

CITY & COUNTY OF SAN FRANCISCO PORT COMMISSION

MINUTES SPECIAL PORT COMMISSION MEETING

MARCH 27, 2018

1. CALL TO ORDER / ROLL CALL

Port Commission President Kimberly Brandon called the meeting to order at 2:00 p.m. The following Commissioners were present: Kimberly Brandon, Willie Adams, and Doreen Woo Ho. Commissioner Leslie Katz arrived at 2:25 p.m.

2. APPROVAL OF MINUTES – February 27, 2018 and March 13, 2018

ACTION: Commissioner Adams moved approval; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor. The minutes of the February 27 and March 13, 2018 meetings were adopted.

3. PUBLIC COMMENT ON EXECUTIVE SESSION

4. EXECUTIVE SESSION

A. Vote on whether to hold a closed session and invoke the attorney-client privilege.

ACTION: Commissioner Adams moved approval; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor.

At 2:02 p.m. the Commission withdrew to closed session to discuss the following:

(1) CONFERENCE WITH LEGAL COUNSEL AND REAL PROPERTY NEGOTIATOR – This is specifically authorized under California Government Code Section 54956.8. *This session is closed to any non-City/Port representative: (Discussion Item)

a. Property: Boudin Properties located at Seawall Lot 301 at Fisherman's Wharf

Person Negotiating: Port: Michael Martin, Deputy Director, Real Estate and Development

*Negotiating Parties: Boudin: Lou Giraudo

Under Negotiations: ____ Price ____ Terms of Payment X Both

5. RECONVENE IN OPEN SESSION

At 3:15 p.m. the Commission withdrew from closed session and reconvened in open session.

ACTION: Commissioner Adams moved approval to adjourn closed session and reconvene in open session; Commissioner Woo Ho seconded the motion. All of the Commissioners were in favor.

ACTION: Commissioner Adams moved approval to not disclose any information discussed in closed session; Commissioner Katz seconded the motion. All of the Commissioners were in favor.

6. PLEDGE OF ALLEGIANCE

7. ANNOUNCEMENTS – The Port Commission Affairs Manager announced the following:

- A. Please be advised that the ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing of or use of a cell phone, pager, or other similar sound-producing electronic device.
- B. Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Port Commission adopts a shorter period on any item.

8. PUBLIC COMMENT ON ITEMS NOT LISTED ON THE AGENDA

9. EXECUTIVE

A. Executive Director's Report

- Informational presentation on the Disclosure Responsibilities of the Port Commission under Federal Securities Laws

Elaine Forbes - Under my executive director's report today, I am introducing two people. The first is Deputy City Attorney Mark Blake. I've had the pleasure to work with Mark over the years and really got to know him well when we issued debt in 2013.

He serves as disclosure and bond counsel to the city's departments. Mr. Blake will be taking you through a training today that is actually required. As you know, we have the ability to issue revenue bonds under our city charter and in conformance with federal security laws.

Last year, you updated our Port debt policy. Lawrence Brown worked to bring that item to the commission. Part of the changes in our 2016 debt policy

update was to make conforming changes with federal and state laws including a new requirement for our finance director to arrange training for you and for our staff on disclosure responsibilities.

That training is, in fact, what Deputy City Attorney Mark Blake will take you through today. He will be back to give the same training to the important Port staff involved in bond issuances. We do not have any new plans for issuing debt but with our IFD districts, we see that there will be debt coming out of those projects so this training is very important.

Mark Blake, deputy city attorney - My area of specialty in the city attorney's office is with respect to municipal finance. I work with the Port, the general fund, the PUC, the transportation agency in connection with the issuance of bonds for the city.

What we are going to do today is do a quick overview of the federal securities laws and how they attach to commissioners when you approve bond issues for the Port. What we're trying to convey is just your responsibilities under the federal securities laws and then how you discharge your responsibilities.

What the presentation will cover is what's the applicable law. What are the applicable standards? I'll give you some idea of what the official statement is. That's the vehicle pursuant to which we obtained loans from the marketplace, or we get bond investors to invest in Port activities. I'll give you a brief overview of how you discharge your responsibilities under the federal securities laws.

First, let me give you the legal context under which this all occurs. The federal securities market, in some ways, is the Wild West. We are not directly regulated by the Securities and Exchange Commission. Unlike our corporate counterparts who are directly regulated, very forms driven. there's a comment period. There are regular reports filed.

The municipal securities market is unregulated And that is due in part because the federal regulatory regime was set up for corporate securities, municipal securities were deemed as safe in the first instance.

As a practical matter, there are 45,000 to 50,000 municipal issuers throughout the country. You have states, cities, counties, townships, school districts with their laws and prerogatives. It would just be impractical for the federal government to regulate all of these issuers. But the SEC does indirectly regulate our marketplace by regulating directly the activities of broker-dealers and prescribing rules by which they can underwrite municipal securities. A couple of those rules are: (1) that they have to get an official statement before they can underwrite bonds; and (2) they have to get a commitment from the issuer to provide annual financial and operating data during the life of the bond. It's called continuing disclosure.

Moreover, the SEC views itself as a vindicator, quite frankly, of the interests of bond holders. The idea here is to create an efficient market and that is to make sure that investors have all of the information that they need in order to assess their risk in order to make an informed investment decision.

The notion is that the pricing of bonds reflect risk. The only way to get there is to require issuers, that is borrowers, to provide all the information that's necessary in order to make an informed investment decision.

When the SEC brings enforcement actions, there are a few areas that have jumped out where in our training with staff and our work throughout the city, that we try to kind of concentrate on these areas. One is the silo effect. The silo effect is the biggest area. In some instances where local governments have gotten into trouble, it's because you don't have various arms of the city, of the issuer speaking to each other because everybody has a little different perspective.

Construction has a different perspective than finance. Finance, a different perspective than accounting. The legal department has a little different perspective. But if you can get everyone in the room and basically talk across each other's discipline and raise questions, you're going to have better disclosure.

We try to break down the silo effect, do due-diligence sessions when we're preparing official statements. Secondly, what we've seen in the municipal marketplace is political influence. This rears its head in two ways: one, quite frankly, just corruption. For example, my brother-in-law -- I'm going to hook him up with a bond issue when he's really not competent for that bond issue or just getting paid for not doing much work. That's just kind of corruption.

Secondarily, this is the area that I'm really familiar with. It's political influence in terms of suppressing disclosure because it would impede access to the market. You have very powerful political figures who don't want negative information disclosed for fear that it would impede their ability to accomplish a financing project. I've worked on two really landmark SEC cases.

When I was a young attorney, I worked on Orange County short-term financings and that was the largest municipal bankruptcy then in the country. One of the vibe that was present whenever you worked on one of those financings was you couldn't ask questions. The treasurer/tax collector was so powerful that anybody that threatened to upset the apple cart wouldn't get business. The rule in working on those transactions was don't ask questions. Do your job. Let's get this done.

Secondarily, I went down to work for the City of San Diego when it had its difficulties associated with an SEC action. The two principal drivers of disclosure and bond issuances really ran the departments with kind of an iron

fist. It suppresses information. It prevents people from asking questions. It leads to bad disclosure.

A third area that we see the SEC noting is the lack of controls and procedures. Over time, most issuers have developed controls and procedures. In fact, it's a matter of state law that you have to have a debt policy with controls and procedures. What controls and procedures do is they lay out a deliberative process for developing disclosure.

They figure out who is accountable for what. It's just a more disciplined way of bringing issues to market. Finally, the other issue is that, in many instances, individuals involved in the disclosure process just weren't trained, just didn't understand what their obligations were.

In the San Diego case where I worked, some of the individuals just comments in terms of preparing disclosure documents, "Well, I just changed the dates. Just, you know, nobody reads this stuff anyway."

That is not reaching the bar for disclosure practices. The federal securities laws touch the Port in three instances: (1) when we access the market for primary bond issuances. When we are speaking to the market in that sense, the securities laws attach. All of our statements and our representations made in our disclosure documents will be measured against the requirements of the securities laws.

Our continuing disclosure filings, our annual filings, the securities laws will attach to those. If we have misstatements and omissions in those documents, the securities laws will attach. Communications reasonably expected to reach the investing marketplace, the securities laws will attach there.

The Orange County report is the only guidance that we have from the Securities and Exchange Commission for members of boards and commissions. For your purposes, that the securities laws will attach to your activities when you're approving a primary offering. Then, a communication that you might make with respect to the Port's financial conditions or challenges facing the Port. If information is not readily available, the market may look to statements that you say.

Or when we're accessing the markets, if you're trying to be a booster in some sense and something goes wrong, people will look back at those statements to judge whether or not they met the securities law standards.

