

File No. 130885

Committee Item No. 8  
Board Item No. 17

## COMMITTEE/BOARD OF SUPERVISORS AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: 10/02/2013

Board of Supervisors Meeting

Date: OCTOBER 8, 2013

### Cmte Board

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<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
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### OTHER

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

1 [Certificates of Participation - Treasure Island Improvement Project - Not to Exceed  
2 \$13,500,000]

3 **Resolution authorizing the execution and delivery of not to exceed \$13,500,000 of**  
4 **Certificates of Participation (Certificates) or other forms of indebtedness to finance the**  
5 **cost of additions and improvements to the utility infrastructure at Treasure Island;**  
6 **authorizing the Director of Public Finance to cause the preparation of documents**  
7 **necessary for the execution and delivery of the certificates or other forms of**  
8 **indebtedness, including a Trust Agreement, a Property Lease, a Project Lease, Notice**  
9 **of Sale, Official Notice of Sale, an Official Statement and, if required, a Purchase**  
10 **Contract and such other necessary documents; authorizing the Director of Public**  
11 **Finance to cause the issuance of commercial paper certificates in an amount not to**  
12 **exceed \$13,500,000 in anticipation of the issuance of the certificates or other forms of**  
13 **indebtedness; granting general authority to City officials to take necessary actions in**  
14 **connection with the authorization, issuance, sale, and delivery of the certificates or**  
15 **other form of indebtedness and the Commercial Paper Certificates; approving**  
16 **modifications to documents and agreements; making California Environmental Quality**  
17 **Act findings, and a General Plan consistency determination; and ratifying previous**  
18 **actions taken in connection therewith.**

19 WHEREAS, On May 2, 1997, the Board of Supervisors (the "Board") passed  
20 Resolution No. 380-97 authorizing the Mayor's Treasure Island Project Office to establish a  
21 nonprofit public benefit corporation known as the Treasure Island Development Authority (the  
22 "Authority") to act as a single entity focused on the planning, redevelopment, reconstruction,  
23 rehabilitation, reuse and conversion of the former Naval Station Treasure Island (the  
24 "Development Project"); and  
25

1           WHEREAS, The Authority manages Treasure Island under the terms of a Cooperative  
2 Agreement; as amended and modified, and as currently dated October 1, 2012, by and  
3 between the Authority and the United States Department of the Navy, the Authority has  
4 agreed to assume certain responsibilities for the (i) operation and maintenance for the water,  
5 waste water, storm water, electric and gas utility systems (the "Utility Infrastructure") on former  
6 Naval Station Treasure Island, (ii) security and public health and safety services, (iii) grounds  
7 and street maintenance and repair, and (iv) property management and caretaker services;  
8 and

9           WHEREAS, The majority of the Utility Infrastructure at Treasure Island is fifty or more  
10 years of age and has not been the subject of capital improvement or renewal, and the  
11 accumulation of deferred maintenance and renewal capital needs has diminished the Utility  
12 Infrastructures' reliability and, if not addressed, such deferred maintenance could result in  
13 significant system failures which could present a threat to the safety and welfare of residents  
14 and other occupants of Treasure Island; and

15           WHEREAS, The Authority has entered into a Disposition and Development Agreement  
16 with the Treasure Island Community Development which provides for the Utility Infrastructure  
17 to be replaced over the next twenty years in connection with the Development Project; and

18           WHEREAS, The Board of the City and County of San Francisco (the "City") desires to  
19 finance the cost of construction and installation of certain additions and improvements related  
20 to the Utility Infrastructure at Treasure Island (the "Treasure Island Utility Improvement  
21 Project") to substantially extend the useful life of the Utility Infrastructure and to address its  
22 most critical maintenance, repair and renewal needs to increase system resiliency and  
23 reliability, and decreasing the likelihood of future utility service failure or disruption; and

