

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1150, San Francisco, CA 94102 (415) 552-9292
 FAX (415) 252-0461

March 23, 2012

TO: Budget and Finance Sub-Committee
FROM: Budget and Legislative Analyst
SUBJECT: March 28, 2012 Budget and Finance Sub-Committee Meeting

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Item 5
File 12-0201

Department:
Controller's Office of Public Finance (OPF)

EXECUTIVE SUMMARY

Legislative Objective

- Proposed resolution authorizing (a) the issuance of Equipment Lease Revenue Bonds in an amount not-to-exceed \$10,500,000 to fund the purchase of various equipment, and (b) various related financing documents.

Key Points

- In June of 1990, the voters of San Francisco approved Proposition C which permits the City to issue Equipment Lease Revenue Bonds to acquire equipment for City Departments, subject to a maximum of \$20,000,000 of such bonds being outstanding at any one time. However, Proposition C provided for a five percent annual increase in the maximum amount of outstanding bonds, such that the current maximum amount of outstanding bonds allowable is \$55,719,252.
- The City previously issued \$172,285,000 in Equipment Lease Revenue Bonds and repaid \$146,070,000, such that the current amount of outstanding bonds is \$26,215,000 (\$172,285,000 less \$146,070,000), or \$29,504,252 less than the maximum amount of outstanding bonds of \$55,719,252.
- The proposed issuance of Equipment Lease Revenue Bonds would finance the purchase of 148 pieces of equipment which were approved by the Board of Supervisors in the FY 2011-2012 budget. The equipment proposed to be financed would be provided to 11 City General Fund departments, including the (a) Adult Probation, (b) District Attorney, (c) Fire Department, (d) Juvenile Probation, (e) Police Department, (f) Department of Public Health, (g) Department of Public Works, (h) Recreation and Park Department, (i) Department of Elections, (j) Sheriff's Department, and (k) Department of Human Services.
- Ms. Nadia Sesay, Director of the Office of Public Finance, anticipates issuing \$10,205,000 in Equipment Revenue Bonds, or \$295,000 less than the proposed not-to-exceed amount of \$10,500,000 in order to allow for interest rate fluctuations which may occur in the financial markets. The anticipated issuance of \$10,205,000 includes (a) \$8,780,730 for equipment purchases as previously approved by the Board of Supervisors in the FY 2011-2012 budget, and (b) \$1,424,270 in financing costs.

Fiscal Impact

- The debt service on the proposed Equipment Lease Revenue Bonds, which is estimated to average \$1,750,815 per year over six years, payable from October 1, 2012 through and including April 1, 2018, or a total of \$10,504,890, including \$10,205,000 in principal and \$299,890 in interest expense. Such debt service would be paid by the eleven City General Fund departments who acquire the equipment. All debt service expenditures would be subject to annual appropriation approval by the Board of Supervisors in future year budgets of the City.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT**Mandate Statement**

In June of 1990, San Francisco voters approved Proposition C, a Charter Amendment which authorized the Board of Supervisors to approve lease-financing of equipment purchases for the City through a non-profit corporation, the San Francisco Finance Corporation. The equipment leased by the City is purchased by the San Francisco Finance Corporation from the proceeds of Equipment Lease Revenue Bonds. Proposition C also imposed a maximum amount of \$20,000,000 in such outstanding bonds at any one time. However, Proposition C provided for a five percent annual increase in the maximum amount of outstanding bonds, such that as of July 1, 2011, the maximum amount of outstanding bonds allowable is \$55,719,252.

Background

According to Ms. Nadia Sesay, Director of the Office of Public Finance, since FY 1990-1991 the San Francisco Finance Corporation has issued Equipment Lease Revenue Bonds each year, on behalf of the City, for the procurement of equipment on an annual basis, with four exceptions.¹

According to Ms. Sesay, the City benefits from debt financing the purchase of equipment because debt financing allows the cost of purchasing the equipment to be spread over the useful life of the assets.

The City, through the San Francisco Finance Corporation, has previously issued \$172,285,000 in Equipment Lease Revenue Bonds and has repaid \$146,070,000 of the outstanding debt, such that the current outstanding bond amount is \$26,215,000 (\$172,285,000 less \$146,070,000), or \$29,504,252 less than the maximum allowable amount of outstanding bonds of \$55,719,252.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize (a) the issuance of Equipment Lease Revenue Bonds in an amount not-to-exceed \$10,500,000 to fund the purchase of 148 pieces of various equipment for 11 City departments, and (b) related financing documents.

Although the proposed resolution would authorize the issuance of a not-to-exceed amount of \$10,500,000 in Equipment Lease Revenue Bonds, Ms. Sesay estimates issuing \$10,205,000 in Equipment Lease Revenue Bonds, or \$295,000 less than the not-to-exceed amount of \$10,500,000. The maximum \$10,500,000 amount would allow for interest rate fluctuations in market conditions until the time of the bond issuance. Ms. Sesay anticipates issuing the proposed bonds on, or about, April 3, 2012.

¹According to Ms. Sesay, bonds were not issued in FY 1996-1997, FY 2000-2001, FY 2004-2005, and FY 2008-2009 because either (a) budget constraints caused the Mayor to cancel the issuance, or (b) sufficient budgeted funds were available to purchase the equipment on a cash basis.

The Table below, provided by Ms. Sesay, identifies the dollar value of equipment to be purchased by each of 11 City departments, under the proposed issuance of \$10,205,000 in Equipment Lease Revenue Bonds, including (a) \$8,780,730 in equipment, and (b) \$1,424,270 in financing costs.

Table: Uses of Bond Proceeds

Equipment	
Adult Probation	\$94,170
District Attorney	114,710
Fire	1,097,508
Juvenile Probation	84,602
Police	479,600
Public Health	1,775,748
Public Works	1,668,075
Recreation and Park	1,843,821
Elections	180,000
Sheriff	597,684
Human Services	844,812
Subtotal	\$8,780,730
Financing Costs	
Debt Service Reserve Fund	1,020,500
Capitalized Interest	49,151
Costs of Issuance	354,619
Subtotal	\$1,424,270
Total	\$10,205,000

The Attachment provided by Ms. Sesay, identifies the 148 specific pieces of equipment and related costs of such equipment to be purchased by each of the eleven City departments and to be financed by the proposed Equipment Lease Revenue Bonds. All of this equipment, having a total estimated cost of \$8,780,730, was previously approved by the Board of Supervisors in the City's FY 2011-2012 budget. According to Ms. Angela Whittaker, Compliance and Administrative Officer, Office of Public Finance, for most of the equipment shown in Attachment I, the City departments will take delivery over a period of time that extends through April 2013.

FISCAL IMPACTS

Ms. Sesay estimates that the anticipated Equipment Lease Revenue Bond issuance totaling \$10,205,000 will have an estimated interest rate of 2.60 percent and a term of six years, from 2012 to 2018. City lease payments are scheduled to begin October 1, 2012 and are payable through and including April 1, 2018.