I give you an example here where we're going to the market to issue bonds. You just happen to be in a public setting and say, "Invest in Port bonds. They're 100 percent safe. You can't lose." Then, two years later, the Port is having difficulties.

That statement will be measured against the securities laws. The security law standards is fairly straightforward that it's unlawful to make an untrue statement of material fact or omission in the offer of sale of municipal securities. It's material information. It's facts-based for the most part. Since we're not regulated in contrast to corporate issuers that are strictly liable for misstatements and omissions, the SEC would have to prove that we were negligent or, a 10b-5 action, would have to prove that we were reckless or intended to defraud the market.

Typically, the SEC sanctions issuers by bringing actions. The resolution is there's an admission as to negligence or there's a finding of negligence. Then, there's a cease-and-desist order with some remediation.

The anti-fraud provisions are intended to address the informational asymmetry. The asymmetry between issuers and investors. Basically, the Port has information that investors need to know. The securities laws are being used as, if you will, an encouragement to get the Port to disclose everything that an investor needs to know.

What's material? There's a substantial likelihood that, under all the circumstances, the misleading or omitted fact would have assumed significant in the deliberations of an investor. So it would change the mix of information.

If you knew, for example, that, rather than the Port having \$500 million of revenue, the Port only had \$250 million of revenue. That would change your decision as to whether or not to invest or you might invest. But you might say, well, to invest, I need a little more interest on my money because I'm assuming more risk.

Typically, these are facts and circumstances where issuers get in trouble: cost overruns on projects; magnitude of lawsuits; regulatory actions that aren't disclosed; things of that nature.

Where we typically would come up is forward-looking statements. The Port makes projections of something. There is leeway given as long as we disclaim and note our material assumptions in making our projections.

The SEC enforcement actions again have hit: government issuers, cities, in their capacity as the government issuers; individual board members since you do have securities law exposure. But to date, no member of a legislative body has been sanctioned by the SEC. I think the reason for that is, at some level, I think the SEC views that fault lies elsewhere. So staff, third parties, underwriters, financial advisors, bond counsel, disclosure counsels. While the SEC views members of boards and commissions as gatekeepers, they have really not, at least as of this date, gone after board members or members of a legislative body for securities law violations.

The one guidance we do have from the Securities and Exchange Commission concerns the Orange County report in 1996 that arose from the Orange County bankruptcy that occurred in 1994.

At that point, it was the largest municipal bankruptcy in the country. It basically involved an investment pattern by the treasurer/tax collector that went against the county. For a while, they were doing great. They were borrowing money. It was short-term money. They were investing it long. They were investing it and leveraging it. At the time of the bankruptcy, they had about \$7 billion in their investment pool. They had about \$22 billion leveraged in these instruments called invest floaters.

They just went countercyclical. When the Fed started to raise interest rates in 1994, it created an exposure of about a \$1.5 billion in their portfolio. Their constituent members got nervous, wanted their money back and that caused the bankruptcy.

At the time, Orange County and their failure was they failed to disclose basically the risks inherent in the investment and the fact that the county was dependent on the returns from their investment pool. They failed to disclose it even though they had knowledge of it. One of the statements in the 21(a) report that was issued at the time was that, despite the supervisors' knowledge of the increasing use of income from the county pools to balance the discretionary budget -- at one point, their discretionary budget was up to 35 percent was dependent on getting returns from this pool, that they failed to disclose it in the official statements, that they approved official statements without taking steps to make sure that this information was disclosed even though they were aware of it.

They never received or asked to receive a copy of any preliminary official statement or official statement during this period nor did they question the county's officials about the state of the pool, etc.

One of the things that is an outgrowth of the Orange County situation is, when we approve bond issues now, we no longer approve them on the consent calendar. That comes directly out of the Orange County situation. All bond issues that you will approve will not be on the consent calendar. If by chance it gets on the consent calendar, you should ask for it to be removed. I do think there is an expectation that, when a bond issue is brought before you, that there is at least some back-and-forth consideration of the nature of the bond issue.

How much are we issuing? Are there any inherent risks associated with it? This is a part of the Q&A that I think that the SEC sees as a healthy approval process and one of the ways that you discharge your responsibilities under the federal securities laws.

The Orange County bright lines are, if you know that disclosure -- that your official statement has misleading disclosures in it or has omissions, you can't authorize it. You can't authorize staff to distribute it to the marketplace.

That's one of the bright-line rules. Nor can you recklessly disregard a process or disregard facts that indicate that there's a risk, that there's disclosures. What I take that to mean is that you have to, at some level, if you know that there are big issues, you have to do some investigation on your behalf to make sure that those issues are either being discussed and discussed accurately.

In Orange County, you had an investment strategy. People were aware of it but they didn't take steps to make sure that it was appropriately disclosed to investors. Basically, they acted recklessly. They had knowledge, but they didn't bring it to bear in the official statement. They failed to take steps to prevent dissemination of misleading information. The taking of steps could have included becoming familiar with the disclosure document i.e. reading it.

If there are big issues, ask staff, "Where is that being discussed?" For example, the Port maybe have concerns about climate change and maybe have concerns about deferred maintenance. Among other things, if there's a bond issue being approved, ask staff, where is that covered in this document? Let me read it. Or summarize it for me. Where is that covered?

You more or less discharge your responsibility by just asking that question. You can either become familiar with it by reading it or alternatively, you can just ask questions about the big issues that you're aware of in your capacity as board members.

The Port's official statement is basically a prospectus. I don't know how many of you have equities or bonds. It describes for the investor basically a description of the Port, the project you're working on, risk factors associated with it, their source of security, how are they going to get repaid, any litigation facing the Port, the Port's general financial information and then the Port's commitment to provide them with financial and operating data over the life of the bond issues.

Typically, we issue tax-exempt bonds so they'll get disclosure on that as well and then call provisions. That is they will invest with the Port. To the extent that they're a long investor 20 years out, when can we call them out and then redeem the bonds? They'll get basically some basic contract information. I think themes here are, one is the Port's official statement. So it's not the city attorney's official statement. It's not disclosure counsel. It's not bond counsels. It's not the underwriters. It's the Port's. It's what's your financial story.

It's the Port's official statement of financial condition. The official statement should: provide investors with clear information they need to know to make

an informed investment decision; describe the Port's challenges as well as the Port's successes.

My take of municipal bond investors is they don't really care about bad information. They expect that the Port is going to be facing challenges. They just want to know that you're managing as best you can.

There's really no benefit to disclosing fiscal challenges or regulatory challenges. What we want to do is basically sometimes put ourselves in the shoes of an investor. What would I want to know about the Port if I was going to lend it \$100,000? What would I want to know?

Why are these concepts so important? Telling the whole credit story is a requirement of the anti-fraud provisions of securities laws. Although we can't prove this out empirically, I think having a reputation as being a fair arbiter of your financial picture, challenges, etc., that investors will respond to that and that arguably you'll get lower cost of capital in the capital markets. I don't know if we can prove that out. But I do think that by having a reputation of having really good disclosure really does pay off in the long run.

When we train staff, some of the themes that we encourage staff to be is to take care, to be deliberate. Don't get rushed. If you're not ready, say you're not ready and be critical. Just because the information was good last year doesn't mean it's good this year and so taking a critical eye at it. We try to make sure that everybody that should be involved in the process is. One of the things that I have learned in my career is that people that have good disclosure have empowered people in the organization to raise questions.

There are many instances where we're sitting in a room working on a document. I read something, and it doesn't make sense to me. I know it doesn't make sense. But if I don't understand it, then I know there are other people in the room raising the question, this doesn't make sense to me. Just even that produces good disclosure because then people who are drafters have to explain it.

Invariably, sometimes it doesn't say what they thought it said then again, tell the whole credit story. Make sure everybody is trained and knowledgeable. That'll be part of the training that we give to staff when we do the staff training.

These are official statement observations. Observation #1: Investors/SEC have 20/20 hindsight. If there's a test of your disclosure, you should have done it. Rule #1 guides answer to question #2 to disclose or not.

We invariably disclose it. It seems to me that there is really no harm in disclosing unless your information is not complete, unless your information is so influx that you really don't have anything to say. It's just not right to say anything about.

But by and large, there is really no harm in disclosing. The SEC can impose civil penalties and make criminal referrals to the Department of Justice. I think, increasingly, what we're seeing for staff and officials is the use of civil penalties to get the message across that the SEC does care about this.

The Port has adopted controls and procedures. Currently, it's now California law that issuers have to have debt policies which contains controls and procedures. Again, good disclosure policies, identifying who is responsible for what ensures that people are involved and are accountable and then requires disclosure training.