24           WHEREAS, The Board of Supervisors has adopted Resolution 85-09 on March 17,  
25 2009 and signed by the Mayor on March 24, 2009, Resolution 136-10 on April 6, 2010 and

1 signed by the Mayor on April 14, 2010 and Resolution 247-13 adopted by the Board on July  
2 16, 2013 and signed by the Mayor on July 25, 2013 (collectively the "Program Resolutions")  
3 in connection with the establishment and expansion of a general fund backed commercial  
4 paper program (the "Program") with an authorization of not to exceed \$250,000,000 in  
5 aggregate principal amount of tax-exempt or taxable Commercial Paper Certificates  
6 ("Commercial Paper Certificates"), a portion of the proceeds of which will be applied toward  
7 the interim financing of the acquisition, construction and rehabilitation of capital improvements  
8 within or owned by the City, and the financing of vehicles and equipment (herein the "Capital  
9 Projects"); and

10 WHEREAS, The Board desires to authorize the Director of Public Finance to cause the  
11 preparation of documents required for the execution and delivery of one or more series of  
12 certificates of participation or other forms of fixed rated indebtedness (the "Obligations") to  
13 finance some of the costs of the Treasure Island Utility Improvement Project, including without  
14 limitation a trust agreement, a property lease, a project lease, a notice of sale, an official  
15 notice of sale, an official statement, and a purchase contract, as applicable, or other  
16 documents necessary to cause the issuance of the Obligations; and

17 WHEREAS, The Board also desires to authorize the Director of Public Finance to  
18 cause the issuance of Commercial Paper Certificates in anticipation of the issuance of the  
19 Obligations, and now, therefore, be it

20 RESOLVED, By the People of the City and County of San Francisco, as follows:

21 Findings. The Board hereby finds and determines that the recitals set forth above are  
22 true and correct.

23 Authorization of the Obligations. The Board hereby authorizes and directs the Director  
24 of Public Finance, acting for and on behalf of the City Controller (the "Director of Public  
25 Finance"), to cause the necessary documents to be prepared in connection with the issuance

1 of the Obligations. The Obligations will be delivered to fund (i) costs of the Treasure Island  
2 Utility Improvement Project, including repayment of the CP Notes and interest thereon issued  
3 for such purpose; (ii) a debt service or other similar reserve, as appropriate; (iii) capitalized  
4 interest, if any; and (iv) costs of issuance related to the execution and delivery of the  
5 Certificates. The Certificates shall be designated as "Certificates of Participation (Treasure  
6 Island Utility Improvement Project)," with such other or additional designation for other forms  
7 of indebtedness, including the year of execution and delivery, as determined by the Director of  
8 Public Finance.

9 The Obligations shall be issued in an aggregate principal amount of not to exceed  
10 Thirteen Million Five Hundred Thousand Dollars (\$13,500,000), shall bear interest at a true  
11 interest cost of not to exceed twelve percent (12%) per annum, and shall mature not greater  
12 than 25 years from the date of issue. The Director of Public Finance is hereby authorized, to  
13 the extent she deems it necessary or advisable and in the interests of the City, to procure  
14 credit enhancement for the Obligations, including but not limited to municipal bond insurance  
15 or a debt service reserve fund surety bond or other reserve fund instrument.

16 The Director of Public Finance is hereby authorized, to the extent she deems it  
17 necessary or advisable and in the interests of the City, to cause the preparation of documents  
18 necessary for the execution and delivery of the Certificates, including without limitation, a trust  
19 agreement, a property lease, a project lease, a notice of sale, an official notice of sale, an  
20 official statement, and a purchase contract, as applicable, and such other documents and  
21 instruments necessary to secure the delivery of the Obligations and receipt of the funds.