Total debt service for the \$10,205,000 in proposed bonds over the six year term is estimated to cost \$10,504,890, including \$10,205,000 in principal and \$299,890 in interest, with average annual debt service of \$1,750,815 over the six-year period. All of the equipment shown in the Attachment was previously approved by the Board of Supervisors in the FY 2011-2012 budget. Debt service costs are subject to Board of Supervisors appropriation approval annually in future year budgets of the City through FY 2017-2018.

RECOMMENDATION

Approve the proposed resolution.

Dept.	Equipment	Use ful Life	Units	Unit Cost	Total Cost	Dept. Total	Estimated Delivery Date	Equip. Budget #
Adult Probation Department	Mini Van	1	\$	28,470	\$ 28,470		04/30/12	AP1201N
	Sedan Midsize-Hybrid Toyota Camry	2	\$	32,850	\$ 65,700	94,170	04/30/12	AP1202N
District Attorney	Toyota Prius hybrid sedan	1	\$	23,470	\$ 23,470		05/30/12	DA1202R
	Ford Crown Victoria	4	\$	22,810	\$ 91,240	114,710	05/30/12	DA1203R
Fire Department	Fire Engine	2	\$	548,754	\$ 1,097,508	1,097,508	05/01/13	FC1210R
Juvenile Probation	Large-capacity van	1	\$	38,325	\$ 38,325		06/01/12	JV1215R
	Mid-size hybrid	1	\$	23,467	\$ 23,467		06/01/12	JV1216R
	Cage vehicle, enforcement	1	\$	22,810	\$ 22,810	84,602	06/01/12	JV1217R
Police Department	Marked police vehicles	7	\$	52,800	\$ 369,600		06/30/12	PC1209R
	Marked police motorcycles (street)	4	\$	27,500	\$ 110,000	479,600	05/30/12	PC1210R
Department of Public Health	Light Source for Olympus Endoscopes CV 180	1	\$	42,670	\$ 42,670		05/01/12	HP1220R
	T-Probe	1	\$	27,101	\$ 27,101		05/01/12	HP1221R
	Portable DR Unit - Shimadzu Mobile	1	\$	252,704	\$ 252,704		05/01/12	HP1222N
	Vivid Echocardiography console	1	\$	65,591	\$ 65,591		05/01/12	HP1223R
	Ultrasound Machine in ED S ICU	1	\$	42,765	\$ 42,765		05/01/12	HP1224R
	Patient Monitors ED MP70	15	\$	39,420	\$ 591,300		05/01/12	HP1225R
	M50s Mobile Transport Monitors	1	\$	26,259	\$ 26,259		05/01/12	HP1226N
	Portable Unit - Shimadzu Mobile (x2)	2	\$	51,569	\$ 103,138		05/01/12	HP1227R
	12 MP70 Bedside Patient Vital Signs Monitors	12	\$	38,474	\$ 461,690		05/01/12	HP1228R
	Anesthesia Machine Aestiva/5 7900	1	\$	103,858	\$ 103,858		05/01/12	HP1229R
	Ford Fleet Minivan	1	\$	26,280	\$ 26,280		06/01/12	HP1230R
	2011 Ford E-250 Cargo 3-Door Commercial Van	1	\$	32,392	\$ 32,392	1,775,748	06/01/12	HP1231N
Department of Public Works	SWEEPERS AIR CNG	3	\$	322,061	\$ 966,184		08/01/12	PW1217R
	PICKUPS MINI	2	\$	31,152	\$ 62,303		07/01/12	PW1218R
	2 Axel Dump	2	\$	118,760	\$ 237,520		08/01/12	PW1219R
	Back hoe	1	\$	100,740	\$ 100,740		08/01/12	PW1220R
	Pick up 3/4 Ton w/ lumber racks	2	\$	43,723	\$ 87,447		07/01/12	PW1221R
	3/4 Ton Pickup Truck	1	\$	43,723	\$ 43,723		07/01/12	PW1222R
	Spray Truck	1	\$	98,550	\$ 98,550		08/01/12	PW1223N
	STAKE BED	1	\$	71,608	\$ 71,608	1,668,075	08/01/12	PW1224R
Recreation & Parks	Ford Ranger	1	\$	24,090	\$ 24,090		05/01/12	RP1205N
	Nissan Leaf Electric Vehicle and Chargers	4	\$	39,420	\$ 157,680		06/01/12	RP1206N
	TORO 5910 ROTARY MOWER	1	\$	104,025	\$ 104,025		06/01/12	RP1207R
	PETERBILT 348 3 AXLE 26 TON CRANE 92' & JIB	1	\$	312,075	\$ 312,075		09/01/12	RP1208R
	Toro Workman	1	\$	30,660	\$ 30,660		06/01/12	RP1209R
	ZIEMAN TRAILER 2324	1	\$	22,995	\$ 22,995		06/01/12	RP1210R
	JOHN DEERE 5105M	1	\$	164,250	\$ 164,250		06/01/12	RP1211R
	TORO 648 AERATOR	1	\$	29,565	\$ 29,565		06/01/12	RP1212R
	TORO 648 AERATOR	1	\$	29,565	\$ 29,565		06/01/12	RP1213R
	Toro Workman, 4WD	1	\$	26,280	\$ 26,280		06/01/12	RP1214R
	JOHN DEERE 5085M	1	\$	58,035	\$ 58,035		06/01/12	RP1215R
	Ford E350, 8 passenger van	1	\$	30,660	\$ 30,660		05/01/12	RP1216R
	FORD F450	1	\$	45,990	\$ 45,990		06/01/12	RP1217R
	Skyjack 3369LE Scissor Lift	1	\$	37,071	\$ 37,071		09/15/12	RP1218N
	65' Aerial Lift	1	\$	290,175	\$ 290,175		09/15/12	RP1219R
	Ford Transit Connect	1	\$	52,560	\$ 52,560		06/01/12	RP1220R
	Toro Workman, 4WD	1	\$	26,280	\$ 26,280		06/01/12	RP1221R
	VAN Ford Transit Connect	1	\$	52,560	\$ 52,560		05/01/12	RP1222R
	FORD F250	1	\$	35,040	\$ 35,040		06/01/12	RP1223R
	AERATOR RYAN GREENAIRE TYPE	1	\$	26,280	\$ 26,280		05/01/12	RP1224N
	FORD F250	1	\$	52,560	\$ 52,560		05/01/12	RP1225R
	Ford F150	1	\$	30,660	\$ 30,660		06/01/12	RP1226R
	VAN Ford Transit Connect	1	\$	35,040	\$ 35,040		06/01/12	RP1227R
	Infield Rake - Diamond Pro	1	\$	24,090	\$ 24,090		05/01/12	RP1228R
	Ford F250	1	\$	52,560	\$ 52,560		05/01/12	RP1229R
	Ford F150 XL	1	\$	30,660	\$ 30,660		05/01/12	RP1230R
	FORD F250	1	\$	35,040	\$ 35,040		05/01/12	RP1231R
	Ford Ranger	1	\$	27,375	\$ 27,375	1,843,821	05/01/12	RP1232R
Department of Elections	Aquila Ballot Scoring Machine	1	\$	180,000	\$ 180,000	180,000	05/30/12	RG1201N
Sheriff's Department	ADA compliant van-Marked	1	\$	82,125	\$ 82,125		11/30/12	SH1201R
	Inmate transport bus-Marked	1	\$	328,500	\$ 328,500		09/30/12	SH1202R
	Unmarked car-Fusion	1	\$	35,040	\$ 35,040		04/30/12	SH1203R
	Unmarked car-Crown Vic	1	\$	31,021	\$ 31,021		04/30/12	SH1204R
	Emergency Generator	1	\$	76,650	\$ 76,650		04/30/12	SH1205R
	Mobile Booking/IT Vehicle	1	\$	44,348	\$ 44,348	597,684	04/30/12	SH1206R
Human Services	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1203R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1204R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1205R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1206R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1207R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1208R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1209R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1210R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1211R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1212R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1213R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1214R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1215R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1216R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1217R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1218R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1219R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1220R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1221R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1222R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1223R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1224R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1225R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1226R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1227R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1228R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1229R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1230R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1231R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1232R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1233R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1234R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1235R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1236R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467		05/30/12	SS1237R
	Mid-size sedan, Toyota Prius	1	\$	23,467	\$ 23,467	844,812.00	05/30/12	SS1238R
Total					8,780,730	\$ 8,780,730		

