

## MEMORANDUM

March 22, 2019

**TO:** MEMBERS, PORT COMMISSION  
Hon. Kimberly Brandon, President  
Hon. Willie Adams, Vice President  
Hon. Gail Gilman  
Hon. Victor Makras  
Hon. Doreen Woo Ho

**FROM:** Elaine Forbes  
Executive Director

**SUBJECT:** Request for approval on the first bond issuance request, in an amount not to exceed \$50.0 million for the \$425 million General Obligation Bond to support Phase I of the Seawall Earthquake Safety and Disaster Prevention Program

**DIRECTOR'S RECOMMENDATION:** Approve Attached Resolution

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### EXECUTIVE SUMMARY

On November 6, 2018, the citizens of San Francisco passed Proposition A with 82.7% voter approval, authorizing a \$425 million General Obligation Bond known as the Embarcadero Seawall Earthquake Safety Bond ("Seawall Bond") to support the Seawall Earthquake Safety and Disaster Prevention Program ("Seawall Program").

The Port is now requesting *authorization up to \$50.0 million*, including issuance costs, for the first Seawall Bond sale to support the planning and preliminary design phases of the Seawall Program. Work in these phases will include planning, site and geotechnical investigations, risk assessment, alternatives analysis, program development, identification of potential pilot projects, and the San Francisco Waterfront Storm Risk Management Study General Investigation ("Flood Study") with the United States Army Corps of Engineers ("USACE"), which will analyze flood risks to the Port's entire jurisdiction from Fisherman's Wharf to Heron's Head Park.

In addition to these expenses, proceeds from the first bond sale will be used to reimburse \$9.0 million to the Capital Revolving Fund (\$6.0 million) and the Port (\$3.0 million). This will allow the City to initiate planning for other bond-eligible projects and provide the Port flexibility to invest in other non-bond eligible Seawall Program expenses, such as Flood Study work south of the Seawall at Mission Creek. The Port anticipates returning to the Capital Planning Committee in Fiscal Year 2020-21 for the

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second bond sale, to complete Preliminary Design and initiate Final Design and Construction of Phase I Projects, and will seek sufficient funds to reimburse the \$3.0 million balance to the Capital Revolving Fund.

On March 12, 2019, Port staff presented an information report to the Port Commission on the proposed first issuance of the Seawall Bond. Based upon feedback from the Port Commissioners, the staff report now includes additional Seawall Program budget detail as well as bond issuance cost information. All changes within the report are reflected in *italics*.

## **RECOMMENDATION**

*Port staff recommends that the Port Commission approve the proposed first Seawall Bond issuance request, not to exceed \$50.0 million. This includes \$45.8 million in Seawall Program costs, \$4.2 million in bond related costs (\$139,000 for CSA Audit and GOBOC Fees, \$601,000 in Cost of Issuance, \$470,000 in Underwriter's Discount, and \$2.99 million in a Reserve for Market Uncertainty).*

*Upon Port Commission approval, Port staff will work with the Controller's Office of Public Finance ("OPF") to introduce legislation to the Board of Supervisors, including authorization to issue General Obligation Bonds, appropriate the funds to the Seawall Program budget, and reimburse up to \$9 million to the City's Capital Revolving Fund (\$6.0 million) and the Port (\$3.0 million). Staff is targeting the first bond sale to be completed before June 30, 2019.*

## **STRATEGIC OBJECTIVES**

The Seawall Bond issuance will support the following goals of the Port's Strategic Plan:

Resiliency – By leading the City's efforts to address threats from earthquakes and flood risk through infrastructure improvements to the Seawall and other Port property.

Stability – By securing external funding sources to address the Port's state of good repair needs. The Seawall Bond is the primary local source for Phase I of the Seawall Program and may be used to leverage federal funding for both short and long-term infrastructure improvements.

