier 35 Repair	425,708	5,500,000	0	5,925,708
Pier 50 Repair	135,625	1,500,000	0	1,635,625
Southern Waterfront Backlands Renovation	244,000	8,000,000	0	8,244,000
Total	\$2,462,827	\$32,500,000	\$68,877,120	\$103,839,947

According to Ms. Olson, in addition to the proposed revenue bond issuance of \$36,461,792 anticipated in January of 2010, the Port anticipates issuing additional revenue bonds totaling \$68,877,120 in 2012, as shown in Table 2 above. The Budget Analyst notes that both the issuance of additional revenue bonds and the appropriation of such additional revenue bond proceeds would be subject to approval by the Board of Supervisors.

² According to Ms. Olson, the future appropriation for the Pier 27 Renovation Project will range from \$33,377,120 to \$72,377,120, depending on the chosen design. For the purposes of Table 2 above, the \$52,877,120 midpoint of that range is used.

The seven Port repair and renovation projects to be funded with \$32,500,000 of the proposed total revenue bond issuance of \$36,461,792 are as follows:

Pier 19 Roof Replacement

The Pier 19 Roof Replacement Project is a \$3,500,000 project which provides for the needed repairs of Pier 19's roof, which is currently leaking. The proposed ordinance (File 09-1274) would appropriate the entire \$3,500,000 needed to fund design and construction phases of the Pier 19 Roof Project. The construction phase of the Pier 19 Roof Replacement Project is estimated to begin in Summer of 2010 and be completed in Fall of 2010. Ms. Olson anticipates that the repair of the Pier 19 roof will be exempt from environmental review.

Pier 19 or Pier 23 Renovation Project

The Pier 19 or Pier 23 Renovation Project is estimated to cost a total of \$18,034,614 to provide for additional leasable office space. Ms. Olson estimates that after construction is complete and a tenant is found, the Pier 19 or Pier 23 Project will increase Port revenues by \$1,553,087 per year.

The proposed ordinance (File 09-1274) would appropriate \$2,000,000 to fund the design phase of the Pier 19 or Pier 23 Project. Ms. Olson stated that the Port is currently in negotiations with the San Francisco Bay Conservation and Development Commission (BCDC), a State created entity which regulates all development within 100 feet of the San Francisco Bay waterline, to determine whether to develop Pier 19 or Pier 23, and estimates that the determination of which Pier to renovate will be made by the end of June 2010.

As shown above in Table 2 above, the Port will request a separate future appropriation of approximately \$16,000,000 to fund the construction phase of the Pier 19 or Pier 23 Project, which is

estimated to begin in Winter of 2012 and be completed in Spring of 2014. Ms. Olson anticipates that renovation of either Pier 19 or 23 will require an Environmental Impact Report, which is anticipated to be completed in Fall of 2012.

Pier 27 Renovation Project

The Pier 27 Renovation Project provides for (a) the renovation of an existing shed on Pier 27 into a cruise ship terminal that would serve as a leasable event facility on non-cruise days, and (b) the creation of a public park in front of the new cruise ship terminal. Ms. Olson estimates that after construction is complete, the Pier 27 Renovation Project will increase Port revenues by \$2,595,000 per year.

As shown in Table 2 above, the Pier 27 Renovation Project was previously appropriated \$1,622,880 by the Board of Supervisors in order to fund initial planning and design costs. The proposed ordinance (File 09-1274) would appropriate \$10,000,000 to fund the remaining design costs for the Pier 27 Renovation Project. According to Ms. Olson, during the design phase, the Port will develop various design alternatives which are estimated to cost between \$33,377,120 and \$72,377,120 (see Footnote 2 above) to construct, such that total project costs are estimated to be between \$45,000,000 and \$84,000,000. The attached memorandum from Ms. Olson (Attachment I) describes the range of design alternatives and how the Port will select one.

The Port will request a separate future appropriation of between \$33,377,120 and \$72,377,120, depending on the selected design alternative, to fund the construction phase of the Pier 27 Renovation Project, which is estimated to begin in Spring of 2012 and completed in Spring of 2014. Ms. Olson anticipates that the Pier 27 Renovation Project will require an Environmental Impact Report, which is anticipated to be completed in Fall of 2012.

Pier 33 Renovation Project

The Pier 33 Renovation Project would cost approximately \$2,000,000 to install an elevator, restrooms, and other accessible³ features to make Pier 33 into a leasable space. Ms. Olson estimates that after construction is complete, the Pier 33 Renovation Project will increase Port revenues by \$233,050 per year.

The proposed ordinance (File 09-1274) would appropriate \$2,000,000 to fund the design and construction phases of the Pier 33 Project, which is anticipated to begin in Fall of 2010 and be completed in Summer of 2011. Ms. Olson anticipates that the Pier 33 Project will be exempt from environmental review.

Pier 35 Repair Project

Pier 35 is the Port's current primary cruise terminal. The Pier 35 Repair Project is estimated to cost \$5,925,708 to provide urgent repairs to Pier 35's wood columns, pilings, beams and girders, and install new accessible restrooms in Pier 35's lobby. According to Ms. Olson, Pier 35's lobby does not currently have public restrooms which are customary in cruise terminals.

As shown in Table 2 above, the Pier 35 Repair Project was previously appropriated \$425,708 by the Board of Supervisors for engineering and preliminary design work. The proposed ordinance (File 09-1274) would appropriate \$5,500,000 to fund the remaining design work and construction of the Pier 35 Repair Project. The construction phase of the Pier 35 Repair Project is anticipated to begin in Fall of 2010 and be completed by Spring of 2011. Ms. Olson anticipates that the Pier 35 Repair Project will be exempt from environmental review.

³ Throughout this report, the term "Accessible" means in accordance with the accessibility requirements in the Federal Americans with Disabilities Act.

Pier 50 Repair Project

The Pier 50 Repair Project is estimated to cost \$1,635,625 to repair the entryway to Pier 50, of which a portion has been condemned. As shown in Table 2 above, the Pier 50 Repair Project was previously appropriated \$135,625 by the Board of Supervisors for the project's design phase. The proposed ordinance (File 09-1274) would appropriate \$1,500,000 to fund the construction phase of the Pier 50 Repair Project, which is anticipated to begin in Spring of 2010 and be completed by Spring of 2011. Ms. Olson anticipates that the Pier 50 Repair Project will be exempt from environmental review.

Southern Waterfront Backlands Renovation

The Southern Waterfront Backlands Renovation Project is estimated to cost \$8,244,000 to provide new roads and utilities in unused space near Piers 90 and 94 in order to create additional leasable space. Ms. Olson estimates that after construction is complete, the Southern Waterfront Backlands Renovation Project will increase Port revenues by \$2,500,000 per year.

As shown in Table 2 above, the Southern Waterfront Backlands Project was previously appropriated \$244,000 by the Board of Supervisors for project design. The proposed ordinance (File 09-1274) would appropriate \$8,000,000 to fund the construction of the Southern Waterfront Backlands Renovation Project, which is anticipated to begin in Spring of 2010 and be completed in Spring of 2011. Ms. Olson anticipates that the Southern Waterfront Backlands Renovation Project will be exempt from environmental review.

Table 3 below provides a summary of the Port's expenditure plan, for each of the seven projects discussed above, under the proposed \$33,395,571 appropriation ordinance (File 09-1274).

Table 3: Expenditure Plan for Proposed Appropriation

Project	City Staff Costs	Consultant Architecture and Engineering	Construction	Total
Pier 19 Roof Repair	\$259,900	\$84,000	\$3,156,100	\$3,500,000
Pier 19 or 23 Renovation	0	2,000,000	0	2,000,000
Pier 27 Renovation	4,000,000	6,000,000	0	10,000,000
Pier 33 Renovation	557,500	67,500	1,375,000	2,000,000
Pier 35 Repair	218,370	876,430	4,405,200	5,500,000
Pier 50 Repair	0	0	1,500,000	1,500,000
Southern Waterfront Backlands Renovation	0	0	8,000,000	8,000,000
Projects Subtotal	\$5,035,770	\$9,027,930	\$18,436,300	\$32,500,000
Environmental Review				342,211
City Services Auditor				66,792
Costs of Issuance				486,568
Total				\$33,395,571

Comments:

1. As shown in Table 1 above, the \$486,568 for the costs of bond issuance are included in the proposed appropriation ordinance, but the \$3,066,221 Debt Service Reserve Fund is not included in the proposed appropriation. According to Ms. Olson the Debt Service Reserve Fund does not need to be appropriated because it will be held by a third party trustee on behalf of the Port to be used in the event the Port is unable to make debt service or to cover the final debt service payment.