Item 6 File 12-0124	Department: Port of San Francisco
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The Port is proposing to enter into a sixth amendment to an existing lease agreement with BAE Systems San Francisco Ship Repair (BAE Systems), in which the Port would pay BAE Systems a not-to-exceed amount of \$5,700,000 to install new shoreside power equipment (Shoreside Power Project) on their leased property at Pier 70. BAE Systems would be responsible for ongoing maintenance and operation of the Shoreside Power Project. Because BAE Systems would select a contractor to install the Shoreside Power Project without undergoing the City's normal competitive bid process, as required by the Administrative Code, including complying with the City's Local Business Enterprise (LBE) requirements, the Port is requesting approval of the proposed ordinance to exempt the sixth amendment from both the City's competitive bidding and LBE contracting requirements. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The Shoreside Power Project is necessary to mitigate the environmental impact of the Pier 27 Cruise Terminal and 34th America's Cup (AC34). According to the Final Environmental Impact Report (EIR) for the Pier 27 Cruise Terminal and AC34, approved by the Board of Supervisors in January 2012, the construction of the Pier 27 Cruise Terminal would result in increased emission of pollutants and violate air quality standards. • To mitigate this impact, the Port must construct a 12 megawatt power system to serve ships berthing in the drydock at Pier 70 (Shoreside Power Project). The Shoreside Power Project would reduce emissions by allowing ships berthed in the drydock to use power from the City's electrical grid rather than generating power on board through diesel or other generators. To meet AC34 project timelines, the Shoreside Power Project at Pier 70 must be complete and operable by September 2012. • The Port is requesting that BAE Systems be authorized to award a contract for the construction and installation of the equipment for the Shoreside Power Project. BAE Systems will be responsible for maintaining and operating the Shoreside Power Project equipment subsequent to its installation on the Pier 70 property which BAE Systems leases from the Port. Port staff believes that the time required to execute a competitive process for this project through the City's competitive bidding and LBE contracting procedures would delay project implementation, thereby reducing its effectiveness as an emissions offset project. Therefore, the Port seeks authorization to exempt the proposed sixth agreement to the existing lease agreement between the Port and BAE Systems from the City's competitive bidding and LBE contracting procedures as are presently required under the City's Administrative Code. <p style="text-align: center;">Fiscal Impacts</p> <ul style="list-style-type: none"> • The Port estimates that the total Shoreside Power Project installation costs would be \$5,700,000. The Port plans to submit legislation to the Board of Supervisors in the spring of 2012 to issue Certificates of Participation (COPs) to fund the Shoreside Power 	

Project costs, resulting in total estimated costs of \$7,800,000, including \$5,700,000 in project costs and \$2,100,000 in COP and interest and related financing costs.

- Ships using the Shoreside Power Project will pay an equipment usage fee of \$.04 per kilowatt hour (kWh) to BAE Systems, who, in turn, will pay such equipment usage fees to the Port until the cost of the project is repaid or the agreement between the Port and BAE Systems expires in 2017. Additionally, the San Francisco Public Utilities Commission (SFPUC) will provide a project rebate of \$1,500,000 to the Port if the Shoreside Power Project results in increased energy usage of at least 65,628,000 kilowatt hours (kWh) from 2012 through 2017.
- Based on minimum estimates of 65,628,000 kWh used by the Shoreside Power Project from 2012 through 2017, the Port would receive total revenues of \$4,125,120, which is \$3,674,880 less than the total estimated project costs of \$7,800,000, including COP financing and interest costs. Based on maximum estimates of 102,500,000 kWh used by the Shoreside Power Project from 2012 through 2017, the Port would receive total revenues of \$5,600,000, which is \$2,200,000 less than the total estimated project costs of \$7,800,000, including COP financing and interest costs.

Policy Considerations

- Because the revenue payable to the Port will be less than the Port's total cost for the Shoreside Power Project when the existing lease agreement with BAE Systems expires in 2017, the Port should ensure that the equipment usage fee be included in any subsequent lease agreement for the Port's ship repair facility at Pier 70.

Recommendation

- Approval of the proposed ordinance is a policy matter for the Board of Supervisors because the ordinance waives the City's competitive bidding and LBE contracting procedures as are presently required under the City's Administrative Code.

MANDATE STATEMENT

Chapter 14 of the City's Administrative Code requires that the Board of Supervisors approve requests to waive the Local Business Enterprise requirements.

Chapter 21 of the City's Administrative Code requires that the Board of Supervisors approve requests to waive competitive requirements pertaining to contract awards.

BACKGROUND

Pier 70 Use and Long-term Development/Preservation Plans

The Pier 70 Master Plan area encompasses 65 acres of Port property from Mariposa to 22nd Streets east of Illinois Street. Approximately 17 acres of the 65 acres are currently used as a ship repair facility. The Port owns the primary equipment (the drydocks and cranes) required for ship repair operations and leases them to an operator under an agreement between the Port and BAE

Systems San Francisco Ship Repair (BAE Systems). The Port's Drydock #2 is the largest floating drydock on the US West Coast, and the preservation of the ongoing ship repair operation is a key element of the Pier 70 Preferred Master Plan's historic preservation strategy, as adopted in April 2010.

In 2005, the Port and the Mayor began an extensive planning process to develop a comprehensive approach to analyzing feasibility issues and to establish priorities for future uses of Pier 70. This process led to the creation and endorsement by the Port Commission of the Pier 70 Preferred Master Plan in April 2010, which highlighted the preservation of the ongoing ship repair operation as a key element of the Plan's historic preservation strategy. The Port is in the process of creating new waterfront parks, partnering with the private sector for the historic building rehabilitation and new building opportunities to address the infrastructure and environmental needs of the site.