Again, why do we commissioner securities law training? We minimize the risk of misleading disclosure. Remember, if the SEC brings an action against the Port, they have to prove that we were negligent. By training staff as well as commissioners and by devoting all the resources that we're going to be devoting in terms of bond counsel, disclosure counsel, having experienced people at the wheel, it will minimize our risk of misleading disclosure.

If something does slip through, we can at least say, "Look, we did everything possible. It nonetheless slipped through," and mitigate the risk of any sanction.

The other thing that's notable here that sometimes I make this point is that having misleading disclosure and having investigations about your disclosure is extraordinarily expensive. Both in the case of Orange County and in the case of City of San Diego, their ratings were suspended.

They really could not access the public capital markets for a period. They had to borrow privately, which was really expensive. In addition to the increased borrowing costs, the City of San Diego spent in excess of \$40 million in investigation and attorney's fees, etc., in working their way out so really expensive to fail in this process.

How to discharge your legal responsibilities? If I were on a board or a commissioner, quite frankly what I would do is ask for a private briefing before we approved a bond offering. I'd ask staff to come in and brief me on the bond issue so that I had an opportunity to ask whatever questions I needed to ask that you might not necessarily want to ask in a public setting. That's one way. The other way, to the extent that you're a commissioner and you have areas of sensitivity, look through the document or ask staff to point you to the document to where that matter is discussed. Third and to the extent that you are concerned about things, that you should convey that information to staff in the disclosure process before you act to approve a document.

Then, the question that invariably comes up is why can't I just rely on staff? You folks are the professionals. You're here basically full time. The answer is you can as long as that reliance is reasonable and in good faith.

Good-faith reliance is, who are we hiring? What's the experience of the personnel involved in our disclosure process, etc.? Basically, our Q&A -- and what we've done. The PUC does this for any bond issues, we pose 20 or so questions and they center around basically informing you as to what that bond issue is about. What's the purpose of the bond issue? What's the source of repayment? Are there any peculiar risks to this bond issue? Where are the key factors disclosed in terms of risk to your financial position?

We answer those questions in a Q&A. You can certainly give direction to staff if that's what you would like prepared when we do a bond issue here. These are, again, other questions. Do you have any particular knowledge? Have you brought those risks to the attention of staff?

In your perusal of the official statement, have you seen any red flags where you're like that doesn't look right? I don't remember that being talked about. I don't remember that number. That number seems low for -- let's say we're talking about litigation. We thought that our exposure was X. We had put it in the book. You said, you guys, when you briefed me on it, that number was a magnitude 10 times higher. That's a red flag that you might bring to the attention of staff. Again, this is this question of reliance on staff but it has to be reasonable. We have disclosure controls.

Port staff is highly trained and competent in this area. I don't think that there are any concerns there. I do think that the city has devoted lots of resources to this. So for every bond issue, we have dedicated disclosure counsel, which not all municipalities have. The reason we do that is so that we have a dedicated law firm that can advise us on securities law questions and also can assist us in preparing the document and bring market disclosure.

For similarly situated ports, what are they disclosing and can bring that expertise to the development of a port's disclosure document. You have me. I have about a billion years of municipal law experience. We have the Port team. I think you're in good hands.

Commissioner Woo Ho - I want to really commend us to have this conversation because it leads into some other areas having lived in the corporate world and where we live with SEC and disclosures and Sarbanes-Oxley. This is a very important topic.

I absolutely think that your presentation has been perfect and it's well timed. I think my theme is really to prepare us to not have to face looking at a bond issue and an official statement and get all this data all of a sudden and try to figure out because we know how thick those documents are.

It's been something that I've been suggesting. This is a perfect trigger for me to suggest, before and beyond disclosure, that I think we as the commission should have an understanding PF the Port's financial condition on a regular, ongoing basis and to support your point about enhancing reputation because

reputation usually is enhanced by openness, transparency, ongoing diligence.

If the agency that is issuing the bond and since we're on a stand-alone basis, if people were able to see that we do have this not as a one-time, all of a sudden we're going to huddle and try to cram in all this information and read this 300-page document, which would be very difficult for us to understand all the information at once. It's also because we get bits and pieces here. You've really given me a chance to be on my soapbox today to talk about this in terms of all the different parts.

It's not that we don't hear. We do hear. It's bifurcated. It's scattered. It's not unified. I feel that we need to see the sum of all parts, which would help us when we get to a point of where we have to disclose, that we already have as commissioners at least and the staff enough background to be able to intelligently do what you're asking us to do so that we would be able to do all the things that you ask us to do.

Without that, it's very difficult to all of a sudden cram that in. We're very good here. We do get a very detailed briefing on the budget and the capital planning but I'm not sure we get regular updates on where we stand on the financial condition of the Port.

We get an annual memo from John in terms of just how we're doing with revenues and expenses. But it's not all put together for us. I will go on my soapbox to say I think it's time. This is a perfect reason why we need to do this is to have regular updates.

Whether we do that privately or we do it in open session, I'll leave that to the staff and the executive director to decide. I think it's really important that if we want to do this properly and it's important not just because of disclosure. Disclosure is one of the products that we have to end up with and do it properly. We should understand and we will not ever be in a situation like Orange County where people were not asking the right questions.

We should understand inside out. We should make that glib remark at any cocktail party to say buy the bonds of San Francisco but we should really have some working knowledge of being able to understand exactly the financial statement condition.

I think generally we do but I'm not sure we see the complete picture. I'm not sure we have all the facts and figures at our fingertips to understand that. We know what the revenue numbers know. We sort of know what the expenses are. We just went through a whole discussion of the annual budget process and the staffing, etc. but we don't have the financial condition. Except occasionally, Elaine might tell us about what our bond capacity is.

We need to do that on a regular basis to be prepared to do this well. We want to strive to be excellent at what we do and not just barely checking the box off.

This is very important. This is great that you did this. I appreciate it because it triggers me to go back and encourage that we do this for the commission and for anybody else on the staff level so that we can feel very proud of what we do.

As you know, San Francisco does have the highest credit rating right now of all municipalities. In order to preserve that and for the Port, it isn't a one-time or two-time. You don't parachute in. It has to be an ongoing. We all have to be involved from that statement and be intelligent about it. Thank you very much for doing this today.

Mark Blake - In the municipal market, one of the concerns has been the staleness of information. One of the problems has been we issue bonds. In the old days, you would issue your bond issue. You would never provide continuing disclosure to the marketplace.

If you were buying that bond on the secondary market 10 years later, you had no idea the financial condition. So in 1994 thereabouts, there's this requirement for continuing disclosure. But that's just annual. The SEC has been encouraging municipal issuers to start, in some form, reporting quarterly just like their corporate counterparts do so your statement is a good one. The controller produces a six-month report and a nine-month report.

It may be that staff can produce something like that for you but it is a tension in the municipal marketplace where information is not readily available and that investors can't kind of, if you will, touch base from time to time to see how their issuer is doing. So it's an excellent point.

Commissioner Woo Ho - In our case, we're only worrying about bond issues. But in the corporate world, there's so many events that trigger disclosure, which is very complicated. People are constantly worrying about, is this something? If you're on any public board, you have to worry about it constantly too. It's not necessarily strictly financial. It has other implications that you must disclose. So the importance is very important.

Commissioner Katz - Can you work all this into the next disclosure statement?

Mark Blake - We can work with staff.

Commissioner Katz - I think Commissioner Woo Ho alluded to and I'm also more familiar with the private-sector side of disclosure requirements. I'm getting a little bit into the weeds just in terms of a material disclosure. Given that we are a public body and we have public meetings, I have a concern

how we make sure that statements aren't made during the course of one of our meetings in response to questions that come up.

Mark Blake - Generally, where this comes up is when there is not information that's available to the investing marketplace. Let's just say that there is a newspaper article about the Port's financial condition. We're in between continuing disclosure report, financial statements and there is a vacuum for information. But the desire for one reason or another is to give the marketplace comfort. In your capacity as commissioner, if you make a statement at that time, that statement will be tested against the anti-fraud provisions.

If people are trading your bonds in the marketplace and they rely on that, then liability could attach. In the regular course, it probably doesn't come up. They understand that legislative bodies have their activities and speech.

It's when you have crisis situations and a vacuum of information that's when statements by commissioners really could create exposure for them. So it's really in that kind of limited circumstance.

Commissioner Katz - In terms of any statements that staff might make, you said you're going to do the same presentation but I know we have very different standards.

Mark Blake - Again, staff is not being quoted in the press typically where staff can get in trouble and this is rare. On the corporate side, the opportunities for insider trading are significant.

On the public side, the only time that really comes up is when we're doing a refunding. We're refinancing bond issues. If we somehow were to tell one of our friends, "Hey, we're going to refund some bonds. You might want to look because those bonds that are traded today at the Port's credit rating would automatically become triple-A once we refunded them."