2. As discussed in the Projects to be Funded Section above, the proposed bond authorization resolution (File 09-1273) and proposed appropriation ordinance (File 09-1274) would provide funding for the design of two projects which, as of the writing of this report, the Port is uncertain as to either the

total cost (the Pier 27 Renovation Project) or final location (the Pier 19 or Pier 23 Renovation Project). However all construction costs for these projects will be subject to separate, future Board of Supervisors appropriation approval.

3. Of the seven projects included in the proposed appropriation ordinance, three are repair projects (the Pier 19 Roof Replacement Project, the Pier 35 Repair Project, and the Pier 50 Repair Project) which are needed to maintain Port property and four are renovation projects (the Pier 19 or 23 Renovation Project, the Pier 27 Renovation Project, the Pier 33 Renovation Project, and the Southern Waterfront Backlands Renovation Project) intended to improve Port property and provide increased lease revenue to the Port. In order to select these seven projects, and as described in the attached memorandum from Ms. Olson (Attachment II), the Port identified projects which either (a) most benefited the Port financially by transforming under-utilized Port assets into performing assets, (b) met the Port's maritime and public access missions, or (c) ensured the safety of Port employees. According to Ms. Olson, all of the seven projects proposed to receive funding meet at least one of these criteria.

The Budget Analyst requested a cost benefit analysis from the Port of the proposed four renovation projects, which are intended to generate additional lease revenues for the Port. Ms. Olson stated that a cost benefit analysis was not performed prior to choosing the proposed four renovation projects.

The Budget Analyst notes that the Pier 33 Renovation Project (at a total project cost of \$2,000,000) and the Southern Waterfront Backlands Renovation Project (at a total project cost of \$8,244,000), are the only renovation projects which would not need future additional appropriations. Table 4 below demonstrates that these two projects are anticipated to generate

estimated additional annual revenues of \$1,870,359 in excess of their estimated annual debt service under the proposed Port Revenue Bonds.

Table 4: Comparison of Debt Service to Increased Revenue Resulting From the Pier 33 Renovation Project and the Southern Waterfront Backlands Renovation Project

Project	A	B	C	D	E
	Total Project Costs	Percent of \$32,500,000 in Total Requested Appropriated Project Costs	Percent of Estimated Annual Debt Service (\$2,730,035) Attributable to Project	Estimated Annual Revenue Increase Resulting from Project	Project Revenues in Excess of Project Debt Service
	see Table 2 above	= A ÷ \$32,500,000	= B x \$2,730,035	see Projects to Be Funded Section above	= D - C
Pier 33 Renovation	\$2,000,000	6.2%	\$169,262	\$233,050	\$63,788
Southern Waterfront Backlands Renovation	8,244,000	25.4%	693,429	2,500,000	1,806,571
Total	\$10,244,000	31.6%	\$862,691	\$2,733,050	\$1,870,359

In addition to the two renovation projects shown in Table 4 above which are fully funded by the proposed appropriation ordinance, the proposed ordinance would partially fund the Pier 19 or 23 Renovation Project and the Pier 27 Renovation Project. Because (a) these projects would be partially funded by the proposed appropriation ordinance, and (b) as discussed above, the total cost of the Pier 27 Renovation Project is not yet known, the Budget Analyst could not include such projects in the analysis shown in Table 4 above. Ms. Olson stated that the Port would provide information regarding the benefits of the Pier 19 or 23 Renovation Project and the Pier 27 Renovation Project directly to the Budget and Finance Committee at its meeting of November 28, 2009.

4. As discussed above, the Board of Supervisors has not previously approved a procedure, by Board of Supervisors ordinance, for the Port to issue Revenue Bonds. Because the proposed legislation (File 09-1272, 09-1273 and 09-01274) would (a) create a new Port Revenue Bond issuance procedure, (b) authorize the issuance of Port Revenue Bonds pursuant to such a new procedure, and (c) appropriate the proceeds from the Port Revenue Bonds issued under the proposed new procedure, the Budget Analyst considers approval of the proposed legislation to be a policy matter for the Board of Supervisors.

Recommendation: Pursuant to Comment No. 4 above, approval of the proposed legislation (Files 09-1272, 09-1273 and 09-1274) is a policy matter for the Board of Supervisors.



Harvey M. Rose

cc: Supervisor Avalos
Supervisor Mirkarimi
Supervisor Chu
President Chiu
Supervisor Alioto-Pier
Supervisor Campos
Supervisor Daly
Supervisor Dufty
Supervisor Elsbernd
Supervisor Mar
Supervisor Maxwell
Clerk of the Board
Cheryl Adams
Controller
Greg Wagner



MEMORANDUM

Date: November 9, 2009

To: Nathan Cruz, Budget Analyst's Office

From: Tina Olson, Port of San Francisco

Subject: Method for selecting the Pier 27 Cruise Project

As requested, the following is a description of the range of design alternatives for the Pier 27 Cruise Terminal and the factors in deciding which design alternative the Port will select.

Background on the Pier 27 Cruise Terminal

In September 2007, Mayor Newsom's Blue Ribbon Cruise Terminal Advisory Panel recommended that the Port of San Francisco develop a new, primary cruise terminal to meet the increased demand for cruise ships and enhance San Francisco's reputation as a world class, waterfront city and tourist destination. Pier 27 was selected to be the primary cruise terminal site because it represented the most cost-effective and operationally-efficient location on the San Francisco waterfront. The Port intends to transform the existing Pier 27 shed into a vibrant year-round Cruise Terminal that will meet the evolved security and passenger handling demands of the cruise industry while also being configured to allow special event uses when not occupied for cruise purposes.

Per the Cruise Terminal Advisory Panel's recommendation, the Port's goal is to develop a world-class home port cruise terminal that reflects the values of San Francisco residents and the city's leadership, meets international cruise terminal standards for mega-cruise vessels and meets community and regulatory requirements, including the Port's commitment to the stewardship of waterfront historic resources within the Embarcadero Historic District.

In February 2009, the Port completed the Pier 27 Cruise Terminal Conceptual Site Planning Study. The study looked at several alternatives and provided high-level, conceptual planning information and analysis to transform the existing pier and maritime shed of approximately 178,100 square feet for use as a primary, single-berth cruise terminal. The Port has reviewed and evaluated these alternative studies and is moving the project forward based on certain elements of several schemes.

Design Alternatives for the Pier 27 Cruise Terminal Project

The Pier 27 Cruise terminal will be required to achieve a level of environmental performance in compliance with a LEED Certification level to be determined during the initial Programming and Conceptual Design Phase. In addition, the project will be required to meet the City's green building design principles.

There will be three (3) levels of conceptual design programs and cost estimates. The total duration for the Programming and Concept Phases is approximately six (6) months. (Estimated completion by: June 2010)

The programs will include Northeast Wharf Plaza, renovation of the existing maritime shed, exterior interface for landside and waterside cruise terminal operations, passenger and materials handling connections and equipment, ticketing and baggage handling area and fixed equipment; communication and security systems, customs and border patrol, retail, shared event space, etc.

The base level of program will include basic site improvements and a fundamental level of cruise terminal functionality for a 3,200 passenger level.

The intermediate level of program will include a higher level of site improvements, improved cruise terminal functionality for a 3,200 passenger level; core and shell build-out for retail, and additional finished areas that could be used for special events.

The third level of program will include features of the intermediate level, but scaled up for a 4,400 passenger level representative of future cruise ships' capabilities.

The results of the conceptual design programs and cost estimates will be presented to the Port for selection of the elements for one scheme that will be developed through to the end of Schematic Design.