34th America's Cup and the Need for New Shoreside Power Facility

In its report on California Environmental Quality Act (CEQA) findings related to the Environmental Impact Report (EIR) for the 34th America's Cup (AC34) and Pier 27 Cruise Terminal, the Planning Commission cited significant adverse cumulative impacts on air quality standards as a result of decommissioning shoreside power during the construction of the Pier 27 Cruise Terminal and use of Pier 27 as a venue for AC34.

In response, the Port Commission adopted a Mitigation Monitoring and Reporting Program (MMRP) to substantially reduce the amount and severity of construction and operational air emission impacts below those presented in the Final EIR. This includes the Port's approval of a mitigation measure to install shoreside power capability at the Pier 70 drydock shipyard.

The Pier 70 Shoreside Power Project would offset vessel emissions generated by AC34 and cruise ship calls to San Francisco during the period when the Pier 27 shoreside power facility is temporarily decommissioned¹. The Pier 70 Shoreside Power Project will enable cruise ships, cargo and maritime vessels to be powered by the City's power grid while being repaired at the Port's drydock, rather than generating electricity on board using diesel or other fuels.

Existing Operator/Lease Terms at Drydock #2 at Pier 70

The current lease agreement for the Pier 70 shipyard was initiated on December 17, 1987 for a 30-year period to expire on December 16, 2017². The original agreement was between the Port and Southwest Marine, Inc. Southwest Marine was acquired by SF Drydock, Inc. in 1994, which was acquired by BAE Systems San Francisco Ship Repair (BAE Systems) in 2005, who assumed

¹ According to Meghan Wallace, Port Budget Manager, Pier 27 shoreside power has already been decommissioned in preparation for construction which is intended to be completed prior to March 1, 2013, when the Event Authority takes possession of Pier 27 for an AC34 venue. Shoreside power at Pier 27 will be recommissioned during the 2014 cruise season, after the America's Cup events.

² The Pier 70 shipyard was privately owned until 1982, when its owner, Bethlehem Steel, went bankrupt. At that time, the City purchased the land and Todd Shipyard purchased the equipment. The City then entered into an agreement with Todd Shipyard to operate the ship repair facility. Todd Shipyard went bankrupt in 1987, at which time the Port entered into a 30-year agreement with Southwest Marine, Inc. for ship repair operations at Pier 70. That entity has been acquired several times since 1987, and is now controlled by BAE Systems.

all rights and interest in the original Pier 70 lease. Under the existing lease terms, BAE Systems is responsible for operating and maintaining the ship repair facilities at Pier 70, including the two drydocks, and pays the Port rent based on its gross revenues.

DETAILS OF LEGISLATION

In order to comply with the Port's approved mitigation measures for AC34 and the Pier 27 Cruise Terminal, the Port plans to construct the Shoreside Power Project at Pier 70, which is a 12-megawatt power system to serve ships berthing in the drydock. To meet overall AC34 project goals and timelines, the Shoreside Power Project at Pier 70 must be complete and operable by September 2012.

The Port is proposing to enter into a sixth amendment to the existing lease agreement with BAE Systems San Francisco Ship Repair (BAE Systems), in which the Port would pay BAE Systems a not-to-exceed amount of \$5,700,000 for the construction and installation of equipment needed for the Shoreside Power Project on the property which BAE Systems has leased from the Port at Pier 70. BAE Systems would be responsible for ongoing maintenance and operation of the Shoreside Power Project. However, because BAE Systems would select a contractor to construct and install the Shoreside Power Project without undergoing the City's normal competitive bidding procedures, as required by the Administrative Code, and without complying with the City's Local Business Enterprise (LBE) requirements, the Port is requesting approval of the proposed ordinance to exempt the sixth amendment from both the City's competitive bidding and LBE requirements.³

Under the sixth amendment, the Port will pay BAE Systems a not-to-exceed amount of \$5,700,000 to contract for the construction and installation of the Shoreside Power Project. The Port is requesting exemption from both the City's competitive bidding and LBE requirements, as required by the Administrative Code, in order for BAE Systems to contract for the construction and installation of the Shoreside Power Project, and to expedite the contracting process in order to complete the Shoreside Power Project prior to the AC34 event. Port staff believes that the time required to utilize the City's normal contracting procedures for the Shoreside Power Project would delay project implementation, thereby reducing its effectiveness as an emissions offset project.

The Public Utilities Commission (PUC) and the Port have submitted a proposed Letter of Intent to BAE Systems listing (a) the Port's payment to BAE Systems of not-to-exceed \$5,700,000 for the Pier 70 Shoreside Power Project, (b) the PUC's project rebate of a \$1,500,000 rebate to the Pier 70 Shoreside Power Project if the shoreside power system results in increased energy usage of 65,628,000 kilowatt hours (kWh) from 2012 through 2017, and (c) BAE Systems' responsibility for installing the shoreside power system. Under the proposed Letter of Intent, ships using the shoreside power system will pay BAE Systems \$0.04 per kWh for all electricity used. BAE Systems, in turn, will pay such revenues to the Port.

³ The ordinance exempts the agreement for the Pier 70 Shoreside Power Project from Chapters 2, 5 and 8 of the Environment Code. Respectively, the chapters address environmentally preferable purchasing, resource conservation, and the tropical hardwood and virgin redwood ban.

The Letter of Intent between the Port, PUC and BAE Systems was approved by the Port Commission on February 28, 2012, thereby authorizing the Port to execute the proposed sixth amendment to the existing agreement with BAE Systems, which is expected to commence in April of 2012. The Letter of Intent is not subject to Board of Supervisors approval because it is a term sheet that will be memorialized in the sixth amendment to a maritime lease that falls under the authority of the Port Commission.

BAE Systems proposes to enhance the ship repair facility at Pier 70 by modifying the existing shoreside power at the facility to accommodate the requirements of cruise ships as well as other ships. The modification would allow the ships to use 8000 Amps of shoreside power rather than generating electrical power on board through utilizing the ships' diesel engines. In addition, the upgrade will allow the ship repair facility to dispose of PCB⁴ regulated transformers throughout the facility.

BAE Systems has selected Eaton Corporation to construct and install the Pier 70 shoreside power system equipment.

FISCAL IMPACT

The Port plans to fund the Pier 70 Shoreside Power Project through the issuance of Certificates of Participation (COPs) in the spring of 2012. The proposed COP issuance is subject to future Board of Supervisors approval and will be repaid through Port revenues. The Port will use commercial paper to advance funds for the Pier 70 Shoreside Power Project until the COPs are sold.

Total estimated costs of the Shoreside Power Project include \$5,045,712 for construction of the power equipment, \$647,258 to dispose of six PCB transformers that will require replacement for this upgrade, and \$7,030 for permit fees, for a total estimated project cost of \$5,700,000. Table 1 below shows the estimated costs of \$5,700,000 for the Pier 70 Shoreside Power Project, excluding COP financing and interest costs.

⁴ PCBs are polychlorinated biphenyls used in transformers and are considered to be toxic to the environment.