The delta between a single-A or a double-A-rated bond and a triple-A-rated bond, you could make money on that. That really is the only instance that that could happen. What comes up for staff more is selective disclosure so an investor calls up, wants information.

Let's say that information it's an excellent insight. So the question there is, do you provide that information to the investor? Or have they raised a question that really lends itself to a voluntary disclosure to the marketplace, so all investors are on the same footing.

So that's where really the training for staff is in responding to investor inquiries and whether we don't produce stuff for investors. But whether the question is of such moment that we should provide information to the investing marketplace.

Commissioner Katz - So when I put forward the risk factors, do we make any kind of representations and warranties?

Mark Blake - It's unique to the issuer. The Port is more or less a landlord. But then, the Port has certain risk factors that it faces that are unique to other risk factors in the city. So the entire city faces seismic risk factors. The entire city now is grappling with the effects of climate change but the Port might have peculiarities given its real estate that we would disclose. It's really risk factors like that.

So it's seismic. It's climate change, the big ones. It's subsidence. I don't know how much it's deferred maintenance for the Port. So we try to at least create a serial list but we do say this is not an exhaustive list. This is a list that you might want to consider. Other things may come up. But we undertake no responsibility to advise you of a future risk. The official statements speak as of their date and that's how we kind of convey risk factors. So typically, there's maybe eight changes of law. They're the kind of standard ones that we provide.

Commissioner Katz - And I think all the rest of my questions have been covered.

Commissioner Adams - Thank you, Mark. I really appreciate the presentation. It's very thorough and informative. I look forward to you coming back and educating us some more. I really appreciate you making it very simple. You're very articulate.

Commissioner Brandon - Thank you, Mark. This was a great presentation. The commissioners made some really good comments. We have to look at staff giving us updates on our financial condition, whether it's semi-annual or annually. It really starts with when we were going through the budget process. I asked for the detailed budget so that we can see and understand how it all works together. Hopefully, we will get that soon.

- Report on the San Francisco Chamber of Commerce City Trip to Washington, D.C. – March 21-23, 2018

Elaine Forbes - The second part of my presentation is to introduce Byron Rhett, our chief operating officer. Byron is going to represent the delegation that President Brandon led to Washington D.C. March 22nd through 23rd, which included myself and Brad Benson. President Brandon and the staff had a series of really important meetings. I think it was a very successful endeavor that we took on with the Chamber of Commerce and Byron will give us more detail.

Byron Rhett - I want to express our appreciation for the opportunity to participate again in this San Francisco Chamber annual visit to Washington to meet the California delegation. I do want to mention we were also joined in

one meeting in particular by Commissioner Adams who was there on Port business and other business. This has been the third and the most recent number of trips to Washington D.C. where we've participated with San Francisco Chamber.

We really had a chance to take advantage of the contacts and the efforts that they put forward led by Talia Hart, the president, and in particular, Jim Lazarus, senior vice president. The initial meetings are by all of the delegation participating in the meetings with various Congress people. But in particular, the visit was highlighted by an afternoon meeting with Senator Dianne Feinstein. There was a morning meeting with Leader Nancy Pelosi as well as the other politicians that the Chamber was able to arrange.

The other opportunity that we have is to set up meetings specific to the Port regarding issues that we're trying to address. The primary focus of this visit to Washington was meeting with key representatives of various departments as well as our legislators regarding our Seawall Earthquake Safety project.

We had the opportunity for some direct Port staff meetings. We met with Congresswoman Napolitano's staff as well as Senator Harper, Senator Harris and Senator Feinstein. We also had meetings with some staff directly.

We met with Department of Labor and the National Parks Service. I highlight those because, while the primary focus of our meetings was related to the seawall, we did have an opportunity to follow up on some additional issues such as the wage survey that you directed us to have the Department of Labor complete related to our negotiations with the National Park Service and the Alcatraz development.

We also then had conversations with the National Park Service as it relates to historic tax credits for our projects like Pier 70. We were able to have these very specific meetings to move forward the Port's agenda.

One of the most significant meetings that we had was related again to our seawall project and that is with the Army Corps of Engineers. We were able to meet with the highest ranking civilian staff person, director of Civil Works, James Dalton, his staff as well as a representative from the Secretary of the Army.

We're pushing forward with an approach that we've outlined to you in the past that we were looking to get approval of a general investigation new start for our seawall project.

We had an opportunity both to talk with our delegation representatives as well as talk directly to the Army Corps staff. They gave us really good insights into how we might be able to move forward with this investigation. But they also gave us a backup approach that we might pursue, the section 203 study as well, which would allow us, if we're not able to get federal funds

or federal approval to move forward with the more conventional approach to getting Army Corps participation, that we could move the project forward by initially spending our own funds.

It was a very successful meeting with the Army Corps and, overall, a very successful visit to Washington D.C. with the Chamber and with the Port team led by President Brandon.

Commissioner Brandon - Elaine, do you want to add anything?

Elaine Forbes - No. I think you provided an excellent summary. Thank you, Byron.

Commissioner Adams - I was back there on business for the ILWU. I went back last Monday and it was kind of unfortunate that it snowed. I wasn't sure that Director Forbes, President Brandon, Brad and Byron were going to make it. But it was a watershed week for me. I had been back there lobbying on behalf of our union. Also, I was able to get some Port business in. I met with the Deputy Secretary of Transportation under Elaine Chao, Secretary Rosen, and talked about our issues. I also talked about our seawall and how we need the money. He pointed out that there was \$1.5 billion in TIGER grants. He said the ports need to go get that money. We need to be aggressive and go get that money. I had a good meeting with Leader Pelosi. I met with Senators Cantwell and Murray from Washington State to talk about the harbor maintenance tax and infrastructure.

I met with my good friend, U.S. Senator Brian Schatz from Hawaii. I met with MARAD to talk about ILWU issues and seawall. I gave the card to Elaine today because they were very interested in what we're trying to do on the sea level.

I got a chance to catch up with the gang on Wednesday night. I think the highlight of the week for me was that I was able to stay for the march and to be in D.C. with a half a million people. I want to thank Oprah Winfrey and George Clooney and Steven Spielberg who all put up a million dollars, so the young people could have that march. It was very inspiring to see the next generation.

No matter where you stand on that gun debate, as a union person, I have a safety code. I go to work every day and that safety code provides me to go home to my family. I believe young people should be able to go to school. There should be something there that they ought to be able to go home to their parents at night. I don't think that parents should be burying their kids. I think kids should be burying their parents. It was very historical for me to see that energy. It really was very, very uplifting. It was a way to end a week for me in Washington.

I want to thank the owner of the Patriots. He actually was the one that used his jet to fly all the young people from Florida to Washington D.C. So there are some good people that believe in some good issues.

I think we got a lot of good work done. We have to stay in Washington D.C. That's where the action is. We have to be politically involved whether it's in Sacramento or Washington D.C. You've got to engage with the movers and shakers.

Unfortunately, sometimes politics is an unwarranted evil but you have to deal with it. You've got to get things done. The way that I always approach any office that I go into -- I throw it out as a bipartisan issue, especially infrastructure and transportation. You want Democrats and Republicans on board for any issue that we have and especially for our seawall, transportation, TIGER grants. We want to get things done. We have to be able to compete and build our ports up. I think we should go after that money. The money is out there.

Commissioner Brandon - I would like to add that we were there during a very interesting time. Luckily, we landed due to the snowstorm but being there while the deliberation and passing of the omnibus bill made it difficult for us to see some of the people we had planned to see.

Overall, it was an extremely successful trip. You would think that, with all the people that we did see, that we were there for the week but we were only there for two days. We packed a lot in. We had an extremely good meeting with all of the various staff members. Last year when we went, we met with the Congress men and women and senators. This time, we focused on the staff who actually really do the work.

We had great meetings with the staff. We had an extremely good meeting with the Army Corps of Engineers because, when we went last year, everyone we talked to directed us to the Army Corps of Engineers.

We have a good relationship here within the region. But getting to D.C. and actually talking to the people who are actually in charge of the funding, of the decision making was absolutely wonderful. They had four or five people there to meet with us. They were all very high-level individuals, people who were actually the decision makers. They gave us great advice. They were very straightforward, very honest with us.

They wanted to make sure that, when we came back in two years, that they didn't lead us the wrong way. I said, "No. We'll be back next year." I really want to thank Daley and Brad for preparing us for all of these discussions well in advance. Daley couldn't make it unfortunately. We really missed you, but we got through it. They were extremely good meetings. I do know that, with the Army Corps, they mentioned the same thing I mentioned during our discussion of the informational presentation on our seawall efforts. That is it's

a little confusing that we are just looking at three miles. We're not describing the seven-and-a-half miles and how we're breaking out the analysis and the study and what we're trying to do.

because we focused on three miles, they were like, "Well, I thought you had seven-and-a-half miles." We're like, "No. You know, this part is because of the seismic, etc." Also, they wanted a budget. They wanted to see how the money is going to be spent over all of the waterfront, not just here. It just enforced our need to do a little better job in explaining. But we have great presentation materials.