Cruise Terminal Design Steering Committee

The Port is in the process of setting up a Cruise Terminal Design Steering Committee ("Steering Committee") to establish decisions that may impact the Cruise Terminal building or the Northeast Wharf Plaza design. The Port's Executive Director has invited one representative from each of the following organizations to participate in the proposed Committee:

1. Port's cruise agent, Metro Stevedore Company
2. San Francisco Convention and Visitor's Bureau
3. Port's Maritime Division
4. Port's Planning and Development Division
5. Port's Finance and Administration Division
6. Port's Chief Harbor Engineer
7. San Francisco Bay Conservation and Development Commission (BCDC)

8. San Francisco Historic Preservation Community
9. Business Community At Large
10. Architect At Large
11. Three Neighborhood Representatives
12. International Longshore and Warehouse Union Representative
13. Port Commission Member

The Steering Committee will meet on an as-needed basis to review the progress of the Project and make decisions needed to advance the Project. The first meeting is planned for the first quarter of 2010 when the conceptual design is well underway.

Public Outreach

The Port working with San Francisco Bay Conservation and Development Commission ("BCDC") staff will provide a series of opportunities to help shape and review a concept design for the cruise terminal and the Northeast Wharf Plaza. Following the design team's initial site evaluation, there will be a public workshop in the spring of 2010 to review and comment on concept alternatives. The alternatives will then be reviewed at a public hearing of the BCDC Design Review Board and the Waterfront Design Advisory Committee. A second public workshop and design review hearing will follow to review a concept design. As is the Port's customary practice, the concept will also be presented to waterfront advisory groups, interested neighborhood and civic groups, and at informational hearings before the Port Commission prior to the Port Commission being asked to consider selecting a concept design.



MEMORANDUM

Date: November 9, 2009

To: Nathan Cruz, Budget Analyst's Office

From: Tina Olson, Port of San Francisco

Subject: Method for selecting projects to be included in the Port's proposed revenue bond

As you know, the Port retired its previous revenue bonded indebtedness on July 1, 2009. In anticipation of new debt capacity created by that repayment, Port staff developed a list of projects to be funded with a new revenue bond through an inter-divisional planning effort. Port staff focused on identifying projects that would (1) most benefit the Port financially by transforming under-utilized Port assets into performing assets, (2) meet the Port's maritime and public access missions, and (3) ensure the safety of Port employees. As a result of that effort, Port staff recommended the Cruise Terminal at Pier 27, Piers 19 and 23, Pier 33 North, Pier 35, Pier 50 Entryway and the Backlands Improvements and Seawall Repairs be funded through Port revenue bonds. All of the projects listed above meet at least one of those criteria. The Cruise Terminal at Pier 27 meets two of the criteria by increasing the Port's annual revenues through the proposed restaurant and special event uses of the facility while meeting the Port's maritime and public access missions by providing a cruise terminal and public plaza. The Pier 50 Entryway project will ensure the safety of the Port's Maintenance employees but will most likely not increase the Port's annual revenues. The Pier 35 project allows the Port to continue to meet its maritime mission by continuing to provide a cruise terminal at Pier 35 until the new cruise terminal at Pier 27 is complete.

After agreeing internally on the list of proposed projects, we analyzed the potential revenue benefits associated with new uses of underutilized Port assets. We based the analysis on (1) the amount of leasable square footage created through the projects, (2) the probable new uses for the new leasable square footage, and (3) the expected rent per square foot of those facilities associated with the new uses.

DATE: November 3, 2009
ANALYST: Meghan Wallace

ANALYSIS OF SUPPLEMENTAL APPROPRIATION REQUEST

S.A.#

DEPARTMENT: Port of San Francisco

AMOUNT REQUESTED: \$33,395,571

AMOUNT APPROVED: \$

POSITIONS REQUESTED: 0

POSITIONS APPROVED:

FUNDING SOURCES: Port of San Francisco Revenue Bonds

SUBJECT: Supplemental appropriation request of \$33,395,571 of new revenue bond funds to finance various projects that will revitalize underutilized property owned by the Port of San Francisco.

BACKGROUND: This summer the Port fully repaid debt issued in 1984. With its new debt-capacity, the Port is proposing to issue revenue bonds to fund select projects identified in its 10-Year Capital Plan. Projects were chosen for their capacity to (1) benefit the Port financially by transforming under-utilized property into performing assets, (2) meet the Port's maritime and public access missions, and (3) ensure the safety of Port employees.

PROJECT DESCRIPTIONS: The following projects would undergo design and/or construction phases between 2010 and 2014 (see *Figure 1* for more detail):

1. Pier 19 or 23 (\$2.0M) – Renovate one of the piers to provide office space and public access.
2. Pier 19 (\$3.5M) – Replace the roof to continue to lease the facility on an interim basis.
3. Pier 27 Cruise Terminal (\$10.0M) – Renovate the shed to create a cruise terminal that will serve as a special event facility on non-cruise days and build a public plaza/park on the front of the terminal.
4. Pier 35 (\$5.5M) – Complete urgent repairs to both the sub-structure and super-structure including repairing failing wood columns, and repairing pilings, beams, girders, and slab panels.
5. Pier 33 (\$2.0M) – Create a leasable space by building a bathroom and accessibility features including an elevator.
6. Pier 50 (\$1.5M) – Repair the pier's entryway that houses the Port's Maintenance Facility, berthing space for ships, and Port tenants.
7. Backlands Improvements (\$8.0M) – Build new roads and utilities to support new leasing plots.

OUTCOMES: The Port expects these projects to generate new jobs in San Francisco and establish new revenues that it will leverage for future capital projects.

Generating Jobs: The Port estimates that these capital projects will create a total of 1,530 jobs in San Francisco. Approximately 650 construction related jobs will be supported by these projects. Also, assuming that jobs will be created by utilizing additional square feet of space on Port property, 880 permanent jobs will be created. For example, the project for Pier 19 or 23 assumes one job for every newly utilized 350 square feet of space; in contrast, the Backlands project will generate fewer jobs because the land will mostly be used to store materials and equipment rather than office space.

Future Investments: One of the objectives of the proposal is to increase the Port's annual revenues by restoring under-utilized Port facilities and transform them into performing assets. In line with this goal, the Port estimates that the proposed projects will increase the Port's annual revenues by approximately

\$6.9 million, which it will leverage against additional revenue bonds. Assuming a 30-year bond at a 6.0 percent interest rate and 1.30 debt service coverage, the revenues would support the annual debt service for approximately \$63 million in revenue bonds to fund additional projects identified in the Port's 10-Year Capital Plan.

FUNDING: The Port expects to issue approximately \$36.5 million in Port revenue bonds to support these projects. Due to the public and private benefit of the investment, the proposed bonds will be comprised of a mix of taxable and tax exempt bonds, resulting in mixed interest rates. The Port predicts that, under current market conditions and assuming the Port earns an "A" rating, \$36.5 million in revenue bonds could be issued at a 5.8 percent blended interest rate. Under this scenario, the average annual debt service would be approximately \$2.4 million. To provide flexibility as well as a cap on the level of interest rates the Port will consider paying on the revenue bonds, the interest rate will not exceed the allowable State maximum of 12 percent.

FISCAL IMPACT: The supplemental request will have no impact on the General Fund.

RECOMMENDATION: Approve the request for supplemental appropriation.

Figure 1: Detailed Description of Proposed 2009 Port Revenue Bond Funded Projects

Project Description	Allocation
Pier 19 or 23 – Renovate Pier 19 or 23 to provide office space and public access around the pier and on the aprons. The 2009 Bond allocation is for design and planning costs. The Port expects to issue a RFP for design services during the winter of 2010. Construction is expected to begin by the end of 2012.	\$2,000,000
Pier 19 - Replace Pier 19's roof to continue to lease the facility on an interim basis. The 2009 Bond allocation is for design and construction. The design will be complete by March 2010 and the construction complete by September 2010.	\$3,500,000
Pier 27 Cruise Terminal - Includes renovating the Pier 27 shed to a cruise terminal that will serve as a special event facility on non-cruise days. Also includes a public plaza/park on the front of the terminal. The 2009 Bond allocation is for design and planning costs. The project is currently in the design phase. Construction is anticipated to commence the first quarter of 2012 and be completed the first quarter of 2014.	\$10,000,000
Pier 33 - Build elevator and other accessible features as well as a bathroom to create a leasable space. The 2009 Bond allocation is for construction costs. This project is currently in design and will go to construction the fall of 2010.	\$2,000,000
Pier 35 - Fund urgent repairs to both the sub-structure and super-structure including repairing failing wood columns, and repairing pilings, beams, girders, and slab panels. In addition, the project includes installing new ADA accessible restrooms in the terminal's main entrance/reception area. The 2009 Bond allocation is for design and construction costs. The project is currently under design with the most urgent repairs expected to be complete before April 2010 and the remainder by April 2011.	\$5,500,000
Pier 50 – Repair the entryway to Pier 50 that houses the Port's Maintenance Facility, berthing space for ships, and Port tenants. The 2009 Bond allocation is for construction costs. The project is currently in the design phase. Construction is expected to commence in the spring of 2010 and be completed by February 2011.	\$1,500,000
Backlands Improvements - New roads and utilities to support new leasing plots that are planned for the site. The 2009 Bond allocation is for construction costs. The design is expected to be completed by the end of 2009, and the project will be advertised for bids sometime in spring of 2010. The construction is expected to be completed by the end of 2010	\$8,000,000
Total Project Costs	\$32,500,000
CEQA Fees	\$342,211
Bond Issuance Costs	\$486,568
City Services Auditor (CSA) Audit	\$66,792
Total Project Costs and CEQA Fees	\$33,395,571
Debt Service Reserve Fund	\$3,063,925
Additional Proceeds	\$2,296
Total 2009 Anticipated Revenue Bond Uses	\$36,461,792