Table 1: Project Costs for Pier 70 Shoreside Power Project

Phase 1: Substation #7 to Pier #4		
<i>Labor</i>	\$	98,436
<i>Materials</i>	\$	351,178
<i>Subcontractors</i>	\$	2,540,360
<i>Sales Tax</i>	\$	29,850
Phase 1 Subtotal		\$ 3,019,824
Phase 2: Substation #4 to Drydock #2		
<i>Labor</i>	\$	88,920
<i>Materials</i>	\$	339,325
<i>Subcontractors</i>	\$	1,568,800
<i>Sales Tax</i>	\$	28,843
Phase 2 Subtotal		\$ 2,025,888
Phase 3: Remove & Dispose of PCB Transformers		
<i>Labor</i>	\$	64,272
<i>Materials</i>	\$	234,007
<i>Subcontractors</i>	\$	329,088
<i>Sales Tax</i>	\$	19,891
Phase 3 Subtotal		\$ 647,258
Permit Fees	\$	7,030
Permit Fees Subtotal		\$ 7,030
Total Project Budget (excluding COP financing and interest costs)		
		\$ 5,700,000

Source: Port

BAE Systems will continue to pay energy and demand charges as currently billed by the PUC for electrical services at Pier 70. Ships being repaired at the facility and using the shoreside power will pay an additional equipment usage fee to BAE Systems in the amount of \$.04 per kilowatt hour of electricity used. BAE Systems will, in turn, pay such equipment usage fee revenues to the Port.

Currently, the PUC charges BAE Systems the standard industrial rate for a municipal facility, which is 12.247 cents per kilowatt hour. This charge reflects the Pacific Gas and Electricity (PG&E) rate, and is considered a bundled rate that reflects the cost of the commodity plus the cost of delivery. In addition, the PUC charges BAE Systems a demand charge based upon the time of day and year that the energy is being provided. The demand charge corresponds with on/off-peak usage, and is higher during peak times of the day and year. All of these costs (energy use plus demand charges) are passed on from BAE Systems to the ships utilizing the facility.

The PUC has reviewed the total actual usage required by BAE Systems in 2011 to create a base level for measuring the potential impact of the installation of the proposed Shoreside Power

Project at Pier 70. The PUC then compared the actual 2011 results with the lowest estimate of BAE Systems Ship Repair shoreside electricity usage for the duration of the contract term.

The Port recognizes that if BAE Systems experiences an increase in ship repair work, the PUC will receive increased revenue from the utilization of electricity at the new Pier 70 shoreside power facility. As such, the PUC has agreed to provide the Port a Project Rebate of \$1,500,000 when increased electricity usage reaches the threshold of 65,628,000 kWhr.

The Port has estimated a range (low to high) of potential energy usage scenarios following the installation of the new Pier 70 Shoreside Power Project. As shown in Table 2 below, the Port estimates the minimum shoreside power usage for the remainder of BAE System's contract period to total 65,628,000 kWhr.

Table 2
BAE Ship Repair Estimated Shoreside Power Usage – Minimum Usage

Year	# of Days/Year at Drydock		Power Requirement (kW)		Annual Power Usage (kWhr)		
	Military Vessels	Cruise Ships	Military Vessel Load	Cruise Ship Load	Military Vessels	Cruise Ship	Total
2012	110	36	3,500	4,000	9,240,000	3,456,000	12,696,000
2013	152	28	3,500	4,000	12,768,000	2,688,000	15,456,000
2014	97	44	3,500	4,000	8,148,000	4,224,000	12,372,000
2015	0	12	3,500	4,000	0	1,152,000	1,152,000
2016	55	27	3,500	4,000	4,620,000	2,592,000	7,212,000
2017	165	30	3,500	4,000	13,860,000	2,880,000	16,740,000
Total Estimated kWh							65,628,000

Source: Port

Based on these projections, using the Port's low estimate provided above, BAE Systems will pay to the Port \$2,625,120 from the equipment usage fees of \$.04 per kilowatt hour paid by ships to BAE Systems between 2012 and the end of its agreement term in 2017 (or \$.04 per kWh x 65,628,000 kWh). Total estimated revenues paid to the Port for estimated minimum usage are \$4,125,120, which include equipment usage fee revenues of \$2,625,120 plus the PUC Project Rebate of \$1,500,000, if the increased electricity usage reaches the threshold of 65,628,000 kWh or higher.

The Port has also estimated maximum total kWhr electricity usage for Pier 70 shoreside power to total 102,500,000 kWhr. At this level of usage, the Port would receive a total of \$4,100,000 in equipment usage fees. Total revenues payable to the Port for estimated maximum usage are \$5,600,000, which includes \$4,100,000 in equipment usage fees and the PUC Project Rebate of \$1,500,000.

Even at the maximum utilization rate, revenues to be received by the Port from the equipment usage fee and the rebate from PUC will be less than the total Shoreside Power Project costs, including COP financing and interest costs, when the agreement with BAE Systems ends in December of 2017. As shown in Table 3 below, the estimated cost to the Port, net of revenue

paid to the Port, for the Pier 70 Shoreside Power Project ranges from \$2,200,000 to \$3,674,880 for the Pier 70 Shoreside Power Project.

Table 3
Net Costs to the Port for Pier 70 Shoreside Power Project
including COP financing and interest costs

Port Costs	Description of Costs	Low Energy Usage Scenario – 65,628,00 kWhr	High Energy Usage Scenario – 102,500,000
	Pier 70 power facility - Design and Installation	\$5,045,712	\$5,045,712
	PCB Transformers - Removal and Disposal and Permits	\$654,288	\$654,288
	COPs Finance and Interest Charges	<u>\$2,100,000</u>	<u>\$2,100,000</u>
	<i>Total Costs to Port</i>	<i>\$7,800,000</i>	<i>\$7,800,000</i>
PUC Project Rebate			
	Flat rebate paid by PUC to Port, when total increased energy usage at Pier 70 equals 65,628,000 kWhr	<u>\$1,500,000</u>	<u>\$1,500,000</u>
	<i>Total Payments to Port from PUC</i>	<i>\$1,500,000</i>	<i>\$1,500,000</i>
Equipment Usage Fees			
	\$.04/kWhr fee passed on to ships using new Pier 70 power facility	<u>\$2,625,120</u>	<u>\$4,100,000</u>
	<i>Total Revenues Payable to Port</i>	<i>\$2,625,120</i>	<i>\$4,100,000</i>
Net Costs to Port for the Pier 70 Shoreside Power Project		\$3,674,880	\$2,200,000

Source: Budget and Legislative Analyst

POLICY CONSIDERATION

The Port should ensure that the equipment usage fees be included in any future lease agreement for the operations of the ship repair facility at Pier 70

As shown above in Table 3 above, at the termination of BAE's existing agreement with the Port, the Port's costs, net of the revenues received by the Port for the Pier 70 Shoreside Power Project, will range from \$2,200,000 to \$3,674,880, depending on actual electricity used. The Port should include the \$.04 equipment usage fee in any subsequent lease agreement for Pier 70 operations when the agreement with BAE Systems expires in 2017.