22 Sale of the Obligations. The Director of Public Finance is hereby authorized to sell the  
23 Obligations by competitive or negotiated sale. If the Director of Public Finance determines to  
24 sell the Obligations by negotiated sale, the Director of Public Finance is authorized to appoint  
25 one or more financial institutions to act as underwriter for the Obligations in accordance with

1 City policies and procedures, including but not limited to the City's policy to provide locally  
2 disadvantaged business enterprises an equal opportunity to participate in the performance of  
3 all City contracts. Notwithstanding anything herein to the contrary, before the sale of any  
4 Obligations, the Director of Public Finance shall return to the Board with substantially final  
5 documents, including without limitation any official statement prepared in connection with the  
6 Obligations, for the Board's consideration and approval.

7 Authorization of Commercial Paper Certificates. Before the execution and delivery of  
8 the Obligations, the Director of Public Finance is hereby authorized and directed to cause the  
9 execution of the City's Commercial Paper Certificates in an amount not to exceed Thirteen  
10 Million Five Hundred Thousand Dollars (\$13,500,000) to finance some or all of the Treasure  
11 Island Utility Improvement Project, such Commercial Paper Certificates to be issued in  
12 accordance with City policies and retired with proceeds of the Obligations or other available  
13 funds.

14 Treasure Island Utility Improvement Project. The Authority, working with the SFPUC, is  
15 authorized and directed to expend the proceeds of the Certificates and/or the Commercial  
16 Paper Certificates on upgrades and improvements to the Utility Infrastructure, in accordance  
17 with a prioritization of work as determined by the Authority Director and the SFPUC General  
18 Manager.

19 Additional Reporting and Financial Plan. The Authority shall submit a report to the  
20 Board of Supervisors' Budget and Finance Committee during the annual budget review  
21 process each year that details the General Fund share of annual debt service requested for  
22 TIHDI residents, and provide to the Committee a 10-year financial plan that coincides with the  
23 debt service on any Certificates of Participation issued in connection with the Treasure Island  
24 Utility Improvement Project. In connection with any General Fund subsidy, other than the  
25

1 subsidy for TIHDI residents, the Board of Supervisors will require the Authority to enter into an  
2 memorandum of understanding with the City to reimburse the General Fund.

3 General Authority. The Mayor, the City Treasurer, the City Attorney, the City  
4 Controller, the City Administrator, the Director of Public Finance, the Clerk, the Authority  
5 Director, and the SFPUC General Manager, and other officers of the City and their duly  
6 authorized deputies, designees and agents are hereby authorized and directed, jointly and  
7 severally, to take such actions and to execute and deliver such certificates, agreements,  
8 requests or other documents as they may deem necessary or desirable to accomplish the  
9 purposes of this Resolution, including but not limited to the execution and delivery of the  
10 documents for the Obligations, the Commercial Paper Certificates, and the Treasure Island  
11 Utility Improvement Project, to obtain bond insurance or other credit enhancements, to obtain  
12 title insurance, to clear any encumbrances to title and to carry out other title work.

13 Additional Actions. The Mayor, the City Treasurer, the City Controller, the Director of  
14 Public Finance, the Authority Director, and the SFPUC General Manager, each are hereby  
15 authorized to take such actions and prepare such documents, upon consultation with the City  
16 Attorney, as may be necessary or desirable and in the interests of the City in connection with  
17 execution, delivery and performance of the Obligations, Commercial Paper Certificates, and  
18 the Treasure Island Utility Improvement Project.

19 CEQA. On April 21, 2011, the Planning Commission by Motion No. 18325, and the  
20 TIDA Board of Directors by Resolution No. 11-14, as co-lead agencies, certified the  
21 completion of the Final Environmental Impact Report for the Development Project (the "EIR").  
22 The Board of Supervisors then adopted Resolution No. 246-11, making findings under the  
23 California Environmental Quality Act ("CEQA"), including a mitigation monitoring and reporting  
24 program and a statement of overriding considerations, which Resolution is on file with the  
25 Clerk of the Board of Supervisors in File No. 110328. The Development Project contemplated

