




MEMORANDUM

August 4, 2023

TO: MEMBERS, PORT COMMISSION
Hon. Kimberly Brandon, President
Hon. Willie Adams, Vice President
Hon. Gail Gilman
Hon. Ed Harrington
Hon. Steven Lee

FROM: Elaine Forbes
Executive Director 

SUBJECT: Informational Presentation to Consider and Possible Action to Approve the Amended Port Municipal Debt Policy.

DIRECTOR'S RECOMMENDATION: Adopt the Attached Resolution No. 23-38

EXECUTIVE SUMMARY

On November 15, 2016, the Port Commission approved an update to the Port's Municipal Debt Policy (Debt Policy). The purpose of the Port's Debt Policy is to provide comprehensive guidelines for the issuance and management of Port bonds and other debt obligations. The Debt Policy must be re-approved every 5 years; however, due to staff shortages and other mission-critical problems during COVID, the Policy was not updated as required in 2021.

After an extensive review with the Office of Public Finance (OPF) and City Attorney, staff proposes updating the Debt Policy for 2023 with minor revisions to incorporate references and make technical adjustments and improve clarity.

STRATEGIC OBJECTIVES

The Port's proposed updated Debt Policy supports the Port's FY 2021-25 Strategic Plan: Economic Growth

The proposed Debt Policy helps the Port maintain access to credit markets and potentially additional debt to finance capital improvements.

THIS PRINT COVERS CALENDAR ITEM NO. 7A

Equity

The proposed policy adds the Port’s Race Equity Action Plan to the list of Port plans for which debt may be issued to support.

BACKGROUND

On July 14, 2009, the Port Commission, through Resolution No. 09-38, adopted its first Debt Policy. In 2016, through Resolution 16-42, the Port Commission updated the policy to: “(i) bring the policy into alignment with current federal and state legislation and Board of Supervisors actions; (ii) provide for the special districts, such as infrastructure financing and community facilities, that are being established on Port property; and (iii) better align the policy with Port standards.”

Since that time, the policy has guided the issuance of revenue bonds, certificates of participation, and other debt that makes up the Port’s active debt portfolio shown below in Table 1¹:

Table 1

Active Debt Payable by the Port	Issuance Amount
Revenue Bonds, Series 2014A	\$19,880,000
Revenue Bonds, Series 2020A	10,885,000
Revenue Bonds, Series 2020B	12,895,000
2013 Certificates of Participation	37,700,000
CA Boating & Waterways Loan	<u>3,500,000</u>
TOTAL:	\$84,860,000

The Port’s Debt Policy confirms the commitment of the Port Commission, the Port’s Executive Director, the Deputy Director of Finance and Administration, and other Port leadership and staff to:

1. Adhere to sound debt issuance and management practices, including the full and timely repayment of all borrowing,
2. Achieve the lowest practical cost of borrowing commensurate with a prudent level of risk,
3. Maintain unfettered, cost-effective access to the capital markets through preserving and enhancing the quality of the Port’s bonds and other debt, and
4. Review, update, and confirm the Debt Policy every 5 years.

¹ Table 1 does not include special tax district debt issued by Community Financing Districts or Infrastructure Financing Districts for development projects on Port property. While the debt policy governs such issuances, that debt is solely payable by the relevant special district, and is restricted to the project area, and is not a debt of the Port of San Francisco.

Additionally, the Port's Debt Policy formally documents the Port's debt issuance and debt management practices, making them more transparent to credit rating agencies, investors, and the public.

REVISIONS

Revisions to the Debt Policy include updates to (1) technical updates to include changes to state and federal law, and (2) changes for clarity and accessibility.

1. Incorporation of updates to federal law includes the addition of enumerated events 15 and 16 to Rule 15c2-12, which governs events that must be disclosed to debt holders and investors under a continuing disclosure agreement. Specifically, these added "enumerated events" require that borrowers (15) provide notice within 10 days of the incurrence of a material financial obligation; and (16) disclose the occurrence of a default, breach, or similar event relating to a financial obligation that reflects financial difficulties. Additional technical updates include mirroring the change in language adopted by the Municipal Securities Rulemaking Board (MSRB), where the preferred terminology for retained financial advisors is now more generally "municipal advisors".
2. Restructuring the document to make it both more accessible and more user-friendly, for example, adding modest improvements in flexibility, a Table of Contents, and moving lengthy iterations of technical issues to the Appendices.

RECOMMENDATION

Port staff believes that the updated Debt Policy will serve the Port well for the next five years and recommends that the Port Commission adopt the updated policy as proposed.

Prepared by: Daley Dunham, Debt and Risk Manager
Finance and Administration

For: Nate Cruz, Chief Financial Officer
Finance and Administration

Attachment: Revised Municipal Debt Policy

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

RESOLUTION NO. 23-38

WHEREAS, On July 14, 2009, the Port Commission adopted the Port's first Municipal Debt Policy (Debt Policy), the purpose of which is to provide comprehensive guidelines for the issuance and management of the Port Commission's bonds and other debt obligations; and

WHEREAS, The Debt Policy has served as an invaluable tool in guiding Port Finance staff since 2009 in the issuance and management of \$84.86 million that makes up the Port's active debt portfolio; and

WHEREAS, The Debt Policy confirms the commitment of the Port Commission and staff to: (i) adhere to sound debt issuance and management practices; (ii) achieve the lowest practical cost of borrowing commensurate with prudent levels of risk; (iii) maintain unfettered, cost-effective access to the debt markets by preserving and enhancing the quality of the Port Commission's bonds and other debt; and (iv) formally document and make transparent to debt rating agencies and investors the Port's debt issuance and management practices; and

WHEREAS, The Debt Policy provides financial support for the Port's objectives in the Port's Strategic Plan, Waterfront Land Use Plan and Ten-Year Capital Plan; and

WHEREAS, The Debt Policy provides for periodic review by the Port's Chief Financial Officer and calls on Port staff to return to the Port Commission at least once every five years for re-approval of the Policy to ensure that the Policy stays current; and

WHEREAS, Port Finance staff has reviewed and, with input from the City Attorney and Office of Public Finance, staff proposes updates to the existing Debt Policy to bring the policy into alignment with changes to federal and state legislation and Board of Supervisors actions; and

WHEREAS, Port Finance staff believes that the updated Debt Policy will serve the Port well for the next five years, and, therefore, recommends that the Port Commission adopt the updated policy that staff has proposed; now, therefore, be it

RESOLVED, That the Port Commission adopts the Municipal Debt Policy, amended as of August 8, 2023, attached to the staff report accompanying this resolution; and, be it further

RESOLVED, The Port staff will periodically review the Municipal Debt Policy, and return to the Port Commission within five years for re-approval of the existing policy or approval of an updated Municipal Debt Policy.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of August 8, 2023.

Secretary