Shoreside power has only been available at Pier 27 since 2010, and has already been decommissioned to allow for Pier 27 Cruise Terminal construction. Cruise ships currently berthing at Pier 35 do not have access to shoreside power, and must use auxiliary engines for power. Although the installation of the Shoreside Power Project at Pier 70 is intended to comply with environmental mitigation requirements for the construction of the Pier 27 Cruise Terminal and the America's Cup Event, the Shoreside Power Project will provide ongoing benefits to the Port after the conclusion of the America's Cup in the Fall of 2013, and after shoreside power is restored at Pier 27. As noted in the Pier 70 Master Plan, the preservation of the ongoing ship repair operation is a key element of the Plan's historic preservation strategy. The planned Pier 70 Shoreside Power Project will provide increased capacity for servicing large cruise ships and military vessels, and will provide long-term air quality benefits for the City, and in particular, the southeast neighborhoods surrounding Pier 70.

RECOMMENDATIONS

Approval of the proposed ordinance is a policy matter for the Board of Supervisors because the ordinance waives the City's competitive bidding and LBE contracting procedures as are presently required under the City's Administrative Code.

Items 7 and 8
Files 12-0222 and 12-0223

Department:
 San Francisco Public Library, Controller's Office of Public
 Finance

EXECUTIVE SUMMARY

Legislative Objectives

- File 12-0222: The proposed ordinance would appropriate a total of \$6,259,742, including (a) \$5,778,742 in Library Preservation Fund unappropriated fund balance and (b) \$481,000 in interest earnings from the Branch Library Improvement Program (BLIP) General Obligation Bond proceeds for the completion of the North Beach Branch Library.
- File 12-0223: The proposed ordinance would (a) approve environmental findings for the North Beach Branch Library, (b) approve the expenditure of bond proceeds from the lease revenue bonds previously authorized and issued to finance various projects under the BLIP now available from Program-wide Reserves for the construction of the North Beach Branch Library; (c) grant general authority to City officials to take certain actions in connection with the expenditure of bond proceeds, and (d) ratify previous actions.

Key Points

- The BLIP includes (a) renovation of 16 branch libraries, (b) replacing three branch libraries with new facilities, (c) replacing four leased branch libraries with new City-owned buildings, (d) constructing one new branch library in Bayview, and (e) renovating a new Library Support Services Center at 190 9th Street. Of the 24 branch libraries, only the Mission Bay and the North Beach Branch Libraries are not yet completed.

Fiscal Impact

- File 12-0222: The proposed ordinance would provide a total of \$6,259,742, including \$5,778,742 in Library Preservation Fund unappropriated fund balance and \$481,000 in interest earning from the BLIP General Obligation Bond proceeds for the completion of the North Beach Branch Library project, increasing the total BLIP budget from \$189,999,608 to \$196,259,350.
- Approval of the Library's requested \$5,778,742 from the Library Preservation's unappropriated fund balance for the North Beach Branch Library project would reduce the Fund Balance from \$17,307,437 to \$11,528,695.
- File 12-0223: The proposed ordinance would approve the environmental findings for the North Beach Branch Library which allows expenditure of lease revenue bonds proceeds for construction at the North Beach Branch Library.
- On February 16, 2012, the Library's Commission reallocated \$4,788,832 of BLIP Program-wide Reserves, including proceeds from lease revenue bonds for the construction of the North Beach Branch Library. In total, an additional \$11,048,574 would be provided for the North Beach Branch Library project, which would increase the current \$3,500,000 budget to \$14,548,574.

Recommendations

- Approve the proposed two ordinances (Files 12-0222 and 12-0223).

MANDATE STATEMENT / BACKGROUND

Mandate Statement

Charter Section 9.105 provides that amendments to the appropriation ordinance be approved by ordinance by the Board of Supervisors, after the Controller certifies the availability of funds. Charter Section 16.109 allows the Library Commission to request, and upon recommendation of the Mayor, the Board of Supervisors to authorize the issuance of revenue bonds on behalf of the Public Library for the acquisition, construction, rehabilitation, and/or improvement of property or to purchase equipment.

In accordance with the California Environmental Quality Act (CEQA), any public agency that wants to approve a project that has a potential to result in a direct physical change in the environment must comply with CEQA by adopting specific findings prior to the approval of the project. City Administrative Code Sections 31.16 and 31.17 authorize the Board of Supervisors to review and affirm the Planning Commission's certification of the final Environmental Impact Report (EIR), in order to adopt environmental findings and approve the project.

Background

2000 Branch Library Improvement Program General Obligation Bond

In November 2000, San Francisco voters approved a \$105,865,000 Branch Library Improvement Program (BLIP) General Obligation Bond to seismically upgrade, increase accessibility, modernize with technology, expand and improve San Francisco's 24 branch libraries and the Library's Support Services Center. The BLIP General Obligation Bond measure was specifically intended to (a) renovate 19 branches libraries, (b) replace four leased branch libraries with new City-owned buildings, (c) construct one new branch library in Mission Bay, and (d) renovate a new Library Support Services Center at 190 9th Street.

Through actions taken in March 2007, February 2008, and September 2008, the Library Commission approved a final revised plan for the Branch Library Improvement Program that includes: (a) renovating 16 branch libraries, (b) replacing three branch libraries with new facilities, (c) replacing four leased branch libraries with new City-owned buildings, (d) constructing one new branch library in Mission Bay, and (e) renovating a new Library Support Services Center at 190 9th Street.

As shown in the Attachment as of February 29, 2012, of the 24 branch library projects included in the BLIP, 22 branches and the Support Services Center are complete and open. Currently, the Bayview Branch Library is under construction and the North Beach Branch Library is in the construction bid and award phase.

Library Preservation Fund Lease Revenue Bonds

In 1994, San Francisco voters approved Proposition E, a Charter Amendment that created the Library Preservation Fund, a dedicated fund to be used exclusively by the Public Library to provide library services and materials and operate library facilities. Proposition E requires the City to maintain (a) a baseline which would not be less than the amount appropriated to the

Public Library's budget in FY 1992-93 and (b) set aside two and one-half cents (\$0.025) for each one hundred dollars (\$100) assessed valuation from annual Property Taxes for the Library Preservation Fund. In November 2007, San Francisco voters approved a Charter Amendment for a 15-year extension (from Fiscal Year 2008-2009 through Fiscal Year 2023-2024) of the Library Preservation Fund that (a) reset the baseline to the amount appropriated to the Public Library in FY 2006-07, (b) maintained the \$0.025 annual set-aside for the Library Preservation Fund, and (c) authorized the Board of Supervisors to issue lease revenue bonds to finance the completion of the Branch Library Improvement Program, as codified in Section 16.109 of the City's Charter. Such lease revenue bonds would be repaid with revenues from the Library Preservation Fund.

In November, 2008, the Board of Supervisors authorized the San Francisco Finance Corporation, a nonprofit entity created by the City to facilitate lease financing, to issue a not-to-exceed \$36,000,000 of lease revenue bonds to be repaid with available Library Preservation Funds in order to complete the financing of six branch libraries: Anza, Bayview, Golden Gate Valley, Merced, North Beach, and Ortega, under the Branch Library Improvement Program (BLIP). On March 17, 2009, the San Francisco Finance Corporation issued and sold \$34,265,000 of such BLIP lease revenue bonds.