## **BACKGROUND**

In 2015, under the leadership of Mayor Lee, the Port launched the San Francisco Seawall Earthquake Safety and Disaster Prevention Program (Seawall Program), a major City and Port effort to improve earthquake safety and performance of the Embarcadero Seawall, provide near-term flood protection improvements, and plan for additional long-term resilience in the face of sea level rise. Phase I will develop the overall Seawall Program and construct critical improvements to reduce the risk to life safety and sustain emergency response capacity following a major earthquake. Later phases will continue to reduce seismic and flood risk along the Embarcadero Seawall

by both strengthening the Seawall and implementing adaptive measures to manage sea level rise.

*As detailed in Attachment 1*, Phase I is currently budgeted at \$500 million with completion targeted for the end of 2026. Subsequent phases will be delivered over the next few decades with a total estimated cost of \$5 billion to fully seismically stabilize the seawall and adapt the shoreline to sea level rise.

## **Funding Plan**

In 2016, the City Administrator convened a Seawall Finance Working Group to analyze potential project funding strategies and prepare a set of recommendations. Given the Seawall's vast need, the SFWG realized that the City could not fund the Seawall Program through only local means and considered 48 local, regional, state and federal funding sources. The group's final report, issued in July 2017, organized its recommendations into three areas: primary, secondary and supplementary funding sources. The primary recommendations for the Port and the City to pursue are as follows:

- A. **General Obligation ("GO") Bond** to serve as the primary local funding strategy.
- B. **A Community Facilities District ("CFD")** to fund sea-level rise adaptations and seismic mitigation measures on the Seawall.
- C. **Local Property Tax Increment Revenue** generated from Infrastructure Finance Districts ("IFDs") on new development parcels on Port property.
- D. **State Property Tax Increment Revenue** generated from IFDs from new development on Port property, to be pursued through legislation at the State level.
- E. **State Resilience GO Bond** funding pursued through legislation at the State level.
- F. **U.S. Army Corps of Engineers Funding** at the federal level through the CAP 103 Program (initiated in June 2017) and a General Investigation (initiated in September 2018).

Since the release of the Seawall Finance Working Group report, Port staff has actively pursued each of these sources, achieving particular success with the award of the Congressionally authorized New Start for a General Investigation by the U.S. Army Corps of Engineers, securing a \$5.0 million grant from the State Natural Resources Agency, and receiving voter approval for a local General Obligation Bond measure.

## **SEAWALL BOND**

On April 10, 2018, the Port Commission recommended through Resolution 18-25 that the Capital Planning Committee and Board of Supervisors place a minimum \$350 million Seawall Earthquake Safety GO Bond measure on the November 6, 2018 ballot. The Port Commission further authorized the Executive Director to request an increase

in the GO Bond amount in the event the City’s Controller determined that there was additional bonding capacity available to support the Seawall Program.

The Controller did identify additional bonding capacity for the Seawall Program and the City’s Capital Planning Committee (“CPC”) and at the request of Mayor London Breed approved a \$425 million General Obligation Bond measure to support the Seawall. The Board of Supervisors subsequently voted unanimously to place Proposition A on the November 2018 ballot. On November 6, 2018, the citizens of San Francisco passed the proposition with 82.7% voter approval, authorizing a \$425 million Seawall Bond.

While the Seawall Bond is the primary source for Phase I of the Seawall Program, it also represents the local down payment on a \$5 billion program that the City anticipates will be delivered over the next few decades.

### First Bond Sale

With the passage of Proposition A, Port staff now recommends moving forward with the first bond sale *in a not to exceed amount of \$50.0 million*. As detailed in **Figure 1**, these funds, combined with other Port, City and state funding, will provide *\$57.1 million* to support the planning and preliminary design phases of the Seawall Program through Fiscal Year (FY) 2020-21.