REQUEST FOR SUPPLEMENTAL APPROPRIATION

Department: 39 Port of San Francisco DIVISION: Finance & Administration DATE: 10-13-09

To the Mayor: Request is hereby made for supplemental appropriation from the following appropriation(s) or fund(s) in the amount(s) indicated:

APPROPRIATION NUMBER	DESCRIPTION OF APPROPRIATION OR FUND	AMOUNT
FUND: 5P/CPF/09A INDEX: 390910 ORGANIZATION: PR TAA CHAR/SUB-OBJ: 800/80111	PORT REVENUE BONDS - SERIES 2009A PRT 2009 REV. BOND SERIES A GENERAL PROCEEDS FROM SALE OF BONDS	\$13,102,347.00
FUND: 5P/CPF/09B INDEX: 390912 ORGANIZATION: PR TAA CHAR/SUB-OBJ: 800/80111	PORT REVENUE BONDS - SERIES 2009B PRT 2009 REV. BOND SERIES B GENERAL PROCEEDS FROM SALE OF BONDS	20,226,432.00
	Total Series A & B	\$33,328,779.00

to the credit of the following appropriation(s) or fund(s) in the amount(s) indicated:

APPROPRIATION NUMBER	DESCRIPTION OF APPROPRIATION OR FUND	AMOUNT REQUESTED	AMOUNT APPROVED - MAYOR
FUND: 5P/CPF/09A INDEX: 390910 ORGANIZATION: PR TAA CHAR/SUB-OBJ: 060/06700	PORT REVENUE BONDS - SERIES 2009A PRT 2009 REV. BOND SERIES A GENERAL BLDGS. STRUCTURES & IMPROVEMENT PROJECTS - BUDGET		
PROJECTS:			
CPO769/9A27CT	CRUISE TRMNL PIER 27	\$6,226,748.00	
CPO920/9A1923	P 19/23 PLNNING & ROOF REPLCMNT	168,845.00	
CPO921/9A3335	PIERS 33/35 RPRS & IMPRVMNTS	5,500,000.00	
CPO922/9A50ER	PIER 50 ENTRYWAYS REPAIRS	881,044.00	
CPO924/9ACEQA	CEQA REVIEWS	134,489.00	
CPO925/9ABC01	BOND ISSUANCE COSTS	191,221.00	
FUND: 5P/CPF/09B INDEX: 390910 ORGANIZATION: PR TAA CHAR/SUB-OBJ: 060/06700	PORT REVENUE BONDS - SERIES 2009B PRT 2009 REV. BOND SERIES B GENERAL BLDGS. STRUCTURES & IMPROVEMENT		

Port of San Francisco
2009 Revenue Bond – Supplemental Appropriation

PROJECTS:

- Pier 35 - Repairs and New Restrooms
- Pier 33 – Elevator and accessible features
- Pier 19 and 23 – New Roof at Pier 19 and major upgrades to Pier 19 or 23
- Pier 27 Cruise Terminal – Renovate to accommodate Cruise Terminal and Public Plaza as well as a possible restaurant and special event space
- Pier 50 – Repair Entryway Substructure
- Backlands Improvements – new roads and utilities to accommodate new leasing pads.

AMOUNT: \$33,328,779

SOURCE OF FUNDS: 2009 Port Revenue Bonds

Appropriation background and Descriptions

The Port of San Francisco is proposing to issue approximately \$36.4 million in Port revenue bonds¹ of which we are seeking to appropriate \$33,328,779 to fund the projects and related costs² described below:

Proposed 2009 Port Revenue Bond Funded Projects

Project Description	2009 Bond Allocation
Pier 35 (Current Cruise Terminal) - Fund urgent repairs to both the sub-structure and super-structure including repairing failing wood columns, and repairing pilings, beams, girders, and slab panels to allow the Port to continue to use Pier 35 as a cruise terminal. In addition, the project includes installing new ADA accessible restrooms in the terminal's main entrance/reception area. The 2009 Bond allocation is for design and construction costs. The project is currently under design with the most urgent repairs expected to be complete	\$5,500,000

¹ See Attachment 2 for more details on the proposed revenue bond issuance.

² See Attachment 3 for map showing project locations.

revenue bond issuance. The construction cost could be between \$35 million to \$70 million depending on the design selected by the City's policy makers that we expect will take place after we complete conceptual design alternatives.

Pier 50 – Repair the entryway to Pier 50 that houses the Port's Maintenance Facility, berthing space for ships, and Port tenants. The 2009 Bond allocation is for construction costs. The project is currently in the design phase. Construction is expected to commence in the spring of 2010 and be completed by February 2011.

1,500,000

Backlands Improvements - New roads and utilities to support new leasing plots that are planned for the Backlands area in the southern waterfront between Cargo Way, 3rd Street, and Islais Creek. The area is currently unimproved and unleased land that had previously been a landfill. Some of the potential uses include an asphalt plant and concrete batching facilities. The 2009 Bond allocation is for construction costs. The design is expected to be completed by the end of 2009, and the project will be advertised for bids sometime in spring of 2010. The construction is expected to be completed by the end of 2010

8,000,000

Total Project Costs³ \$32,500,000

CEQA Fees 342,211

Total Project Costs and CEQA Fees \$32,842,211

Bond Issuance Costs 486,568

Total Appropriation \$33,328,779

One of the objectives of the proposed revenue bond funded projects is to increase the Port's annual revenues through increasing the use of under-utilized Port facilities. To that end, as described in the table below, we estimate that once we complete these projects the Port's annual revenues will increase by approximately \$6.9 million. The \$6.9 million would allow additional Port revenue bond issuances to undertake additional capital improvement projects along the City's waterfront. \$6.9 million annual debt service would allow the Port to issue approximately \$63 million in revenue bonds assuming a 30-year bond at a 6% interest rate and 1.30 debt service coverage.

³ See Attachment 1 for project budget details.

ATTACHMENT 1

Project Budget Details

Budgets for Port Revenue Bond Series 2009A&B Capital Projects

Pier 27 Cruise Terminal Project Planning and Design

Budget

10,000,000 *

* for breakdown of budget see attached.

Budgets for Port Revenue Bond Series 2009A&B Capital Projects

Pier 19 Roof

A&E Budget

<i>Staff</i>	<u>Hours</u>	<u>Hourly Rate</u>	<u>Budgeted Expense</u>
Senior Engineer	97.2	105.88	10,291.54
Architect	620.1	91.46	56,714.35
Architectural Associate	542.6	78.99	42,859.97
Environmental Engineer	193.0	85.53	16,507.29
Hazard Materials Engineer	193.0	80.16	15,470.88
Construction Manager	112.5	98.36	11,065.50
Resident Engineer	100.5	91.46	9,191.73
Construction Inspector	301.3	68.57	20,660.14
Student Intern	366.3	39.79	14,575.08
Planner (for BCDC approval)	15.5	71.66	<u>1,110.73</u>
Total			198,447.21
		Rounded	198,447.00
<i>Consultant Services</i>			
Bird Mitigation Expense			50,000.00
DPW HazMat Oversight Fee			<u>10,000.00</u>
Total			60,000.00
A&E & Consultant Svcs Total			258,447.00
Project Management (10% of total)			25,844.70
Total Soft Costs			284,291.70
		Rounded	284,292.00
<hr/>			
A&E and Other Professional Services			284,292.00
Construction (99,625 sq.ft at \$26.40/sq.ft.)			<u>2,630,100.00</u>
Total Estimated costs			2,914,392.00
20% Contingency			585,311.00
Total			3,499,703.00
Pier 19 Roof Budget			3,500,000.00

Budgets for Port Revenue Bond Series 2009A&B Capital Projects

Pier 19/23 Planning and Design

	<u>Budget</u>
Architectural & Engineering Services	2,000,000

The current estimate for architectural and engineering services is \$2,000,000, based on an estimated construction cost of \$18,000,000. An RFP for these services is planned for Spring of 2010.