It was amazing to see where we came from when we went last year to when we went this year. It was absolutely wonderful that Commissioner Adams was there. He was speaking on our behalf to the people that we didn't talk to.

Because we had our separate meetings from the Chamber, the Chamber was talking about our priorities in their meetings. We were the number-one priority for everyone on this trip. Everybody loves our project until we start talking dollars. Overall, it was an extremely successful trip. Byron, thank you so much for that presentation.

Commissioner Katz - How big was the delegation? And who were the other people from San Francisco?

Elaine Forbes - I don't have the list with me.

Commissioner Brandon - There were about 25 people.

Elaine Forbes – Yes, there were about 25 people and we had representatives from the PUC. The PUC sent a senior leader, Michael Carlin. SF Travel was there, Dignity Health, Sutter Health. There were representatives from CPMC.

Commissioner Brandon – Comcast, AT&T.

Elaine Forbes - There were lots of business leaders and a big Port delegation with the number-one project, as President Brandon described, which was very nice that the Chamber made a big point of pitching our project, and lots of local business leaders.

Commissioner Katz - Were there any surprises in the meeting or things that you hadn't expected?

Elaine Forbes - We had a little surprise. We're going to do follow up with Senator Feinstein's office. The senator is worried about the price tag of this project, which I experienced when I first briefed her. So we need to talk with her about why it costs so much. She's very interested in the cost sharing that we're trying to see come to fruition. She's very supportive of a business tax. It

was great that the chamber heard her say that. Remember when the controller's office put forward the top six funding strategies? Business tax or a CFD, a property-based form, was on the list. It's something we should be definitely be exploring. We've been working hard on trying to find funding sources for phase one. I think our next move is work with the board of supervisors to submit to the voters the bond question and the work with assembly member Chiu and Ting on the IFD will be to start in earnest on the CFD concept.

Commissioner Woo Ho - I have a question for Commissioner Adams. You mentioned you did meet with Secretary Chao.

Commissioner Adams - No. I met with Deputy Secretary Rosen. He's the one that probably does all the work. He's the number-two guy.

Commissioner Woo Ho - Did he feel that, within their infrastructure plans, they have the seawall as something that they would address?

Commissioner Adams - Yes.

Commissioner Woo Ho - And that will go beyond partisan politics?

Commissioner Adams - He was the one that pointed out this trillion-dollar bill, the omnibus that passed, that this money was out there and he was supportive. He said he was planning to come to the West Coast. I invited him to come to the Port of San Francisco. We could give him a hands-on tour because he's more of a hands-on guy.

He's been there before and he understands the industry. He was very, very open. He said, "You have an open door here." It's all about building relationships in Washington D.C. You've got to build those relationships with senators and congressional people. President Brandon is right. Even though the staff does all the work, you treat them like gold also because they write most of the legislation that the senators and the congress people speak on.

The more that they see our faces and that we engage them and we get them out there -- and Director Forbes and President Brandon can give them a tour of our port to see -- I'm a visual person. People in Washington -- they're away. Visually, they need to come out here on our turf, on our soil and walk around and see what we're trying to do and to engage them.

In another month or two, I'll be back there for other reasons. I'm going to follow back up with him, try to catch up with him for lunch or something and continue this dialogue because it's like a revolving door going to these people's offices. They don't remember you but the more they see you, they remember you. You build those relationships. I will continue to follow up.

Elaine Forbes - I will add one other surprising piece. As President Brandon described, the Army Corps engineer meeting was especially important for us to be with some of the highest ranking leaders of the Army Corps from the D.C. office. It was critical. But it was also very eye-opening for us. Depending on the figure, there's between \$80 and 96 billion of backlog in the Army Corps of Engineers approved project list. We are trying to thread the eye of the needle to become an improved project, which is a very long endeavor.

It was very eye-opening to speak with Mr. Dalton. He was very frank with us and said, "It looks like you have a critical project and a very good plan. I don't want to see you waiting. I want to see you advance this project."

That is why he offered that secondary strategy that Byron spoke of, which was this 209 strategy where locals move the project along. the Army Corps starts cost sharing. It was eye opening about the availability and the viability and the timing of federal dollars.

Commissioner Adams - Director Forbes, you want to talk about the meeting we had with the Department of Labor. I think it was really good. I think everyone would want to hear about that.

Elaine Forbes - We sat down with the staff responsible for completing the wage survey for the National Park Service prospectus. We are now fully aware that they are prioritizing this endeavor. They understand how important it is to San Francisco.

It was really important for us to explain not only the economics but the visitor-serving importance of the Alcatraz site and how we need to have a fair wage survey completed by the Department of Labor to move forward and how critical of an issue it is for us.

It was personally rewarding for me to sit across the table from those responsible for the work and to hear that they understand how important it is, that they intend to do it in earnest. They could not offer us a date by which we would get the survey but they said it was their top priority. We'll continue to engage with them along with our partners at the National Park Service but feel certain that Department of Labor will complete a fair and impartial analysis and give us a wage survey in the near term.

Commissioner Brandon - We did let them know that we would like to see it on our May 8th agenda. They are going to shoot for that hopefully.

B. Port Commissioners' Report:

Commissioner Katz - I'd like to request that we adjourn our meeting in honor of the youth that have woke this country up.

Commissioner Brandon - Can you say a little bit about the press conference last week for the assembly bill?

Elaine Forbes - We had a tremendously positive press conference at Pier 14 to announce Assembly Member Chiu's bill, which would allow the Port of San Francisco to capture a state share of tax. Some refer to it as the school's share but that 25 cents per the dollar.

This is an idea that Port staff did pursue in the past. We were able to get the state share for the Pier 70 project. Conservative projections are that it would produce about \$55 million for the seawall project in the first phase of the project and up to \$250 million over the term.

We had many leaders that came out for the press conference, Mayor Farrell, Board President London Breed, Board Member Jane Kim, Senator Scott Wiener and, of course, Assembly Member Chiu was our emcee.

It was a dream for President Brandon and me because all of the leaders were really full in on the seawall project, really understood the importance of it, the importance of safety in the waterfront, the dual threat of earthquake and seawall rise. It was a real opportunity for us to observe how well we've been doing in our outreach and getting the message out and how much leadership in San Francisco and at the state level is behind our project.

Commissioner Brandon - Also, Administrator Naomi Kelly joined us. It was a great event. We also had our contract opportunities open house, which was a huge success. We had a large turnout, a lot of new faces and a lot of interest in most of the Port projects that are going on.

We saw a presentation by Pier 70, who has partnered with Dwayne Jones, RDJ Enterprises, showing how a large company can work with a small company and partner and succeed. It was really wonderful to see. I want to thank all the staff that was involved in our open house because, now that it's an annual open house, it was a huge success. Thank you so much.

I also want to congratulate Tom Carter. We missed the ceremony because we were in D.C.

Elaine Forbes - Tom was part of a team of professionals who won the MFAC team award. It is an annual award that recognizes excellence in city management. Tom's group won its award for the Navigation Center. I call it the 25th Street Navigation Center. It's more commonly known as the Dogpatch Navigation Center and also for the encampment resolutions that occurred with the lead up to approvals for the Navigation Center at Warm Water Cove and Islais Creek. It was important to acknowledge the work that this group had done, a lot of hard work and the kind of work that goes unnoticed and unrecognized.

It was not only hard work. It included finding a balance for the residents in the neighborhood and working with community groups to understand and recommend a navigation center and also working with unhoused or homeless people that were encamped and offering them a full range of services and rights as they moved on to a better and more safe environment. So congratulations, Tom.

10. ENGINEERING

A. Request authorization to advertise for competitive bids for Construction Contract No. 2797, Pier 29 Utility Upgrade and Beltline Building Sewer Re-routing Project. (Resolution No. 18-23)

David Hu, project engineer for the Pier 29 utility upgrade and Beltline Building Sewer Rerouting Project - The project involved two facilities. One is Pier 29. Another is Beltline Building next to each other in the area of the new cruise terminal at Pier 27. Currently, these two facilities are vacant. We'd like to take the opportunity to expand the utilities and upgrade all utilities in the building for the future tenants for better access to the service points with higher capacity and less interruption for the future tenants.

This project supports the Port's strategic plan objectives on livability, sustainability, economic vitality and stability. It makes the Beltline Building and the Pier 29 Building leasable with better marketability and also for future growth capacity.

