

File No. 130488

Committee Item No. 5

Board Item No. 16

### COMMITTEE/BOARD OF SUPERVISORS

#### AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: 05/29/2013

Board of Supervisors Meeting

Date: 6/4/2013

#### Cmte Board

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

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Completed by: Victor Young Date May 24, 2013

Completed by: Victor Young Date 5/30/13

1 [Issuance - Port Revenue Bonds - James R. Herman Cruise Terminal Project - Not to Exceed  
2 \$25,300,000]

3 **Resolution authorizing the issuance of not to exceed \$25,300,000 aggregate principal**  
4 **amount of Port Revenue Bonds for the purpose of financing capital improvements**  
5 **related to Phase II of the James R. Herman Cruise Terminal Project located at Pier 27**  
6 **and for improvements to Northern Waterfront Historic Piers; authorizing the Port to**  
7 **cause the preparation of such documents necessary in connection with the issuance of**  
8 **said Port revenue bonds; stating the official intent of the Port to reimburse itself with**  
9 **tax-exempt bonds for expenditures made or to be made for the acquisition,**  
10 **construction, or improvement of the project; authorizing the Port to borrow funds on**  
11 **an interim basis from the City's commercial paper program; and related matters.**

12  
13 WHEREAS, Pursuant to Section 9.107(4) of the Charter (the "Charter") of the City, the  
14 Board of Supervisors of the City (the "Board") is authorized to provide for the issuance of  
15 revenue bonds by the Port Commission of the City and County of San Francisco (the "Port  
16 Commission") for any Port-related purpose and secured solely by Port revenues, such  
17 revenue bonds to be issued and sold in accordance with State law or any procedure provided  
18 for by ordinance; and

19 WHEREAS, Pursuant to the procedures outlined in a Ordinance No.258-09, adopted  
20 by the Board of Supervisors on December 8, 2009, and signed by the Mayor on December 9,  
21 2009 (the "Procedural Ordinance"), the Port Commission may issue its revenue bonds  
22 authorized in accordance with the Charter; and

23 WHEREAS, The Port has undertaken a project at Pier 27 for the development of a  
24 cruise terminal and public plaza (the "Cruise Terminal Project"); and in order to finance the  
25

1 costs of Phase II of the Project it is necessary for the Port to proceed with the issuance of its  
2 revenue bonds (the "Port Revenue Bonds"); and

3 WHEREAS, On May 14, 2013, the Port Commission adopted Resolution No. 13-19 to  
4 approve the issuance of the Port Revenue Bonds in an amount not to exceed \$25,300,000 for  
5 the Cruise Terminal Project, and authorized the Port to borrow funds from the City's  
6 commercial paper program in anticipation of the issuance of Port Revenue Bonds; and

7 WHEREAS, In order to pay for preliminary costs of the Project it may be necessary for  
8 the Port to borrow funds on an interim basis from the City's commercial paper program in  
9 anticipation of the issuance of Port Revenue Bonds; and

10 WHEREAS, The Port has paid, beginning on a date no earlier than 60 days prior to the  
11 adoption of this Resolution, and will pay, on and after the date hereof, certain expenditures  
12 (the "Expenditures") in connection with the acquisition, construction and/or equipping of the  
13 Cruise Terminal Project; and

14 WHEREAS, The Port Commission has determined that those moneys previously  
15 advanced no more than 60 days prior to the date hereof and to be advanced on and after the  
16 date hereof to pay the Expenditures are available only for a temporary period and it is  
17 necessary to reimburse the Port for the Expenditures from the proceeds of one or more issues  
18 of tax exempt bonds (herein referred to as the Port Revenue Bonds);

19 NOW, THEREFORE, BE IT RESOLVED by the Board of Supervisors of the City and  
20 County of San Francisco, as follows:

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

22 Section 2. Approval and Authorization of Port Revenue Bonds. The Board hereby  
23 approves the issuance by the Port of its Port Revenue Bonds for the purposes of paying the  
24 costs of Phase II of the Cruise Terminal Project and Northern Waterfront Historic Pier  
25 Structures Repair, as well as paying off any commercial paper issued in anticipation of the

1 Port Revenue Bonds and paying costs of issuance and other costs associated with the Port  
2 Revenue Bonds is hereby approved as required by Section 43.12.5 of the Procedural  
3 Ordinance. The total principal amount of the Port Revenue Bonds for the purposes herein  
4 authorized shall not exceed \$25,300,000.

5 Section 3. Official Intent to Reimburse. The Board hereby declares, on behalf of the  
6 Port, the intention to cause a reimbursement with the proceeds of the Port Revenue Bonds for  
7 the Expenditures with respect to the Cruise Terminal Project made on and after March 20,  
8 2013, which date is no more than 60 days prior to the date hereof. The Board reasonably  
9 expects on the date hereof that the Port will reimburse the Expenditures with the proceeds of  
10 the Port Revenue Bonds issued in accordance with Section 2 above. The Expenditure will be  
11 either (a) of a type properly chargeable to a capital account under general federal income tax  
12 principles (determined in each case as of the date of the Expenditure), (b) a cost of issuance  
13 with respect to the Port Revenue Bonds, (c) a nonrecurring item that is not customarily  
14 payable from current revenues, or (d) a grant to a party that is not related to or an agent of the  
15 Port so long as such grant does not impose any obligation or condition (directly or indirectly)  
16 to repay any amount to or for the benefit of the Port.