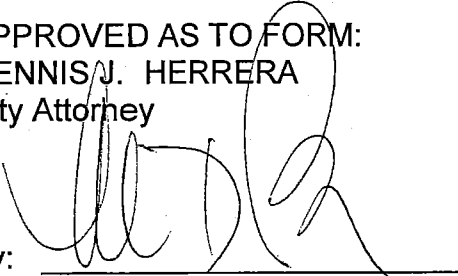
1 and the EIR considered the ongoing use, maintenance and repair of the Utility Infrastructure  
2 to the date of replacement. The Board of Supervisors finds that since the EIR was finalized,  
3 there have been no substantial project changes and no substantial changes in project  
4 circumstances that would require revisions to the EIR due to the involvement of new  
5 significant environmental effects or an increase in the severity of previously identified  
6 significant impacts, and there is no new information that would change the conclusions set  
7 forth in the EIR. The Board of Supervisors further finds that its General Plan consistency  
8 determination, on file with the Clerk of the Board of Supervisors in File No. 110228, applies to  
9 the Treasure Island Utility Improvement Project.

10 Partial Invalidity. Any provision of this Resolution found to be prohibited by law shall be  
11 ineffective only to the extent of such prohibition, and shall not invalidate the remainder of this  
12 Resolution.

13 Ratification of Prior Actions. All actions authorized and approved by this Resolution but  
14 heretofore taken are hereby ratified, approved and confirmed by the Board.

15 APPROVED AS TO FORM:  
16 DENNIS J. HERRERA  
17 City Attorney

18  
19 By:

20   
21 MARK D. BLAKE  
22 Deputy City Attorney

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<p><b>Items 6, 7, 8 and 9</b>  <b>Files 13-0883, 13-0884, 13-0885</b>  <b>and 13-0086</b></p>	<p><b>Departments:</b>  Treasure Island Development Authority (TIDA)  Public Utilities Commission (PUC)</p>
<b>EXECUTIVE SUMMARY</b>	
<p><b>Legislative Objective</b></p> <p><u>File 13-0884</u> is a resolution approving a one-year extension of the Cooperative Agreement between the U.S. Navy and the Treasure Island Development Authority (TIDA) from October 1, 2013 through September 30, 2014.</p> <p><u>File 13-0886</u> is a resolution approving a Memorandum of Understanding (MOU) between TIDA and the San Francisco Public Utilities Commission (PUC) for PUC to provide utilities services and maintain and operate utility infrastructure on Treasure Island and Yerba Buena Island.</p> <p><u>File 13-0885</u> is a resolution authorizing the City's Director of Public Finance to issue \$13,500,000 in Certificates of Participation (COPS) to pay for utility infrastructure improvements.</p> <p><u>File 13-0883</u> is an ordinance appropriating \$13,500,000 in COPS proceeds to finance utility infrastructure improvement projects on Treasure Island and Yerba Buena Island.</p> <p><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• TIDA has a Cooperative Agreement with the Navy, in which TIDA provides caretaker services for former naval base properties on Treasure Island and Yerba Buena Island pending transfer of these properties to TIDA. File 13-0884 would extend the existing Cooperative Agreement by one-year from October 1, 2013 through September 30, 2014.</li> <li>• The PUC maintains and operates electricity, gas, water, wastewater and stormwater utilities on Treasure Island and Yerba Buena Island but has not previously entered into an MOU with TIDA for these services. File 13-0886 would approve the proposed MOU between TIDA and the PUC for one year from October 1, 2013 through September 30, 2014, which establishes the terms for the PUC to provide these services.</li> <li>• The PUC has identified costs for improvements to the utility infrastructure on Treasure Island and Yerba Buena Island of up to \$47 million over ten years. Because the utility infrastructure is currently owned by the Navy, and is not a PUC asset, PUC cannot fund these improvements with ratepayer revenues.</li> <li>• Under the Development and Disposition Agreement between TIDA and the master developer, Treasure Island Community Development, LLC, the master developer is responsible for all utility infrastructure improvements over 20 years of the development project, but because the Navy has not yet conveyed the Treasure Island and Yerba Buena Island properties to TIDA, the development project has not yet begun.</li> <li>• The City's Capital Planning Committee has approved a \$10 million TIDA Utility Infrastructure Project to maintain the reliability and safety of utility services until new systems are constructed through the development project. TIDA proposes to finance the cost, because neither the PUC nor the master developer is responsible for this project. The proposed resolution (File 13-0885) would authorize the Director of Public Finance to issue \$13,500,000 in COPS to finance the utilities infrastructure projects, and TIDA would pay debt service on the COPS from TIDA's future revenues.</li> </ul>	