Budgets for Port Revenue Bond Series 2009A&B Capital Projects

Pier 33 Build-Out

	<u>Budget</u>
Architectural & Engineering Services*	525,000
Hazard Materials Report	7,500
Construction Management	92,500
Construction	<u>1,375,000</u>
Total Budget	2,000,000

* for breakdown of budget see attached sheet.

Item	Task	PERSONS	Class	eng/arch	Class	Arch/eng	Class	Admin	Class	AE	Class	Chief	Total		
		PM	\$200/Hr	SR	\$172/Hr	Arch/eng	\$149\$/Hr	Admin	\$131/Hr	Assoc	\$130.75	Chief	\$80/Hr		
		HRS/P	199.51	HRS/P	171.9	HRS/P	148.48		HRS/P		110.47	HRS/P	87.9		
1	PREDESIGN	8	\$1,596	16	\$2,750	16	\$2,376	16	\$2,092	8	\$893	0	\$0	\$9,697	\$49,986
2	Scope Study, O&A Field Conditions, Dues, Pre-design	8	\$1,596	16	\$2,750	24	\$3,564	8	\$1,046	16	\$1,787	0	\$0	\$10,723	\$20,420
3	Site Visit, Coordination, Design Plan, Architectural Review	24	\$4,788	24	\$4,126	48	\$7,127	56	\$7,322	56	\$6,183	0	\$0	\$29,546	\$29,546
4	Meeting w/ Client, P&S, Site Conditions Assessment	8		8		16		16		16		0			
5	Special Planning, Reserves	8		8		16		16		24		0			
6	Program/Feedback, Schematic	8		8		16		24		24		0			
7	SCHEMATICS Production	8	\$1,596	64	\$11,002	216	\$32,072	272	\$35,564	288	\$31,798	0	\$0	\$112,031	\$112,031
8	DESIGN DEV	8	\$1,596	56	\$9,826	228	\$33,853	266	\$33,472	312	\$34,448	0	\$0	\$112,996	\$112,996
9	Documents: review, design management, reconciliation	8	\$1,596	40	\$6,876	160	\$23,757	240	\$31,380	320	\$35,331	0	\$0	\$98,940	\$98,940
10	CD Documentation	8	\$1,596	8	\$1,375	8	\$1,188	8	\$1,046	16	\$1,787	40	\$3,576	\$10,488	\$10,488
11	> Compilation, review, editing specs	8	\$1,596	24	\$4,126	24	\$3,564	40	\$5,230	48	\$5,303	0	\$0	\$19,815	\$19,815
12	Reproduction (included in HFI factor)	8	\$1,596	16	\$2,750	40	\$3,939	72	\$9,414	72	\$7,950	0	\$0	\$29,546	\$29,546
13	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
14	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
15	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
16	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
17	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
18	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
19	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
20	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
21	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
22	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
23	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
24	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
25	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
26	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
27	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
28	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
29	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
30	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
31	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
32	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
33	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
34	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
35	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
36	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
37	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
38	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
39	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
40	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
41	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
42	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
43	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
44	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
45	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
46	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
47	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
48	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
49	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
50	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
51	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
52	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
53	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
54	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
55	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
56	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
57	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
58	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
59	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
60	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
61	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
62	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
63	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
64	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
65	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
66	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
67	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
68	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
69	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
70	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
71	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
72	Estimate, Scheduling, constructability	8	\$1,596	16	\$2,750	120	\$17,818	240	\$31,380	136	\$15,016	0	\$0	\$69,580	\$69,580
73															

Budgets for Port Revenue Bond Series 2009A&B Capital Projects

Pier 35 Restroom Project

	<u>Budget</u>
Architectural & Engineering Services*	87,028
Hazard Materials Report	7,500
DPW Project Management*	15,013
Construction Inspection*	10,011
Construction	<u>335,000</u>
Total Estimated Budget	454,552
10% Contingency	45,455
Total	500,007
Total Pier 35 Restroom Budget	500,000

* see below for breakdown

Budget for A&E and Other Professional Services

	<u>Hours</u>	<u>Hourly Rate</u>	<u>Budgeted Expense</u>
<i>DPW Staff</i>			
Project Manager	75.25	199.51	15,013.13
Senior Architect	150.00	171.90	25,785.00
Architect	190.00	148.48	28,211.20
Associate Architect	120.00	130.75	15,690.00
A&E Associate	130.00	110.41	14,353.30
Chief Clerk	34.00	87.90	<u>2,988.60</u>
Total			102,041.23
<i>Port Staff</i>			
Construction Inspector	146.0	68.57	10,011.22

Budgets for Port Revenue Bond Series 2009A&B Capital Projects

Pier 35 Repairs

1. *Substructure Repairs (Phases 2 & 3)*

	<u>Budget</u>
Architectural & Engineering Services*	374,810
Construction Support*	125,570
Construction Management**	95,120
Construction	<u>1,904,500</u>
Total Estimated Costs	2,500,000

Phase 1 conceptual design, funded by Port capital funds, has been completed.

* for breakdown of budget see attached consultant proposal.

** 5% of construction budget.

2. *Superstructure Repairs (Phases 2 & 3)*

	<u>Budget</u>
Architectural & Engineering Services*	261,145
Construction Management**	106,655
Initial Shoring of the Facility	50,000
Fumigation of Facility	750,000
Construction of Repairs	<u>1,332,200</u>
Total Estimated Cost	2,500,000

Phase 1 conceptual design, funded by Port capital funds, has been completed.

* for breakdown of budget see attached consultant proposal.

** 5% of budget for initial shoring, fumigation and construction.

Total Estimated Costs for Pier 35 Repairs 5,000,000

Budget for Pier 35 Repairs 5,000,000

Budgets for Port Revenue Bond Series 2009A&B Capital Projects

Southern Waterfront Backlands Improvements

Budget
8,000,000 *

* for breakdown of budget see attached.

**CONCEPTUAL INFRASTRUCTURE COST ESTIMATE
PIER 94 BACKLANDS
ALTERNATE #2 - SITE PAVING TI = 7**

<u>Item</u>	<u>Quant.</u>	<u>Unit</u>	<u>Price</u>	<u>Total</u>
EARTHWORK				
Clearing & Grubbing	32	AC	\$1,000	\$32,000
Excavation & Backfill	80,000	CY	12.00	960,000
Finish Grading	1,012,600	SF	0.30	303,780
		Subtotal Earthwork		1,295,780
STREETS				
6" Asphaltic Concrete	84,000	SF	2.70	226,800
20" Class 2 Aggregate Base	84,000	SF	2	168,000
Curb & Gutter	4,000	LF	16	64,000
Concrete Sidewalk (4")	17,640	SF	6	97,020
		Subtotal Streets		\$555,820
SITE PAVING				
4" Asphaltic Concrete	903,500	SF	1.80	1,626,300
16" Class 2 Aggregate Base	903,500	SF	1.60	1,445,600
		Subtotal Site Paving		\$3,071,900
STORM DRAIN SYSTEM				
12" RCP	392	LF	60.00	23,520
18" RCP	1,092	LF	90.00	98,280
30" RCP	540	LF	160.00	86,400
Site Catch Basin	7	EA	2,400.00	16,800
Street Catch Basin	4	EA	3,400	13,600
Inlet & Outfall Protection	12	EA	1,600	19,200
		Subtotal Storm Drain System		257,800
STREET UTILITIES (Include 40' Stub - Each Lot)				
8" Water	2,100	LF	60	126,000
Fire Hydrants (350' Spacing)	7	EA	2,500	17,500
8" Sanitary Sewer	2,100	LF	80	168,000
SS Manholes (400' Spacing)	6	EA	3,000	18,000
Joint Trench (G, E, T & SL)	2,100	LF	180	378,000
Street Lights (150' Spacing)	14	EA	4,000.00	56,000
		Subtotal Street Utilities		763,500