According to Ms. Maureen Singleton, Chief Financial Officer of the San Francisco Public Library, the \$34,265,000 lease revenue bond issuance was anticipated to be the first of two BLIP lease revenue bond issuances, estimated to total a not-to-exceed \$48,400,000. However, a February 28, 2012 memorandum from City Librarian Luis Herrera to the City's Capital Planning Committee reported that an improved construction climate, combined with enhanced program management practices, resulted in savings on both completed and awarded branch library projects. Such savings will allow the Public Library to fully fund the Bayview Branch Library project, now under construction, and allow the completion of the remaining North Beach Branch Library with BLIP Program-wide Reserves¹ (\$5,841,074 was available as of February 2012), together with the proposed subject supplemental appropriation of General Obligation Bond interest earnings, and available Library Preservation Fund unappropriated fund balance. As a result, Ms. Singleton, reports that the second issuance of the lease revenue bonds is not expected to occur.

According to Ms. Singleton, previously approved appropriations by the Board of Supervisors for the Branch Library Improvement Program were approved on a Program-wide basis. Therefore, as each Branch Library is completed, any remaining budgeted funds are closed out to the Library's Program-wide Reserve Fund, which the Library Commission can then reallocate as a source of funding for other Branch Library project costs.

North Beach Branch Library

According to the February 28, 2012 memorandum from the City Librarian, the North Beach Branch Library project was originally budgeted as a renovation project with a small addition, at a preliminary budget of \$3,460,000.

¹ On February 16, 2012, the Library Commission reallocated all of the \$5,841,074 Program-wide Reserve available balance to fully fund the anticipated (a) North Beach Branch Library Project (\$4,788,832), (b) BLIP Program Management costs (\$752,242) and (c) City Attorney costs (\$300,000) through the end of the BLIP.

However, based on community feedback in 2007, followed by a six-month master planning process in 2008, conducted by the Public Library, the Recreation and Park Department (RPD), and the Department of Public Works (DPW), a revised North Beach Branch Library plan was approved.² This plan called for demolition of the existing North Beach Branch Library, closure of a portion of adjacent Mason Street, construction of a new 8,500 square foot North Beach Branch Library at 701 Lombard Street and a redesigned larger Joe DiMaggio Park. In May 2009, the Library Commission approved increasing the North Beach Branch Library project design and construction budget by \$40,000 from a total of \$3,460,000 to \$3,500,000 for just the initial design and construction bid phase of the revised project. The construction budget would be in addition to the \$3,500,000 cost

Ms. Singleton reports that in April 2011, the Environmental Impact Report (EIR) for the North Beach Branch Library and Joe DiMaggio Park Master Plan was certified by the Planning Commission. After a subsequent appeal, the EIR certification was upheld by the Board of Supervisors in June, 2011 (Motion M11-0091). However, Ms. Singleton advises that in July 2011, a complaint was filed challenging the EIR. The Public Library intends to proceed with the construction award bidding process, but may choose to wait to commence construction of the North Beach Branch Library project until the EIR challenge is resolved. The Public Library anticipates a June 2012 court date.

DETAILS OF PROPOSED LEGISLATION

File 12-0222: The proposed ordinance would appropriate \$6,259,742, including (a) \$5,778,742 of Library Preservation Fund unappropriated fund balance and (b) \$481,000 of interest earnings from the Branch Library Improvement Program (BLIP) General Obligation Bond proceeds for the completion of the North Beach Branch Library.

File 12-0223: The proposed ordinance would:

- Approve environmental findings with respect to the North Beach Branch Library, as previously affirmed by the Board of Supervisors in Motion No. M11-0091 related to the Planning Commission's certification of the Final Environmental Impact Report for the North Beach Public Library and Joe DiMaggio Playground Master Plan Project;
- Approve the expenditure on the North Beach Branch Library of bond proceeds previously authorized and issued to finance various other projects under the BLIP now available from Program-wide Reserves, in order to fund construction costs related to the North Beach Branch Library project;
- Grant general authority to City officials to take certain actions in connection with the expenditure of bond proceeds; and ratifies previous actions authorized and directed by this ordinance.

² This Plan was approved unanimously by both the Library Commission and Recreation and Park Commission in September 2008.

FISCAL IMPACTS

In addition to the above-noted General Obligation Bonds, lease revenue bonds, and available Library Preservation Funds, the BLIP budget includes funding from various other sources, and currently totals \$189,999,608 as shown in Table 1 below.

Table 1
Current Branch Library Improvement Program Budget
for 24 Branch Libraries and the Library Support Services Center
(As of February 29, 2012)

Sources	Budget	Expenditures & Encumbrances
Proposition A, November 2000 General Obligation Bonds ³	\$112,901,580	\$109,913,916
Lease Revenue Bonds – 1st Issue	34,056,156	24,471,113
Friends of the Library ⁴	16,000,000	8,800,872
Library Preservation Fund (LPF)	13,501,427	11,811,035
State Proposition 14 Grants ⁵	9,710,784	9,710,376
State Proposition 122 Earthquake Safety Bonds ⁶	2,400,000	2,400,000
Visitacion Valley Infrastructure Funds (VVIF) ⁷	1,089,489	0
Rents received on library properties ^{8,9}	340,172	324,588
Total	\$189,999,608	\$167,431,900

³ Budgeted amount includes \$105,865,000 of Proposition A General Obligation Bonds and \$7,036,580 of General Obligation Bond Interest Proceeds.

⁴ The Friends of the San Francisco Public Library is a member-supported nonprofit organization that advocates, fundraises, and provides support for the Library and related literary and educational programs.

⁵ Proposition 14 Grants are a State voter approved bond measure for \$350,000,000 for construction and renovation of public library facilities to expand access to reading and literacy programs and expand access to public library services.

⁶ Proposition 122, a State voter approved bond measure provides \$300,000,000 for the reconstruction, seismic retrofitting, repair, replacement, and relocation of State and local government buildings considered unsafe.

⁷ On November 18, 2005, Sections 319 through 319.7 were added to the City's Planning Code to impose a \$4.58 per square foot fee on new residential development in the Visitacion Valley area, to establish a Visitacion Valley Infrastructure Fund to mitigate impacts from residential development on public infrastructure in the Visitacion Valley, including libraries, streets, playgrounds, recreational facilities, and community centers.

⁸ Visitacion Valley Rental Income: In September of 2003, the City purchased 201 Leland Avenue with the Super Fair Market grocery store on it for construction of a new Visitacion Valley Branch Library. As part of the purchase agreement, the grocery store owners rented the store and land from the City under a leaseback agreement, until January 30, 2009, with the rental income required to fund the new Visitacion Valley Branch Library.

⁹ 190 9th Street Rental Income: After the purchase of the building, the Public Library rented out space in the Support Services Center, located at 190 9th Street, to another City agency before moving in the library operation services.