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

#### **Fiscal Impact**

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

#### **Policy Consideration**

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

#### **Recommendations**

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

## MANDATE STATEMENT

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

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

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

## BACKGROUND

### Treasure Island Cooperative Agreement

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

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

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

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

#### Development and Disposition Agreement

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

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

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

#### Memorandum of Agreement

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

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

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

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

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

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

**File 13-0885** is a resolution:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

##### *Utility Infrastructure Improvements*

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

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

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

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

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

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

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

#### Financing the Utility Infrastructure Improvements

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

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

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

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

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

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

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

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

#### *Interest Rates and Maturity*

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

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

#### *Sale of COPS*

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

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

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

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

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



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

## FISCAL IMPACT

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

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

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

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

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

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

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

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

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

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

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

## POLICY CONSIDERATION

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

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

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

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

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

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

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

### Recommendations

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

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

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

- (a) Submit a 10-year financial plan to the Board of Supervisors to coincide with the projected debt service on the subject COPS at the same time that the Director of Public Finance submits the financial documents prior to the issuance of the COPS; and
- (b) Enter into a separate MOU with the City to reimburse the General Fund for the potential future General Fund subsidies, other than the subsidy for the TIHDI residents, that may be required to meet TIDA's future annual debt service on the COPS.

## RECOMMENDATIONS

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

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

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

**Debt Service Schedule**

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



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

- (1) Resolution authorizing the execution and delivery of not to exceed \$[13,500,000] of Certificates of Participation or other forms of indebtedness to finance the cost of additions and improvements to the Utility Infrastructure System at Treasure Island; authorizing the Director of Public Finance to cause the preparation of documents necessary for the execution and delivery of the Certificates or other forms of indebtedness, including a Trust Agreement, a Property Lease, a Project Lease, Notice of Sale, Official Notice of Sale, an Official Statement and, if required, a Purchase Contract and such other necessary documents; authorizing the Director of Public Finance to cause the issuance of Commercial Paper Certificates in an amount not to exceed \$[13,500,000] in anticipation of the issuance of the Certificates or other forms of indebtedness; granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale and delivery of the Certificates or other form of indebtedness and the Commercial Paper Certificates; approving modifications to documents and agreements; making CEQA findings and a General Plan consistency determination, and ratifying previous actions taken in connection therewith.**
  
- (2) Ordinance appropriating \$13,500,000 of Certificate of Participation (COPs) proceeds to finance improvements to the Utility System Infrastructure at the Treasure Island beginning in Fiscal Year 2013-2014.**

**SUMMARY OF PROPOSED ACTION:**

The proposed resolution would authorize the Director of Public Finance to execute and deliver of Certificates of Participation (COPs) or other forms of indebtedness and the proposed ordinance would appropriate the proceeds of that debt issuance to allow TIDA, working with the SFPUC, to address the most vulnerable elements of the existing utility systems on Treasure Island and Yerba Buena Island to increase system resiliency and reliability.

**BACKGROUND:**

In 1993, Naval Station Treasure Island ("NSTI"), consisting of both Treasure Island and portions of Yerba Buena Island, was designated for closure and disposition by the Base Realignment and Closure Commission acting under Public Law 101-510 and its subsequent amendments.