It upgrades the utility infrastructure and bring all the utilities above the deck for longevity and improving the reliability of the systems. It's also improved the lighting energy efficiency of the Pier 29. The CMD office has established a 24 percent LBE goal for this project.

The scope of work at Pier 29, we are going to extend all the utilities including the water supply piping, gas service piping and sewer piping like risers and gravity sewer above deck for the future tenants with better connection, with better access to all those service point in the future. That is for the future tenants in the back once the tenant occupy the front part of the Pier 29 building in the backup area.

In order to make the Beltline Building's current sewer system pump-station independent and also eliminate all the long sewer piping underneath the pier, we are going to cut and abandon the existing under-pier sewer line currently connected to the pump station in front of Pier 29. We will reroute the shorter, new sewer line, gravity sewer line, to the city sewer in the Embarcadero Street. Again, the purpose is to improve the reliability of the system and also the building with the leasability.

The engineering cost estimate for Pier 29 utility upgrade, we estimate it approximately \$660,000. For Beltline Building Sewer Project, we estimate it

approximately \$220,000 plus the allowance item. The subtotal for advertisement of the project is approximately \$945,000 plus the 10 percent contingency for budgeting.

We estimate the total cost is about \$1,040,000. The project is fully funded by the Port capital accounts. One is the utility project account, CPO-761. Another is Beltline Building Project account, CPO-930.

Upon the approval of the Port Commission today, we are going to advertise the bid in April. We are coming back for the commission to request to award a contract in May. We may send out a notice to proceed for the project in July. We expect the project duration to last six months. The substantial completion date will be in January 2019.

Commissioner Katz - You referenced connection to the backup generator. That's one of the improvements there to provide backup generator connection.

David Hu - Right.

Commissioner Katz - Is that a diesel generator? Or will that be using cleaner power?

David Hu - I can refer to your question to the electrical engineer for the project at the Port.

Elaine Forbes: [Roman], come to the microphone.

Raman Singh - All the electrical equipment is located in the center of the bulkhead. If you want to lease that area out and let's say there is a power outage, that area supplies power not only to Pier 29 but it also supplies to Pier 31. It supplies power to Hornblower's shore power. It supplies power to multiple facilities. Being that it's a critical electrical service, you want to have a connection and you can't really bring the generator inside the shed space if you're going to lease that area. You want to put the point of connection outside. It would have to be like whatever Port maintenance has, portable generator. Typically, those would be diesel generator.

Commissioner Katz - That was the answer I expected but not the one I was hoping for.

Commissioner Katz - You said that the sea-level rise wouldn't impact the project at all during its design life of 30 years. Was everything going to be raised well above project sea-level rise?

David Hu - Yes. That's a very good question. That's one of our Port's new strategy portwide, to bring all plumbing piping, utility piping from under the deck to above the deck including this project. We are bringing all the utilities above the deck.

Commissioner Katz - That's actually a great point to think about.

Commissioner Katz - On the Beltline Building, hadn't we upgraded the bathroom there or made that accessible to the public at some point?

David Hu - We just upgraded the public restroom, both men and women. It's for public access.

Commissioner Katz - The added plumbing supply will just ensure better viability? Or is that just part of the general upgrade?

David Hu - In this project, we are not going to touch those restroom we just built three years ago. The main thing is, for this project, we are going to take down the under-pier really long gravity sewer for those restroom in the building currently connected to the pump station in front of Pier 29. We're making it pump-station independent. Later on, we are not going to depend on the pump station. In case the pump fail, then maybe we need to shut down the restroom too. That's one of the strategy for this project. Another strategy is just eliminate all the under-pier piping for the long sewer, shorten it and reroute it, spirally connected to the city sewer to make it more reliable.

Commissioner Katz - Got it. So it's not going to shut down the restroom, maybe temporarily.

David Hu - No. Stable is a very good construction sequence. First, build the new piping through the street connected with manhole in the Embarcadero Street first before you cut off the existing sewer to Pier 29. Then, we switch over in a couple hours. So it will not interrupt the service of the restroom to the public.

Commissioner Woo Ho - Thank you. I think most of my questions are answered. We are doing this to prepare this building. Isn't this the same building that Jamestown has just backed out of? This is really a preliminary preparation for us to be able to lease it out to another party.

David Hu - Yes.

Commissioner Woo Ho – I just wanted to verify that.

Elaine Forbes - That's correct. So just to add for the public, we had made a solicitation and selected Jamestown as the most responsive party to a 20,000-square-foot leasing opportunity. That lease had come to you with a term sheet that we brought to the Board of Supervisors. Jamestown has recently let us know that the cost of the improvements is outstripping the revenue that they can receive back. It's no longer viable for them to move ahead with a 15-year term. We will be coming to you later to talk about opportunities for Pier 29, which there are many, as part of our RFI. But real estate staff and I talked with the engineering group. These improvements are well underway. We do believe we will be leasing that bulkhead space.

It's a newly rebuilt bulkhead right across from the cruise ship terminal. It's very valuable retail space for us. We want to proceed with the improvements even though Jamestown is not going to take down the lease.

Commissioner Woo Ho - We've already obviously budgeted for it.

Elaine Forbes - We have.

David Hu - That's one of the purpose to do this project, before any tenant occupy the space.

Commissioner Woo Ho - Okay. I'm supportive.

Commissioner Adams - First of all, I don't know if I've ever met you before.

David Hu - I have been here for 10 years as the Port's mechanical engineer, I've managed numerous projects but my projects are not that big. I have presented before.

Commissioner Adams - I just wanted to say thank you for making a presentation. I'm getting to know everybody and I didn't know you. Thank you for your work and your presentation. I'm very supportive of it and appreciate your patience and going through and explaining it. I always think it's good for everybody to get up and make a presentation. Thank you.

David Hu - Thank you, Vice President Adams.

Commissioner Brandon - Thank you very much for this presentation. I just have one small question. What is allowances for partnering?

David Hu - Partnering is a very good question. It's a new program by the city which will facilitate both the city like the Port with the contractors. When we work together to solve the problems, the arguments, issues, raised during the construction. The purpose is to minimize the change orders and also minimize the claims from the construction and also litigation. Minimize all those or eliminate that. It's a really good channel to deal with between the government and the contractors. This is a new program.

Commissioner Brandon - Great. Thank you.

ACTION: Commissioner Adams moved approval; Commissioner Katz seconded the motion. All of the Commissioners were in favor. Resolution No. 18-23 was adopted.

11. PLANNING & ENVIRONMENT

- A. Request authorization to issue a Request for Qualifications to identify Qualified Developers/Operators of Electric Vehicle Charging Infrastructure and to

negotiate lease terms with qualified entities to construct and operate electric vehicle charging stations at Seawall Lot 314, Piers 30/32, Pier 54, and/or Pier 70 Building 109. (Resolution No. 18-24)

Rich Berman with Port planning and environment - I'm here today to ask your authorization for issuing the request for qualifications and for negotiating with qualified entities. Before I get started, I want to say that there were several Port staff who assisted with this. I particularly want to acknowledge Demetri Amaro. He's a very bright young man. He's very good with computers but he's also got a great passion for this subject and a lot of enthusiasm. Thank you, Demetri.

The city and Port have been working for some time to develop strategies for fighting climate change. Clean transportation has been among them, especially zero-emission transportation and developing that infrastructure to support that. There are several ways we've done that in the past. Currently, we've identified a dearth of publicly available charging stations. The city EV working group is working to address that and this effort is really part of that.

We came to you back in the fall. In October, we issued a request for information. We were trying to understand a very quickly changing world that we have little experience with. We got a very robust response from eight providers. We learned a great deal. We learned that the market for the EV charging is strong. We learned quite a bit about the technological specifications that are required. We also learned that Port property is a viable location for installing publicly accessible charging.

These are the respondents that we received submissions from. The two challenges that we came across were the infrastructure of the Port and the need to upgrade Port electrical supply. The infrastructure issue is really one of working over piers. It wouldn't apply so much to the seawall lots. But typically, this kind of infrastructure is done through trenching. You can't do that on a pier. So there are some technical challenges there.

We didn't intend to challenge your math. But that says eight respondents, six manufacturers and three operators and that's simply because Tesla was one of each. We had four locations that we've identified here. Originally, we sent out in the RFI the possibility of five locations. We included Pier 27 and that fell off after we reviewed the responses. The reason is that intermixing publicly accessible charging with 80 to 100 cruise days wasn't viable. It's physically a good location. But in terms of operations, it just wasn't going to work.

The remaining sites were viable. Seawall 314 is within the jurisdiction of the Northeast Waterfront Advisory Group. We approached them with the results of the RFI on February 20th and they were very responsive.