As shown in Table 1 above, as of February 29, 2012, Ms. Singleton, reports that of the \$189,999,608 budgeted for the BLIP, \$167,431,900 or 88.1 percent has been expended or encumbered. As shown in Table 1 above, the current total approved budget for the Proposition A General Obligation Bonds and Bond proceed interest is \$112,901,580, of which \$109,913,916 or 97.4 percent has been expended or encumbered.

The proposed \$6,259,742 supplemental appropriation (File 12-0222) which includes (a) \$481,000 of interest earnings from the Branch Library Improvement Program (BLIP) General Obligation Bond proceeds, and (b) \$5,778,742 of Library Preservation Fund unappropriated fund balance, to complete the new North Beach Branch Library, would increase the total BLIP budget from \$189,999,608 to \$196,259,350, as shown in Table 2 below.

Table 2
Current and Proposed Branch Library Improvement Program Budget

Current BLIP Total Budget	\$189,999,608
Supplemental Appropriation Request:	
BLIP General Obligation Bond Proceed Interest Earnings	481,000
Library Preservation Fund Unappropriated Fund Balance	5,778,742
Proposed Total BLIP Budget	\$196,259,350

As of March 15, 2012, the Library Preservation unappropriated Fund balance was \$17,307,437. Approval of the Library's requested \$5,778,742 from the Library Preservation's unappropriated fund balance for the North Beach Branch Library project would reduce the Fund Balance to \$11,528,695, which is approximately consistent with the ten-year average fund balance of \$12,400,000 for the Library Preservation Fund. According to Ms. Singleton, if the Library Preservation Fund unappropriated fund balances are not appropriated to the North Beach Branch Library Project, such funds would remain in the Library Preservation Fund unappropriated balance for potential other Public Library operating, equipment and capital projects, subject to appropriation approval by the Board of Supervisors.

As noted above, in May 2009, the Library Commission increased the North Beach Branch Library project budget by \$40,000 from \$3,460,000 to \$3,500,000 to cover the initial design and construction bid phase for the expanded new North Beach Branch Library project. The proposed supplemental appropriation (File 12-0222) would add (a) \$481,000 of BLIP General Obligation Bond proceeds interest earnings and (b) \$5,778,742 of Library Preservation Fund unappropriated fund balances to the North Beach Branch Library project budget.

The proposed ordinance ([File 12-0223](#)) would approve environmental findings for the North Beach Branch Library which allows expenditure of lease revenue bonds proceeds for construction costs at the North Beach Branch Library. As noted in Footnote 1 above, on February 16, 2012, the Library's Commission reallocated \$4,788,832 of BLIP Program-wide Reserves, including proceeds from lease revenue bonds for the construction of the North Beach Branch Library Project. As noted above, the Board of Supervisors previously appropriated

funding for the BLIP on a Program-wide basis, Therefore, as each Branch Library is completed, any remaining budgeted funds are closed out to the Library's Program-wide Reserve Fund, which the Library Commission can then reallocate as a source of funding for other Branch Library project costs within the BLIP overall program.

As shown in Table 3 below, together the requested funding sources and the reallocated Program-wide Reserve Funds would provide an additional \$11,048,574 for the North Beach Branch Library project, which would increase the current \$3,500,000 budget to \$14,548,574.

Table 3
Funding Sources for the Branch Library Improvement Program -
North Beach Branch Library

Current for North Beach Branch Library Budget	\$3,500,000
Proposed Appropriation BLIP General Obligation Bond Proceed Interest Earnings (File 12-0222)	481,000
Proposed Appropriation Library Preservation Fund Unappropriated Fund Balance (File 12-0222)	5,778,742
Reallocated BLIP Program-wide Reserve	4,788,832
Subtotal	\$11,048,574
Proposed Total North Beach Branch Library Budget	\$14,548,574

The North Beach Branch Library total estimated project budget is \$14,548,574, as summarized in Table 4 below, such that approval of the proposed supplemental appropriation ordinance would fully fund the proposed North Beach Branch Library.

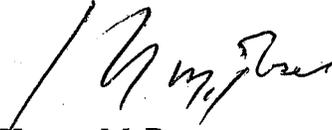
Table 4
Branch Library Improvement Program -
North Beach Branch Library Estimated Project Budget

Construction, Purchase, Installation & Site Control:	
Principal Construction Contract	\$8,558,000
Misc./Other Construction	1,173,000
Art Enrichment	148,948
Hazardous Materials Construction/Abatement	165,000
Telecommunications	60,000
Site Control	4,359
Subtotal	\$10,109,307
Project Control:	
Architectural & Engineering Services	3,248,673
Regulatory Agency Approvals	461,750
DPW Contract Preparation	15,000
Subtotal	\$3,725,423
Other Program Costs	
Contingency	692,789
Reproduction and Bid Advertising Cost	21,055
Subtotal	\$713,844
Total Estimated Project Budget	\$14,548,574

Ms. Lena Ch'en, BLIP Program Manager, at DPW, states that the North Beach Branch Project is currently in the construction bid and award phase. All of the architectural design and engineering planning documents have been completed by consultants contracted through DPW as professional service contracts awarded following a competitive Request for Proposal (RFP) process. Construction bids are due in April 2012 and expected to be awarded to the lowest qualified bidder in May 2012. Currently construction is anticipated to begin in May or June 2012. The North Beach Branch Library is expected to be open by January 2014.

RECOMMENDATION

Approve the proposed two ordinances (Files 12-0222 and 12-0223).



Harvey M. Rose

cc: Supervisor Chu
Supervisor Avalos
Supervisor Kim
President Chiu
Supervisor Campos
Supervisor Cohen
Supervisor Elsbernd
Supervisor Farrell
Supervisor Mar
Supervisor Olague
Supervisor Wiener
Clerk of the Board
Cheryl Adams
Controller
Kate Howard

Branch Library Improvement Bond Program

Branch	Project Status as of 21-Mar-12
Site Acquisitions / New Construction	
Bayview	Under construction
Glen Park	Completed. Opened 10.13.07
Ingleside	Completed. Opened 9.12.09
Mission Bay	Completed. Opened 7.8.06
North Beach	Bid & Award Phase
Ortega	Completed. Opened 9.10.11
Portola	Completed. Opened 2.28.09
Visitacion Valley	Completed. Opened 7.30.11
Support Services	Completed. Operational in 2005
Renovations	
Anza	Completed. Opened 6.18.11
Bernal Heights	Completed. Opened 1.30.10
Eureka Valley	Completed. Opened 10.24.09
Excelsior	Completed. Opened 7.9.05
Golden Gate Valley	Completed. Opened 10.15.11
Marina	Completed. Opened 8.4.07
Merced	Completed. Opened 5.14.11
Noe Valley	Completed. Opened 3.8.08
Park	Completed. Opened 2.26.11
Parkside	Completed. Opened 11.6.10
Potrero	Completed. Opened 3.6.10
Presidio	Completed. Opened 3.26.11
Richmond	Completed. Opened 5.16.09
Sunset	Completed. Opened 3.31.07
West Portal	Completed. Opened 2.10.07
Western Addition	Completed. Opened 2.2.08