**PIER 94 BACKLANDS
ALTERNATE #2 - SITE PAVING TI = 7**

<u>Item</u>	<u>Quant.</u>	<u>Unit</u>	<u>Price</u>	<u>Total</u>
SWALES & SLOPES				
Import 12" Clean Fill	14,000	CY	20.00	280,000
Hydroseed	373,000	SF	0.20	,74,600
Erosion Control	1	LS	100,000.00	100,000
			Subtotal Swales	454,600
			SUBTOTAL	\$6,399,400
			25% Contingency	1,599,850
			TOTAL	\$7,999,250

NOTE

The following items which were included in the Parsons' estimate are not included in our estimate:

- a. Buildings
- b. Offsite work
- c. Future maintenance costs
- d. Landscaping (we only included seeding of swales & slopes)
- e. Recycled water
- f. Methane venting system
- g. Site lighting (we only included street lighting)
- h. SWPPP implementation
- i. Design/coordination/construction management

KCA Engineers 5383 - 10/16/06
Pier 94 Backlands Alt #1.xls

Budgets for Port Revenue Bond Series 2009A&B Capital Projects

Pier 50 Entryway Repairs

	<u>Budget</u>
Construction	1,500,000 *

* the design of these repairs is currently underway using existing Port funds.

**ATTACHMENT 2: Port Commission October 8, 2009
Revenue Bond Staff Report**

MEMORANDUM

October 8, 2009

TO: MEMBERS, PORT COMMISSION
Hon. Rodney Fong, President
Hon. Stephanie Shakofsky, Vice President
Hon. Kimberly Brandon
Hon. Michael Hardeman
Hon. Ann Lazarus

FROM: Monique Moyer
Executive Director

SUBJECT: Request approval of: (1) the issuance of the Port of San Francisco's Series 2009 Revenue Bonds (the "2009 Bonds") to fund certain improvements on Port property, in the aggregate principal amount not to exceed forty five million dollars (\$45,000,000) with an interest rate not to exceed twelve percent per annum; (2) the forms of Indenture of Trust and the First Supplement to the Indenture of Trust, each between the Port and a trustee; (3) the sale of the Bonds by negotiated sale pursuant to a purchase contract; (4) the form of a bond purchase contract between the Port and Jefferies and Company, Inc.; (5) the preliminary form of the Official Statement relating to the Bonds and the distribution of the statement; and (6) the form of the Continuing Disclosure Certificate of the Port and the execution of the certificate.

DIRECTOR'S RECOMMENDATION: Approve the Port's 2009 Revenue Bonds and associated documents as described herein.

Background

Section 9.112 of Article IX of the City and County of San Francisco Charter entitled "Revenue Bonds of the Port Commission" gives the Port Commission exclusive power to perform or accomplish issuance of revenue bonds for Port-related purposes.

On July 1, 2009, the Port made the final payment on its revenue bonds originally issued in 1984. Currently, the Port has no outstanding bonded indebtedness. In anticipation of new debt capacity created by that repayment, Port staff developed a list of projects to be funded with a new revenue bond through an inter-divisional planning effort. Port staff focused on identifying projects that would (1) most benefit the Port financially by transforming under-utilized Port assets into performing assets, (2) meet the Port's

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maritime and public access missions, and (3) ensure the safety of Port employees. As a result of that effort, Port staff recommended the Cruise Terminal at Pier 27, Piers 19 or 23, Pier 33 North, Pier 50 Entryway and the Backlands Improvements and Seawall Repairs be funded through Port revenue bonds.

On July 14, 2009 through Resolution 09-39 the Port Commission approved the use of Port revenue bonds to fund the Cruise Terminal at Pier 27, Piers 19 or 23, Pier 33 North, Pier 50 Entryway and the Backlands Improvements and Seawall Repairs. In addition, through Resolution 09-38 the Port Commission adopted a municipal debt policy for the Port as well as a reimbursement resolution related to the proposed Port revenue bond (Resolution 09-40). At that time, Port staff noted its intention to return to the Port Commission requesting authorization to issue revenue bonds for those projects in the fall of 2009. This item would authorize the issuance of up to \$45 million in Port revenue bonds as well as approve several accompanying documents required to issue Port revenue bonds.

Proposed 2009 Port Revenue Bond Funded Projects

Attached is a resolution authorizing the issuance of the sale and delivery of the 2009 Bonds in an amount not to exceed \$45 million most of which would fund the following projects:

Project Description	2009 Bond Allocation
<p>Pier 35 - Fund urgent repairs to both the sub-structure and super-structure including repairing failing wood columns, and repairing pilings, beams, girders, and slab panels. In addition, the project includes installing new ADA accessible restrooms in the terminal's main entrance/reception area. The 2009 Bond allocation is for design and construction costs. The project is currently under design with the most urgent repairs expected to be complete before April 2010 and the remainder by April 2011.</p>	\$5,500,000
<p>Pier 33 - Build elevator and other accessible features as well as a bathroom to create a leasable space. The 2009 Bond allocation is for construction costs. This project is currently in design and will go to construction the fall of 2010.</p>	2,000,000
<p>Pier 19 or 23 – Renovate Pier 19 or 23 to provide office space and public access around the pier and on the aprons. The 2009 Bond allocation is for design and planning costs. We expect to issue a RFP for design services during the winter of 2010. Construction is expected to begin by the end of 2012.</p>	2,000,000

Pier 19 - Replace Pier 19's roof to continue to lease the facility on an interim basis. The 2009 Bond allocation is for design and construction. The design will be complete by March 2010 and the construction complete by September 2010. 3,500,000

Pier 27 Cruise Terminal - Includes renovating the Pier 27 shed to a cruise terminal that will serve as a special event facility on non-cruise days. Also includes a public plaza/park on the front of the terminal. The 2009 Bond allocation is for design and planning costs. The project is currently in the design phase. Construction is anticipated to commence the first quarter of 2012 and be completed the first quarter of 2014. 10,000,000

Pier 50 - Repair the entryway to Pier 50 that houses the Port's Maintenance Facility, berthing space for ships, and Port tenants. The 2009 Bond allocation is for construction costs. The project is currently in the design phase. Construction is expected to commence in the spring of 2010 and be completed by February 2011. 1,500,000

Backlands Improvements - New roads and utilities to support new leasing plots that are planned for the site. The 2009 Bond allocation is for construction costs. The design is expected to be completed by the end of 2009, and the project will be advertised for bids sometime in spring of 2010. The construction is expected to be completed by the end of 2010 8,000,000

Total Project Costs	\$32,500,000
CEQA Fees	342,211
Total Project Costs and CEQA Fees	\$32,842,211
Bond Issuance Costs	486,568
Debt Service Reserve Fund	3,063,925
Additional Proceeds	2,296
Total 2009 Anticipated Revenue Bond Uses	\$36,395,000

Port staff recently learned that the condition of Pier 35 is such that it may not be able to sustain its current usage until we are able to complete construction of the new cruise terminal at Pier 27. Thus, while not included in the list of projects approved by the Port Commission in July 2009, Port staff are recommending to add \$5.5 million to the proposed revenue bond program to fund urgent repairs and ADA accessible restrooms in the main lobby to Pier 35. The \$5.5 million would not result in an increase to the overall Port revenue bond. Rather, to fund the Pier 35 improvements Port staff are recommending reducing the allocation to Pier 50's entryway from \$10 million that was recommended to the Port Commission in July 2009 to \$1.5 million. The \$10 million allocation would have fully repaired Pier 50's entryway. The proposed \$1.5 million allocation will fund the repairs absolutely necessary to continue to use the entryway.

While we currently expect to issue \$36.4 million in bonds, the added authorization of up to \$45 million gives the Port sufficient flexibility to address any changes in market conditions.