17 Section 5. Port Revenue Bonds; Authorization to Issue City Commercial Paper In  
18 Anticipation of Port Revenue Bonds. The Port is hereby authorized to cause such documents  
19 to be prepared in connection with the issuance of the Port Revenue Bonds; provided however,  
20 such documents shall not conflict with the provisions of the Procedural Ordinance and the  
21 Executive Director of the Port shall receive final approval from the Port Commission of the  
22 form of said documents, including the approval of any Official Statement, prior to the sale of  
23 the Port Revenue Bonds. In order to expedite work on the Cruise Terminal Project, the Port is  
24 also hereby authorized to borrow funds, on an interim basis, from the City's existing  
25

1 commercial paper program in an amount not to exceed \$19,500,000, such amount to be  
2 repaid with the proceeds of the Port Revenue Bonds authorized hereby.

3 Section 6. CEQA Findings. A Final Environmental Impact Report ("Final EIR") was  
4 prepared for the Cruise Terminal Project and this Board upheld the certification of the Final  
5 EIR on January 24, 2012 by its Motion No. M12-011 (which is on file with the Clerk of this  
6 Board in File No. 111359), and the Port Commission adopted Environmental Findings under  
7 the California Environmental Quality Act ("CEQA Findings") when it approved the Cruise  
8 Terminal Project by Port Commission Resolution No. 11-75 on December 16, 2011 (effective  
9 January 24, 2012), finding the Mitigation Measures in the Final EIR to be feasible and  
10 adopting the CEQA Findings and Mitigation Monitoring and Reporting Program for the Project,  
11 including the Statement of Overriding Considerations, which the Board of Supervisors  
12 incorporates herein by reference. The Port Commission hereby agrees to complete any  
13 additional findings required under CEQA for the Northern Waterfront Historic Pier Structures  
14 Repair prior to the expenditure of Port Bonds therefor.

15 Section 7. General Authority. The Mayor, the City Attorney, the Controller, the City  
16 Administrator, the Director of Public Finance, the Clerk of the Board and other officers of the  
17 City and their duly authorized deputies and agents are hereby authorized and directed, jointly  
18 and severally, to take such actions and to execute and deliver such certificates, agreements,  
19 requests or other documents as they may deem necessary or desirable to facilitate the  
20 execution and delivery of the Port Bonds and otherwise to carry out the provisions of this  
21 Resolution in accordance with its terms.

22 ///

23 ///

24 ///

25 ///

Mayor, Supervisor Chiu  
BOARD OF SUPERVISORS

1 Section 8. Ratification of Actions. All actions heretofore taken by officials, employees  
2 and agents of the City with respect to the sale and issuance of the Port Revenue Bonds are  
3 hereby approved, confirmed and ratified.

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

6  
7 By:

  
8 Mark D. Blake  
9 Deputy City Attorney

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

Department:  
Port

## EXECUTIVE SUMMARY

### Legislative Objectives

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

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

### Key Points

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

### Fiscal Impact

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

### Recommendation

- Approve the proposed ordinance.

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

**MANDATE STATEMENT / BACKGROUND****Mandate Statement**

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

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

**DETAILS OF PROPOSED LEGISLATION**

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

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

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

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

**Table 1  
Sources of Funds**

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

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



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

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

**Table 2**  
**Uses of Funds**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Port Revenue Bonds (File 13-0488)**

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

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

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

**Table 5**  
**Bond Issuance Costs**

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

Annual Debt Service

The Port estimates an interest rate of 4.53% on the proposed revenue bonds. Based on this interest rate, the Port estimates annual debt service on the proposed bonds of \$1.46 million. Over the 30-year term of the bonds, total estimated principal is \$24,270,500<sup>3</sup> and interest is \$18,996,854, totaling \$43,266,854.

The Port previously issued \$36,650,000 in revenue bonds in 2010 to finance improvements to Piers 19, 23,33, 35 and 50; construction of Phase I of the Cruise Terminal Projects, and other Port projects. The City will issue approximately \$38,460,000 in certificates of participation (COPs) to pay for Phase I of the Cruise Terminal Project and other projects related to the America's Cup venues.<sup>4</sup> If the proposed resolution is approved, the Port plans issuance of approximately \$24,270,500<sup>5</sup> in revenue bonds in 2013, for total debt of \$99,380,500.

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

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

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

Passenger Facility Charge and Port Bonding Capacity

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

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

<sup>4</sup> The COPS would pay back commercial paper used to fund the projects.

<sup>5</sup> Does not include \$1,000,000 for the reserve pending sale.

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

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

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

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

#### Revenue Bonds and Commercial Paper

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

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

#### Certificates of Participation

In April 2012 the Board of Supervisors approved issuance of \$45,000,000 in COPs to pay for Port capital projects (Resolution 152-12), including \$20,584,701 (see Table 3 above) for Phase I of the Cruise Terminal Project. The Office of Finance has not yet issued the COPs. According to the Director of Public Finance, the City will issue the COPs in the summer of 2013, subject to approval by the Board of Supervisors of future legislation authorizing a jurisdictional transfer of Pier 27 from the Port to the City's General Services Agency Real Estate Division<sup>8</sup>.

### **RECOMMENDATION**

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

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

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

OFFICE OF THE MAYOR  
SAN FRANCISCO



EDWIN M. LEE  
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors  
FROM: *EM* Mayor Edwin M. Lee *JE*  
RE: Resolution Approving Issuance of \$25,300,000 Port Revenue Bonds  
DATE: May 21, 2013

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

Please note this item is cosponsored by Supervisor Chiu.

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

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

cc. Supervisor David Chiu

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