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

The SFPUC has provided utility services on NSTI on behalf of TIDA, including delivery of electricity, gas, and water services to the occupants and users of NSTI; the operation and maintenance of the existing wastewater treatment plant and related facilities and pipe network on NSTI; and the operation and maintenance of the existing storm water collection system and pump stations. Because the utility related facilities are not owned by the City or TIDA and have not been accepted by the Board of Supervisors pursuant to City ordinances, these utilities are not under the jurisdiction of the SFPUC.

The SFPUC has performed utility services for TIDA to the extent it can be reimbursed by NSTI utility revenues imposed or collected by TIDA or the SFPUC, or other TIDA revenues. Given the state of the existing infrastructure, however, the needed system improvements exceed available resources. The majority of the utility infrastructure on NSTI is fifty or more years of age and has not benefitted from capital improvement or renewal. As a result, the accumulation of deferred maintenance and renewal capital needs has diminished the utility systems' reliability.

With approval of the Board of Supervisors, TIDA has entered into a Disposition and Development Agreement with Treasure Island Community Development (TICD) for the proposed development of NSTI, including (1) up to 8,000 new residential units, at least 25 percent of which (2,000 units) will be affordable, (2) adaptive reuse of approximately 311,000 square feet of historic structures, (3) up to approximately 140,000 square feet of new retail uses and 100,000 square feet of commercial office space, (4) approximately 300 acres of parks and open space, (5) new and/or upgraded public facilities, including a joint police/fire station, a school, facilities for the Treasure Island Sailing Center and other community facilities, (6) a 400-500 room hotel, and (7) landside improvements for a new 400 slip marina (the "Project").

Pending construction, dedication and acceptances of new utility systems, TIDA desires to finance the cost of constructing and installing certain additions and improvements to address the most critical maintenance, repair and renewal needs of the existing utility infrastructure, increasing system resiliency and reliability, and decreasing the likelihood of future utility service disruptions. The SFPUC has worked with TIDA to identify capital improvements to the existing infrastructure to improve utility systems reliability and resiliency throughout the redevelopment of NSTI. The Public Finance Director, working with TIDA and the SFPUC, has developed a proposal for financing up to \$13,500,000 through Certificates of Participation to fund interim improvements to the utility systems.

The SFPUC has prepared an assessment and estimated costs for the most immediate necessary capital improvements for the existing water, gas, electric, storm water and wastewater utilities on NSTI, including system reliability, regulatory compliance, and public/worker safety. The SFPUC and TIDA will meet and review the identified needs and establish priority projects for implementation subject to the authorization of financing. SFPUC will implement those capital repair and improvement projects authorized by TIDA. The SFPUC shall recommend to TIDA supplemental budgets as needed to perform the repairs and improvements and the agencies will meet and discuss all recommended repairs and upgrades.



Authorization to finance up to \$13,500,000 is proposed to address critical near term repairs to the existing infrastructure. The proposal is intended to support project costs of \$10,000,000, and total appropriations/certificates of participation issuance, including reserves, commercial paper interest, and other issuance costs, is projected not to exceed \$13,500,000.

In working with the Public Finance Director, it is proposed that initial financing will be generated through the City's Commercial Paper program, and the projects constructed over a two to three year period. At the completion of construction, the obligation would likely be refinanced using Certificates of Participation and repayment of the obligation would commence anticipated to start in fiscal year 2018. Repayment of the obligation would occur over a 10 year period and the projected average annual debt service, including principal and interest, would be \$1,503,668.40.

Revenues to meet the debt service obligation are intended to be generated from the residential, commercial and governmental utility users on NSTI through utility charges imposed or collected by TIDA, common area fees on Federal and/or commercial utility users, and potentially other TIDA revenues. TIDA and SFPUC will meet and confer on a regular basis to review charges and payment amounts and recommend changes if appropriate. It is anticipated that a general fund appropriation will be sought to cover the share of the debt service that would otherwise be borne by residents of units controlled by the Treasure Island Homeless Development Initiative and its partnering supportive and below market rate housing providers.