Proposed Financing Structure

Because many of the ultimate uses of the Port facilities created by the proposed revenue bonds would benefit private sector tenants, the proposed bonds would be a mix of taxable and tax exempt bonds which will result in a mix of interest rates. Under current market conditions, the Port could issue approximately \$36.4 million in revenue bonds at 5.8% blended interest rate assuming the Port earns an "A" rating. Under this scenario, the average annual debt service would be approximately \$2.4 million. However, as described in more detail below, to be more conservative, we are assuming a blended 7.14% interest rate would result in an annual debt service of approximately \$2.7 million. To provide flexibility as well as a cap on the level of interest rates the Port will consider paying on the revenue bonds, the attached resolution states that the interest rate will not exceed 12%, the allowable State maximum.

The Port Revenue Bond Series 2009 could be priced the middle of December 2009 or the first week of January 2010 depending on the dates of the Board of Supervisors' and Mayor Gavin Newsom's final approval of the legislation.

Port staff intend to issue the 2009 Bonds through a negotiated sale with the Jefferies and Company Inc., the Port's underwriters selected by a Request for Proposals (RFP) through the Controller's Office as-needed pool of underwriters. This will afford the Port more flexibility in regards to changing the sales date or the structure of the issue in attempts to obtain lower interest rates. Port staff believe that a negotiated sale is more appropriate at this time since the Port has not been in the bond market for sometime and we wish to minimize difficulties in marketing the bonds, which may result in a higher cost to the Port.

1. Financing Structure:

Debt Service - The table below shows:

- A. Estimated annual debt service payments as of October 2, 2009, based on a projected single "A" credit rating. Port staff have met with the three

primary credit rating agencies and expect to receive a rating on the 2009 Bonds as early as October 26, 2009.

- B. The corresponding True Interest Cost (TIC) estimate. This is the interest expense of the 2009 Bonds or the rate compounded semi-annually, necessary to discount the amounts payable on the principal and interest payment dates to the purchase price received for the new issue of bonds. In other words, it's the average weighted interest rate aggregated for the individual bond maturities.

Average Annual Debt Service	\$2,730,035
TIC	7.14%

This amount is based on a weighted average interest rate of 7.14% that is 134 basis points greater than the current market conditions for "A" rated municipal debt of 5.80%. Since the market fluctuates and it has been 25 years since the Port has issued significant new debt, we believe it is prudent to anticipate a higher interest rate.

However, as the table below shows, if the Port receives an "A" rating and the market is similar as it is today, the following would be the TIC estimate and average annual debt service payments:

Average Annual Debt Service	\$2,417,344
TIC	5.80%

As described in the two tables above, the Port's average annual debt service would be \$312,691 less if we are able to sell the Port's bonds at a 5.8% interest rate rather than 7.14%. However, under both scenarios, the Port's current budget of \$4.7 million for debt service is more than sufficient to cover the debt service costs.

2. Bond Structure

Maturity – the 2009 Bonds will mature on December 1, 2039.

3. Description of Documents for Port Commission Approval

Port staff request that the Port Commission approve the following documents as required for the issuance of the 2009 Bonds:

Port Commission Resolution No. 09-63
Preliminary Official Statement
Continuing Disclosure Certificate
Indenture of Trust
First Supplement to the Indenture to Trust
Bond Purchase Agreement

All of the foregoing documents are described in more detail below.

The attached financing documents are in substantially final form, however minor modifications will continue to be made until the bond closing. The Port staff has been working with Bond Counsel, Disclosure Counsel, Financial Advisors, Underwriters, and the City Attorney's Office to structure the 2009 revenue bond issue and develop the necessary documents.

- A. Preliminary Official Statement (POS) - This document is distributed to potential investors and serves as a disclosure and marketing document for the 2009 Bonds. It describes the financial condition of the Port, the condition of its facilities, environmental hazards, etc. The POS also describes the terms of the financing and the provisions of the legal documents. The POS becomes the Official Statement (OS) after bond closing. The Securities and Exchange Commission (SEC) considers this document a "disclosure" document. Various SEC rules require that the POS be accurate and informative and that there be no material misstatements or omissions of facts. By approval of this Resolution, the Port Commission will approve the Port's disclosure and is presumed by the SEC to have reviewed the disclosure for completeness and accuracy.

- B. Indenture of Trust (Master Indenture) - This document is the principal security document for the 2009 Bonds to be issued. In other words, it is the contract between the bondholders and the Port. The Indenture contains covenants regarding the operation of the Port that are designed to enhance the security of the Bonds and gives bondholders the comfort that they will be paid.

For example, the Indenture of Trust requires the Port to maintain debt service coverage of 1.30. To help provide additional assurances that the Port can meet its debt service coverage requirement, we included language in the Indenture of Trust that creates a Revenue Stabilization Fund to which we would deposit the Port's 15% operating reserve. The Port can use the Revenue Stabilization fund when calculating its debt service coverage. This provides bondholders with extra security that the Port has additional resources available to make debt service payments in the event that the Port's revenue significantly decline and/or expenses significantly increase such a the Port could not meet its 1.30 debt service coverage requirement.

- C. First Supplement to the Indenture of Trust - This document is a short supplement to the Indenture of Trust (Master Indenture), which provides for the specific terms of the 2009 Bonds. Those terms include the bonds' maturity and payment schedules.

- D. Bond Purchase Agreement - This document contains the terms and conditions for the sale of the 2009 Bonds to the underwriters in a

negotiated sale. In other words, it's the Port's contract with the underwriting firm, Jefferies and Company Inc.

- E. Continuing Disclosure Agreement – This document is an agreement by the Port to publicly file an Annual Report relating to certain aspects of the Bonds and to file a public notice immediately following a special event such as a change in credit rating, a draw on the Debt Service Reserve Fund, etc.

4. 2009 Bonds Characteristics

Port Commission of San Francisco Revenue Bonds, Series 2009:

- Up to Amount of Proposed Issue \$45 million
- Average Interest Rate 7%
- Final Maturity 12/01/2039

5. Estimated Sources and Uses of Funds, subject to change.

A. Sources

- Par Amount of Bonds \$36,395,000
- Total Sources of Funds \$36,395,000

B. Uses

- Project Fund Deposit \$32,842,211
- Deposit to Reserve Fund 3,063,925
- Costs of Issuance* 486,568
- Additional Proceeds 2,296
- Total \$36,395,000

*Includes fees of rating agencies, financial advisers, legal counsel, underwriters, verification agent, financial printer, and other miscellaneous expenses relating to the issuance of the 2009 Bonds.

6. Other

- A. Negotiated Sale – Staff will report back to the Port Commission on the negotiated price of the financing and provide a debt service schedule.

7. Remaining Major Tasks

A. Credit

Port staff met with the Rating Agencies (Moody's Investors Services, Standard & Poor's Corporation and Fitch Ratings) on October 5, 6 and 8 2009 and presented the Port's financial picture. The remaining credit tasks are to:

- Provide any follow-up information, as requested
- Receive ratings from the three Rating Agencies
- Evaluate rating impact on financing

The Rating Agencies will present the Port's financing to their respective credit committees.

- B. Preliminary Official Statement (POS)
 - Complete disclosure and marketing document (last Port Official Statement was issued in 2004).
- C. Indenture of Trust and First Supplement to the Indenture of Trust
 - Complete final changes, if any, to the Indenture of Trust and the First Supplement to the Indenture of Trust.
- D. Bond Sale/Pricing
 - The underwriters will pre-market the Port's bonds to the investment community
 - Port staff, together with our Financial Advisors, will negotiate interest rates and prices for purchase of the bonds by the Underwriters.
- E. Closing
 - The financing team will execute the final financing documents
 - The Port will deliver the bonds to the underwriters on the closing date in return for the purchase price ("proceeds"). The proceeds will be deposited into the Port's accounts established for the 2009 bonds.

8. Financing Schedule (Subject to Change)

	<u>Dates</u>
Port Commission approval of financing documents	October 13, 2009
BOS and Mayor approval of financing documents	November 17, 2009
Receive ratings	Week of December 14, 2009
Mailing of POS to potential investors	Week of December 28, 2009
Pricing and negotiation of terms	Week of January 11, 2010
Bond Closing	Week of January 25, 2010

SUMMARY

Port staff recommends issuing up to \$45 million in 2009 Port revenue bonds and approving the POS, Continuing Disclosure Certificate, and the Indenture of Trust, the First Supplement to the Indenture of Trust, and the Bond Purchase Agreement.

There could be other unforeseen issues that arise between now and the date of the bond sale. The Executive Director will be monitoring the progress of this transaction and will delay the sale should, in her opinion, any negative consequences outweigh the benefits of issuing the bonds.