Pier 30/32 and then Pier 54 and Pier 70 were all in the purview of the Central Waterfront Advisory Group and we approached them on February 5th. They,

too, were very supportive. They were all intrigued about what it might do to the appearance of the waterfront and where some of the funding would come from.

As we've maintained all along, the premise of this RFQ would be that whoever wants to develop this infrastructure would fully fund the addition of electrical supply that's necessary.

We had some preliminary knowledge but we confirmed what we thought we knew. The charging technology is vastly changing. It's quickly changing. There are level-two chargers sometimes called slow chargers that can charge an electric vehicle within eight to 10 hours. There are those that charge fast. They're called level three. They can typically charge within an hour, maybe a little less. Since we did the RFI, I've learned that there are now level-five chargers that can charge within 20 minutes or less.

It's quickly changing. The level-two chargers typically use alternating current. Level-three charges and faster charges that require direct current. This question of number two, will it work on my car, is really getting at that idea of will it work or proprietary versus non-proprietary technology.

Tesla has charges that work only on theirs. We want to make sure that we have technology that is inclusive. So proprietary would be allowed. But non-proprietary would be mandated.

The information that we got on the electrical service supply varied quite a bit. What we find is that we're looking at a really classic system in the early stages of development where we don't have a standard for several of the technical aspects.

We don't have a standard for the business models. We probably have at the tail end things that we will see disappear as the whole industry begins to settle out. Someone reminded me that it's probably like 10 years ago when the phone plug chargers were all over the map. They all required the same current but one would fit this one. One would fit that phone and they've gotten past that. We're still in the early stages.

What we'd like to do is issue a request for qualifications and qualify the respondents based on the criteria that you see here. We'd like to see some mandatory installation experience at least installing fast charging and slow charging at three different sites as well as non-proprietary charging experience. We'd like to see operating experience for at least one year of an existing up-and-running charging site. We'd like to do the standard financial capacity demonstration for any of the teams that are coming in.

We expect and will encourage the respondents to submit as teams. We think that these areas of skill that will be required on the right would require that. It's quite varied especially if we're bringing new electrical service to a site.

We'll encourage teams to submit or encourage people to submit as teams. We would allow the criteria to be met if at least one team member satisfies that criteria. We will ask them to identify all of their team members in advance.

We would be encouraging them to use local business enterprises as team members. We will include in the RFQ the contacts for the CMD so that they can know who the LBEs are in our community and try to find ways to incorporate them.

There are other departments throughout the city. I'm learning through the city environmental group who will be doing this. If we can get LBEs in as trainees or participants, that might open up other avenues as the other departments move through this.

Once we have the submittals, we'll compile a review team. We will not do this without the electrical engineering staff. They're too essential. We'll have real estate and development staff as well, planning and environment.

There were some EV specialists at the Department of the Environment who have been of great assistance all along. It's important to remember that where we're looking here is not measuring one team against another. We're measuring them against these objective criteria that we've identified. If we identify qualified teams, we would then ask to enter into negotiations with them. We would require that they develop the EV charging station, that they provide level three as a minimum.

They will be allowed to include level-two charging. They can include proprietary technology but they must include non-proprietary equipment. The charges will have to be available to the public at least in part. So these are the key business terms that we'd be looking for in the negotiations.

We think there is sufficient interest in diverse locations among the Port. But it's possible that we would find two teams competing for the same site. If, in fact, we feel we're looking at competition and we don't have enough space to accommodate two or three teams or they're unable to work out some partnership, we would step away from that and decide whether it's worth pursuing as a targeted RFP.

We'll come back to you and seek your authorization to issue that. We expect it would be with the exact same business terms. So the next steps would be to issue the request for qualifications and try to identify qualified teams with an eye to whether we have sites that have competitive interest. If so, we'll go back and seek that RFP. If not and we're successful, we would then come back to you with proposed lease terms.

Commissioner Woo Ho - Thank you. It's very interesting to hear that we're at this stage. Are there any other agencies in the city that are also considering charging stations or are we the leader and pioneer of this at this point?

Rich Berman - We are in step with the other agencies. The electric vehicle charging working group is being convened through the Department of the Environment with the mayor's office. There are other key departments including Rec and Park, MTA and PUC especially who are looking for opportunities on their properties to enhance the publicly accessible electric vehicle charging.

Commissioner Woo Ho - Where are we at least charging out of the gate now with this RFI?

Rich Berman - MTA might be one step ahead of us on one site but otherwise, we are in the vanguard there.

Commissioner Woo Ho – You mentioned on one of the slides that we'd have sort of a baseline and this parameter rent. Do we already have parameter rent for EV charging stations? What kind of business model would we work out with them over time?

We have some examples obviously of the bikes but I imagine that this one is a little bit different than the bike rental stations. We will probably ask what the operators will be asking for the customers of this and what they will be charging them so that we can understand how that works into the economics. Or that's something that we don't know yet, right?

Rich Berman - You're exactly right. Those are things we would be asking. Those are things we don't know. They're among the reasons that we decided that the RFQ process would give us better flexibility to address those issues rather than prescribing them in a classic RFP.

The parameter rent that we've been discussing among staff was the one based on the parking lots because all of these sites have parking. I believe it was about 40 cents.

Demetri Amaro, Real Estate department - The parameter rate we were referring to was sort of a minimum based on the paid land rates that are currently commission approved.

Commissioner Woo Ho - If we have this difference in alternating current and the low speed versus high speed, the cost of that is obviously different too. I assume it's more costly to do the high speed. That's something the operator is going to bear, but somehow we need to understand all those things and how they're going to charge for that.

Rich Berman - That's correct. We did learn that there are a wide variety of business models that are out there. They include things like pay per use. There are subscriptions where people can pay to be a member of a charging location. There can be models that are developed around a particular fleet. There are models where you basically have community support and there's outside funding. So you're correct. There's a lot of variation in how this can be done.

Commissioner Woo Ho - Every lot we have has some operator there that is on that parking lot. The 8 Washington lot, was there some reason it was excluded? Because you would want lots that are very close to where people are going to park all day versus short term even though they might have the fast-speed charging versus the low-speed. At least today's behavior, people are tending to park longer. I understand the Pier 27 issue.

Rich Berman - I don't recall why 8 Washington was not included.

Commissioner Woo Ho - Because it seems like that's pretty close to downtown, etc. That's just one example. There may be some others that I'm not thinking of but that one in particular comes to mind.

Rich Berman - When we did the request for information, we identified the five sites that I mentioned. We also invited all of the respondents to identify other candidate sites that they felt would be viable. No other sites were offered up. They didn't take that into much consideration.

Commissioner Woo Ho - Meaning the operator had to offer it up before we even asked them to consider it? Or the EV station operator was interested in those sites? You have existing parking operators. They're coming in to then want to be on those sites. There's got to be some arrangement that they have to have with the parking operator too.

Rich Berman - The model that we've discussed there is based on the provision that we have the right to take back certain portions of a parking lease area and that we would use that.

Commissioner Woo Ho - Right. We have a lot to learn on what kind of business model will work for us. I'm sure it'll be an iterative process. So whatever we do in terms of the terms and conditions, I hope we allow for learning to go as we learn and not put ourselves into a fixed position where we regret later that we didn't understand enough how to structure this model. It's a thousand flowers blooming at this point.

Commissioner Katz – Will we go for the neutral standard?

Rich Berman - We will make that mandatory. We will allow for proprietary as additional.

Commissioner Katz - I just called them fast chargers but the level two, three, and then you mentioned five, will we have a blend? Or will we just determine later?

Rich Berman - That is part of what we'll negotiate.

Commissioner Katz - I assume we have some sort of safety requirements and analysis of the various different bidders and how they've done on safety?

Rich Berman - That will be part of the experience. I didn't put in there that they were successful experiences but that will be part of what we do. We will also have our building code and building review process.

Commissioner Katz - I know this is something we'd have to figure out but we're not going to have that many. How do we address turnover especially if we have the faster chargers and ensuring that somebody is only there for a short period of time?

Rich Berman - You're asking all the difficult questions, which is why this is a difficult project to put into an RFP. There are many, many uncertainties. There are many points and choices to consider both in operation of the site as well as technical installation of the site. The models are so varied right now that we don't have certainty on that.

Commissioner Katz - Did we ask the different respondents to submit?

Rich Berman - We did. And through that process, we learned that some do it one way. Some do it another. It'll be a matter of making it work.

Commissioner Katz - That's what I was getting at, that they were at least required to share that kind of information.

Rich Berman - Yes.

Commissioner Katz - Have we compared it to the private sector and what kind of rents they receive or what kind of terms come in when they've put in chargers on various sites?

Rich Berman - No. We have not.