**Figure 1: Proposed Funding and GO Bond Issuance Expenditures (\$ millions)**

PROGRAM PHASE*	PLANNED ACTIVITIES	PHASE YEARS	SPENDING	CUMULATIVE COST
Vulnerability Study	Vulnerability Study	15/16	\$ -	\$ -
Planning	Project Management & Stakeholder Engagement Planning Services USACE CAP 103/GI	16/17	\$ 0.3	\$ 0.3
		17/18	\$ 4.8	\$ 5.1
		18/19	\$ 14.3	\$ 19.4
Preliminary Design	Project Management & Stakeholder Engagement Environmental Approvals Preliminary Design USACE GI	19/20	\$ 19.2	\$ 38.6
		20/21	\$ 18.5	\$ 57.1
		21/22	\$ 32.6	\$ 89.7
Final Design and Construction	Project Management & Stakeholder Engagement Final Design Design Support Services Construction Management Construction USACE GI	22/23	\$ 108.0	\$ 197.7
		23/24	\$ 92.5	\$ 290.2
		24/25	\$ 92.3	\$ 382.5
		25/26	\$ 92.0	\$ 474.5
		26/27	\$ 25.5	\$ 500.0

Supported by the 1st Seawall Bond Issuance, Port/Planning/SFMTA Funds, and State Grant

\*Overlap in phase years is expected

Examples of work funded includes site and geotechnical investigations, advanced earthquake and flood risk assessments, alternatives development and analysis, identification and preliminary design of pilot projects to test viability of subsurface and bayside construction techniques including ground improvements, beginning Preliminary

Design and Engineering of Phase 1 Projects including advancement of NEPA/CEQA and permits, and advancing the USACE Flood Study.

As detailed in **Figure 2**, through FY 2018-19 the Port and City have appropriated \$20.0 million in funding to support the Seawall Program. Sources of these funds include the City's Revolving Fund (\$9.0 million), Port Capital (\$4.0 million), contributions from the SFMTA and Planning Department (\$2.0 million), and a grant from the California Natural Resources Agency (\$5.0 million). Following the first GO Bond issuance, \$6.0 million will be restored to the City's Revolving Fund and \$3.0 million in Port/Planning Department/SFMTA Seawall Program expenditures will be reimbursed to allow the Port to reallocate those funds to other non-bond eligible Seawall Program costs. The Port will reimburse the remaining \$3.0 million to the City's Revolving Fund after the second GO Bond sale.

**Figure 2: Program Funding (\$ millions)**

Fiscal Year	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23-27
<b>Funding Sources</b>								
Port Capital	\$2.9		\$1.1					\$10.0
City Revolving Fund	\$1.0	\$3.0	\$5.0	(\$6.0)		(\$3.0)		
SFMTA Contribution	\$0.5	\$0.5						
Planning Dept Contribution	\$0.5	\$0.3	\$0.3					
State Sources			\$5.0					
2018 General Obligation Bond			\$50.0			\$250.0		\$125.0
Other Funds*								\$54.0
<b>Total Planned Sources</b>	<b>\$4.9</b>	<b>\$3.8</b>	<b>\$61.4</b>	<b>(\$6.0)</b>	<b>\$0.0</b>	<b>\$247.0</b>	<b>\$0.0</b>	<b>\$189.0</b>
<b>Cumulative Sources</b>	<b>\$4.9</b>	<b>\$8.7</b>	<b>\$70.0</b>	<b>\$64.0</b>	<b>\$64.0</b>	<b>\$311.0</b>	<b>\$311.0</b>	<b>\$500.0</b>
Current Funding								
First Bond Sale								

\*Pending

### Planning, Engineering and Environmental Services Contract

On April 24, 2017, the Port issued a request for proposals for planning, engineering and environmental services for the Seawall Program, with submittals due in June 2017. Port staff completed the Planning, Engineering, and Environmental Services RFP evaluation and selected CH2M HILL Engineers, Inc. (now Jacobs Engineering) as the most-qualified consulting firm to provide the planning, engineering, and environmental services. By Resolution 351-17, the Board of Supervisors authorized the Port to enter a contract with CH2M HILL Engineers for \$39,984,714 to provide these services with a contract term of ten years.