At its meeting of September 9, 2013, the Capital Planning Committee reviewed the proposed resolution and ordinance and voted to recommend their approval.

**ACCOMPANYING LEGISLATION:**

This resolution and ordinance to finance Treasure Island Utility Improvements have been prepared and introduced in conjunction with two related resolutions - renewing the Cooperative Agreement between TIDA and the Navy and approving the execution of a Memorandum of Understanding ("MOU") between TIDA and the San Francisco Public Utilities Commission ("SFPUC").

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

TIDA and the SFPUC have negotiated an MOU documenting their respective roles for the provision of utility services under the Cooperative Agreement and submitted to the Board of Supervisors a resolution authorizing execution of the MOU. The Cooperative Agreement between TIDA and the Navy includes Functional Annexes that describe in detail TIDA's duties under Agreement. Functional Annex 6 – Utilities Services – describes Caretaker responsibilities for the operation and maintenance of utilities systems at NSTI that TIDA is responsible to provide.

The SFPUC has provided utility services on NSTI on behalf of TIDA since 1997 without a written agreement with TIDA, including delivery of electricity, gas, water, stormwater and the operation and maintenance of the existing wastewater treatment plant and related facilities and pipe network on NSTI. The proposed MOU utilizes the provisions of Functional Annex 6 as the basis for defining the parties' roles in the provision of utility services.

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

**RECOMMENDATION:**

Approval of the proposed financing resolution and supplemental appropriation ordinance is requested to allow TIDA, working with the SFPUC, to address the most vulnerable components of the utility systems on the NSTI thereby increasing system resiliency and reliability.

Robert Beck, Treasure Island Director

OFFICE OF THE MAYOR  
SAN FRANCISCO



EDWIN M. LEE  
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors  
FROM: *for* Mayor Edwin M. Lee *ja*  
RE: Certificates of Participation (Treasure Island Improvement Project)  
DATE: September 17, 2013

RECEIVED  
BOARD OF SUPERVISORS  
SAN FRANCISCO  
2013 SEP 17 PM 6:12

Attached for introduction to the Board of Supervisors is the resolution authorizing the execution and delivery of not to exceed \$13,500,000 of Certificates of Participation or other forms of indebtedness to finance the cost of additions and improvements to the Utility Infrastructure System at Treasure Island; authorizing the Director of Public Finance to cause the preparation of documents necessary for the execution and delivery of the Certificates or other forms of indebtedness, including a Trust Agreement, a Property Lease, a Project Lease, Notice of Sale, Official Notice of Sale, an Official Statement and, if required, a Purchase Contract and such other necessary documents; authorizing the Director of Public Finance to cause the issuance of Commercial Paper Certificates in an amount not to exceed \$13,500,000 in anticipation of the issuance of the Certificates or other forms of indebtedness; granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale and delivery of the Certificates or other form of indebtedness and the Commercial Paper Certificates; approving modifications to documents and agreements; making CEQA findings and a General Plan consistency determination, and ratifying previous actions taken in connection therewith.

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

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



## Presentation to Budget & Finance Committee

October 2, 2013

Treasure Island Development Authority



### Calendar Items

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

## **Proposed Order of Presentation**

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

## **Cooperative Agreement**

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

## **TIDA – SFPUC MOU**

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

## **TIDA – SFPUC MOU**

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

## **Existing Utilities Infrastructure**

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

## **Proposed Financing**

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



## **Proposed Utility Priorities**

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

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

## **Financing – Proposed Structure**

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

## Financing – Repayment

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

## Financing – Supplemental Appropriation

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

## **Capital Planning Committee Endorsement**

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

## **Treasure Island Utility Improvement Project**

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*Questions?*