Commissioner Katz - That might be something worth looking at as sort of the revenue model, not to say that companies try to take advantage of the public sector in rents. On seawall 314, I know we have some longer-term plans. How would having a charger installed there potentially impact on those plans? Or can these be moved? Do we have any provisions that, if circumstances warrant it, they can be moved to a comparable location, etc.?

Rich Berman - The chargers themselves can be relocated. We would expect that the lease terms would require the removal of them at the end of term if the Port so chose. That's something we commonly do. The upgrading of the electrical supply to the location would only be an enhancement and that would remain.

Commissioner Katz - For example, on Seawall 314, if we need to have them move, that there would be provisions that would allow for them to move at their expense even if they've done the upgrades?

Rich Berman - It should be part of the negotiations, I believe, that we consider whether the possibility that they'd be asked to move within a certain timeframe would undermine their ability to amortize their investment and if they can make that up elsewhere. We'll consider that.

Commissioner Katz - This is really an evolving area and it's exciting. I'm pleased that we're at the forefront as a city agency looking at how we can offer these opportunities. Knowing how rapidly we're seeing some of these changes, have we figured out a way of allowing or encouraging or even requiring upgrades to new standards, to improved chargers, that sort of thing? Is there even anything out there that works as a model?

Rich Berman - Yes. We've had preliminary discussions about incorporating that into the lease. It's hard to envision where the technology will be in five years when even six months ago level five was something you didn't hear about. So to the best that we can, we will try to build that flexibility in.

Commissioner Katz - These are just suggestions but if something occurs, then it triggers a requirement that they then comply. I'm going to leave it to you to play with that language. That's something that I know we've found has worked well in the past putting some of those kind of triggering points in there so that we get the upgrades through external factors that we don't have to negotiate all the time. Thank you very much. I really appreciate the presentation.

Commissioner Adams - Richard, I'm in support of this. This is a pilot program. We've come a long way since my grandfather's mule. This is good because, if we go down to Pier 27, we have shore power for our cruise ships. This is in line where the future is going. We just did some drones, bikes. This is a part of the new waterfront. This is efficient. I'm supportive of this. This is good. and I agree with Commissioner Katz. We're out front on this waterfront. We're going to see more changes in a lot of different places, a lot of cars and stuff like that and different things. This won't be the end. Clearly, you have my support on this issue. Thanks for the work. It's not sometimes about making a lot of money. This is a good thing. The whole city family is getting on board with this. This is something I can support.

Commissioner Brandon - Thank you so much for the presentation and for all the work put into this. It's a great project. I'm just a little confused on how the determination of qualified submittals will be chosen. If there's more than one proposal for a site, then we would issue an RFP if they don't team up?

Rich Berman - It's a matter of determining where there is a competitive interest. Simply having two teams interested in the same site may not result in that determination if there's sufficient space for them each to happily do their project or if there is sufficient good will where they say, hey, there's a partnership opportunity here. We can collaborate and do that. If one pulls out and says we'll just step away from the site but if they both have a strong interest in developing

a station at one site and we can only accommodate one team, then that would lead to that determination.

Port staff would then decide if we wanted to pursue the RFP at that site or not. But we would not proceed without the commission authorization to do the RFP. We expect it would be a targeted RFP among the competitive and interested parties.

Commissioner Brandon - Are there minimum qualifications or is there any kind of scoring system?

Rich Berman - The minimum qualifications, we identified here. We wanted to see that they had installation experience and that was varied among different types of speeds and at least included non-proprietary installation. A Tesla-only installer would not meet that but if they partnered with a team and they had non-proprietary experience, then that team would. We wanted to see that they had experience actually operating a site.

Some of the questions that came up were, how long would you allow a car to stay at a given site? How would you take the money from them? How would you maintain a site if someone drove off with the plug in the car, all those operating issues? Then that they had the financial capacity to develop the site, bring any needed electrical supply to the site, install the stations and operate it for at least a term of 3 to 10 years. These were the qualifications that we identified as a minimum.

Commissioner Brandon - No financial terms, just parameter rent? What is fair market value of participation rent?

Rich Berman - As Demetri said earlier, for open paved land, which is currently about 40 cents per square foot and that's a commission-approved rate.

Commissioner Brandon - And that's the base rent or the participation rent?

Demetri Amaro - After we qualified the folks through the RFQ process, we would then have them enter into our normal, standard-leasing negotiation process for leasing space. As part of that, they would have to propose a business model and all of the financial terms for that lease directly to the Port.

These are minimums that we thought would be a good starting point for us to have. The parameter base rent, if they only wanted a base rent, would have to be the minimum parameter rent for paved land. Then, based on their business model, we would negotiate a participation rent that fully captured the Port's desire to participate in that success.

If it's based on gross revenues, the percentage number that we would charge would be slightly different than if we only charge based on a per-charge rate. So

we wanted to make sure that we left that available for negotiations when they propose their actual business model.

Commissioner Brandon - So that won't be part of the qualifications?

Demetri Amaro - No. It would be the follow-on leasing.

Commissioner Brandon - How do we choose who we're going to work with?

Rich Berman - We believe that there's sufficient diversified interest in locations that we won't have to have competition but that we will have qualified teams who are uniquely interested in one of the given sites. Now, it's possible that every site will face competition. In which case, we'll have to go back and do an RFP. But for the reasons that we outlined, we felt that the RFP was a very challenging undertaking at the moment. We would have better flexibility to address the variety of issues that we've encountered on this through the RFQ process.

Commissioner Brandon - When we do these RFQs and RFPs, I'd like us to be very clear on our selection process and how we choose something, so it doesn't leave a lot of room for ambiguity. I'm trying to make sure that we have a plan so that it doesn't come back if two or three people want the same site and two decide to work together, and one is left out.

Rich Berman - That would be competition and we would not be authorized to do that.

Commissioner Brandon - Basically, we're saying that, if there's any more than one proposal for any given site, then most likely it will become an RFP.

Rich Berman - Perhaps. Yes.

Commissioner Brandon - That's why I want to be very clear. I don't think it should be perhaps. I think we should be very clear in how we're going to select who we're going to do business with.

Rich Berman - We're very clear on our qualifications. We're very clear on how we will identify qualified teams. I believe we have a very clear understanding of what is involved in identifying a competitive interest at a site.

Commissioner Brandon - Okay.

Rich Berman - And we're not concerned about that. If there is anyone standing out there who says we still want that site, and you're not letting us play, then that's competitive interest. We will come back to you with a request to do an RFP. If all the sites are subject to that, at least we'll be in a position to have a stronger RFP because the submittals on the RFQ will be more detailed around what might actually be presented as an offer at the Port. We'll be able to have a more refined RFP process at that stage.

Commissioner Brandon - Okay. With the RFQ process, you'll come back to us before you make any selections and start negotiating? Or how will we know?

Rich Berman - The request is permission to issue the RFQ, do the submittals. If we identify qualified teams with an interest in non-competitive sites, to directly negotiate and then come back to you with a proposed lease with terms.

Commissioner Brandon - Only if there is one person bidding for one site.

Rich Berman - Only if there is no competition. That's right.

Commissioner Brandon - I really appreciate your response and the project.

Elaine Forbes - What President Brandon is pointing out is the importance of being very clear with the bidders on what the scoring and selection process is. Some of the things that we've discussed today about competition leading to an RFP situation we need to enumerate in the RFQ and make sure that there is a roadmap for competitors to follow, so it is very clear. I appreciate her comments because anyone who competes needs to see that roadmap clearly laid out. I also appreciate why you're doing this, because we're not sure of the demand out there and why you're needing this flexibility. If we enumerate the answers to the questions you've just answered, that will help meet both needs.

Rich Berman - Very good. We'll do that.

ACTION: Commissioner Adams moved approval; Commissioner Katz seconded the motion. All of the Commissioners were in favor. Resolution No. 18-24 was adopted.

12. NEW BUSINESS

Commissioner Adams - Director Forbes, Commissioner Woo Ho mentioned something about the flower mart. You might want to catch up with her on that. She said she spoke to you. She told me to mention that to you.

Elaine Forbes - I did hear Commissioner Woo Ho speak about financial performance and reporting. We actually have it on the forward calendar for April 24th, which is financial performance and outlook. We'll begin that conversation on the 24th.

In response to your request, we will calendar an item to discuss the flower mart. I will talk with her to clarify but we would need to make sure that the firm on the other side is interested in pursuing a lease with the Port. She would like us to calendar the item but we need a willing partner on the other side.

13. ADJOURNMENT

ACTION: Commissioner Katz moved approval in honor of the young people that organized and participated in the march and are getting active in a civic engagement ; Commissioner Adams seconded the motion. All of the Commissioners were in favor.

Port Commission President Commissioner Brandon adjourned the meeting at 5:15 p.m.