Prepared by: Tina Olson, Deputy Director
Finance and Administration

Attachments:

1. Port Commission Resolution No. 09-63
2. Preliminary Official Statement
3. Continuing Disclosure Certificate
4. Indenture of Trust
5. First Supplement to the Indenture of Trust
6. Bond Purchase Agreement

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 09-63

WHEREAS, The Port Commission of the City and County of San Francisco (the "Port Commission") desires to finance certain improvements to Pier 35 (the "Pier 35 Project") and certain other Port projects, identified in Resolution No. 09-30, which was adopted by the Port Commission on July 14, 2009 (together with the Pier 35 Project, the "Projects") with proceeds from the issuance, sale and delivery of revenue bonds (the "Bonds"); and

WHEREAS, Pursuant to the Charter (the "Charter") of the City and County of San Francisco (the "City"), the Port Commission may issue revenue bonds with the approval of the Board of Supervisors of the City (the "Board"), such bonds to be issued and sold pursuant to an ordinance to be adopted by the Board (the "Ordinance"); and

WHEREAS, In connection with the issuance, sale and delivery of the Bonds, the Port Commission will enter into an Indenture of Trust and a First Supplement to Indenture of Trust and certain other related documents and will prepare a Preliminary Official Statement and execute a final Official Statement; and

WHEREAS, The Bonds will be sold by negotiated sale pursuant to a bond purchase contract; now, therefore, be it

RESOLVED, By this Port Commission of the City and County of San Francisco as follows:

Section 1. Recitals. All of the recitals herein are true and correct.

Section 2. Conditions Precedent. All conditions, things and acts required by law to exist, to happen and to be performed precedent to and in the execution and delivery of the Bonds exist, have happened and have been performed in due time, form and manner in accordance with applicable law, and the Port is authorized pursuant to the "Charter" and the Ordinance to incur indebtedness in the manner and form provided in this Resolution, subject, however, to approval by the Board of the Ordinance and approval by the Board of a resolution authorizing the issuance and delivery of the Bonds.

Section 3. Approval of the Bonds. The Port Commission hereby approves the issuance, sale and delivery of the Bonds, which shall be executed and delivered in accordance with the Indenture of Trust and the First Supplement to Indenture of Trust referred to in Section 4 below (collectively, the "Indenture"), as the same is finally executed and delivered. The proceeds of the Bonds will be used to (i) fund the Projects;

(ii) fund a reserve fund or reserve surety, as appropriate; (iii) fund capitalized interest; and (iv) pay costs of issuance of the Bonds. The Bonds shall be designated as "Port Commission of the City and County of San Francisco Port Revenue Bonds, Series 2009," with such series designation or such other designation as deemed appropriate by the Executive Director of the Port or her designee (collectively, the "Executive Director"). The Bonds shall be issued in an aggregate principal amount not to exceed forty-five million dollars (\$45,000,000), with an interest rate not to exceed twelve percent (12%) per annum. The Bonds may be issued in one or more series or sub-series and in whole or in part as tax-exempt or taxable obligations and may be designated in whole or in part as "Build America Bonds" under the American Recovery and Reinvestment Act of 2009. The Bonds shall be subject to prepayment as set forth in the Indenture. To the extent deemed necessary or desirable by the Executive Director, this Port Commission authorizes the procurement of credit enhancement for the Bonds, including, but not limited to, municipal bond insurance or a debt service reserve fund surety bond. Notwithstanding Section 10 hereof, the documents authorized herein may be modified or amended to permit the procurement of credit enhancement for the Bonds, to the extent deemed necessary or desirable by the Executive Director, upon consultation with the City Attorney.

Section 4. Approval of the Indenture and Authorization of Selection of the Trustee. The forms of the Indenture of Trust and the First Supplement to Indenture of Trust, each between the Port and a trustee, as presented to this Port Commission, copies of which are on file with the Secretary of the Port Commission, is hereby approved. The Executive Director of the Port is hereby authorized to execute the Indenture, with such changes, additions and modifications as the Executive Director may make or approve in accordance with Section 10 hereof. The Executive Director is hereby authorized to select a trustee to serve as trustee under the Indenture (the "Trustee").

Section 5. Sale of Bonds by Negotiated Sale; Selection of Underwriters. The Executive Director is hereby authorized to sell the Bonds by negotiated sale pursuant to a purchase contract as described in Section 6 below, if the Director determines that such manner of sale is in the best interest of the Port, such determination to be conclusively evidenced by the execution and delivery of such purchase contract for the Port. In order to facilitate the sale of the Bonds by negotiated sale, the Executive Director is hereby authorized and directed to appoint one or more investment banking firms to act as underwriters for the Bonds in accordance with Port policies and procedures.

Section 6. Approval of Bond Purchase Contract relating to the Bonds. The form of a bond purchase contract between the Port and Jefferies and Company, Inc., as underwriter, relating to the Bonds (the "Bond Purchase Contract"), as presented to this Port Commission, a copy

of which is on file with the Secretary of the Port Commission, is hereby approved. The Executive Director is hereby authorized to execute the Bond Purchase Contract, with such changes, additions and modifications as the Executive Director may approve in accordance with Section 10 hereof; such approval to be conclusively evidenced by the execution and delivery of the Bond Purchase Contract by the Executive Director.

Section 7. Approval of the Official Statement in Preliminary and Final Form. The form of an official statement relating to the Bonds (the "Official Statement"), as presented to the Port Commission, a copy of which is on file in preliminary form with the Secretary of the Port Commission, is hereby approved. The Executive Director is hereby authorized to approve the distribution of the Preliminary Official Statement in substantially said form, with such changes, additions, modifications or deletions as the Executive Director may approve in accordance with Section 10 hereof; such approval to be conclusively evidenced by the Executive Director's direction to distribute the Preliminary Official Statement to potential purchasers of the Bonds. The Executive Director is hereby authorized to cause the distribution of the Preliminary Official Statement, deemed final for purposes of Rule 15c2-12 of the Securities and Exchange Act of 1934, as amended, and to sign a certificate to that effect. The Executive Director is hereby further authorized and directed to sign the Official Statement in final form.

Section 8. Approval of the Continuing Disclosure Certificate. The form of a Continuing Disclosure Certificate of the City, as presented to this Port Commission, a copy of which is on file with the Secretary of the Port Commission, is hereby approved. The Executive Director is hereby authorized to execute the Continuing Disclosure Certificate, with such changes, additions, modifications or deletions as the Controller may approve in accordance with Section 10 hereof; such approval to be conclusively evidenced by the execution and delivery of the Continuing Disclosure Certificate by the Executive Director.

Section 9. General Authority. The Executive Director, the Secretary of the Port Commission and other officers of the Port, the City Attorney and their duly authorized deputies and agents are hereby authorized and directed, jointly and severally, to take such actions and to execute and deliver such certificates, agreements, requests or other documents as they may deem necessary or desirable to implement the proposed financing through the execution and delivery of the Bonds, to enter into the Indenture and the Bond Purchase Contract, to facilitate the issuance, sale and delivery of the Bonds and to obtain bond insurance or other credit enhancements with respect to the financing of the Project and otherwise to carry out the provisions of this Resolution.

Section 10. Modifications, Changes and Additions. The Executive Director is hereby authorized to approve and make such

modifications, changes or additions to the Indenture, the Bond Purchase Contract, the Official Statement, and the Continuing Disclosure Certificate (collectively the "Financing Documents") upon consultation with the City Attorney, as may be necessary or desirable in the interests of the City, and which changes do not materially increase the obligations of the Port Commission under the Financing Documents. The Executive Director's approval of such modifications, changes or additions shall be conclusively evidenced by the execution and delivery by the Executive Director of the Financing Documents.

Section 11. Projects. In addition to the Projects described in Resolution No. 09-39, the Port Commission hereby approves the use of proceeds of the Bonds to finance improvements to Pier 35.

Section 12. Ratification of Prior Actions. All actions authorized and directed by this Resolution and heretofore taken are hereby ratified, approved and confirmed by this Port Commission.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of October 13, 2009.

Secretary

Attachment 3

Port of San Francisco

2009 Revenue Bond Projects

Piers 33 and 35

Pier 27 Cruise Terminal

Piers 19 or 23

Pier 50

Backlands at Piers 90-94