Both the RFP and the contract envisioned that the Port might add future flood control work with USACE to the contract, but the initial contract did not include scope or budget for this work. On June 11, 2018, USACE released its FY 2018-19 Workplan for supplemental funding of civil works and other projects across the United States,

including a “new start” appropriation to study flood risk management of San Francisco’s waterfront. The Port has since entered into an agreement with the USACE to study flooding along the entire Port waterfront, including the Embarcadero Seawall for the next four years. To accommodate this greatly expanded scope of work, as well as address increased geotechnical and planning work for the Seawall Program, the Port intends to negotiate a contract amendment with Jacobs. Port staff will seek Port Commission, Civil Service Commission and Board of Supervisors approval of this contract amendment within the coming months. A portion of this added scope, which is expected to occur between now and FY 2020-21, would be funded by the proposed bond sale. When Port staff request Port Commission approval of a contract amendment, it will concurrently request Port Commission approval to allocate funding from this bond sale to the new proposed scope of work.

**BOND SALE SCHEDULE**

The tentative schedule for the first GO Bond issuance is:

- November 6, 2018 Proposition A, for the Embarcadero Seawall Earthquake Safety Bond, passed with 82.7% yes vote.
- March 12, 2019 Port staff *provided* an informational update to the Port Commission on the 2018 Seawall Bond and the Port’s intentions to seek approval of a first bond issuance *in a not to exceed amount of \$50.0 million* from CPC and the Board of Supervisors.
- March 25, 2019 Port staff seeks approval from *the City’s Capital Planning Committee (CPC)* to move forward with the first Seawall Bond issuance.
- March 26, 2019 Port staff seeks recommendation from the Port Commission that the Board of Supervisors approve the first Seawall Bond issuance *in a not to exceed amount of \$50.0 million*.
- April 2, 2019 Port staff introduces ordinance and resolution to the Board of Supervisors requesting authorization for the first Seawall Bond issuance.
- May 2019 Board of Supervisors approval
- May 2019 First Seawall Bond issuance

**BOND ACCOUNTABILITY**

Managing General Obligation Bond proceeds will require the Port to provide regular reporting to the City. Concurrent with the introduction of legislation at the Board of Supervisors requesting approval of the first Seawall GO Bond sale, the Port will submit a Bond Accountability Report to the Board outlining the proposed uses of bond funds and the expected expenditure schedule. Once the first GO Bond sale is complete, the

Port will be required to provide quarterly updates on the expenditure of the funds to the Citizens General Obligation Bond Oversight Committee.

## **CONCLUSION**

The Embarcadero Seawall Program is a critical effort to improve the infrastructure that supports the City's northern waterfront. This first bond issuance *in a not to exceed amount of \$50.0 million*, will support completion of the Planning Phase, initiate Preliminary Design, support the USACE General Investigation, and identify proposed pilot projects that will test of the Seawall Program, allowing the Port to develop and evaluate alternatives and prioritize Phase I projects based on the evaluation.

*Staff anticipates returning to the Port Commission in FY 2020-21 for the second bond sale to complete preliminary design and initiate final design and construction of Phase I projects. The Port will also continue to pursue other state and federal sources to secure full funding for Phase I and the remainder of the Seawall Program.*

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**ATTACHMENT 1:** Seawall Program Budget Overview

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

**RESOLUTION NO. 19-08**

- WHEREAS, On November 6, 2018 San Francisco's voters approved a \$425 million Embarcadero Seawall Earthquake Safety General Obligation Bond measure (2018 Seawall Bond) for the Seawall Earthquake Safety and Disaster Prevention Program (Seawall Program); and
- WHEREAS, The City and County of San Francisco is planning the initial issuance of the 2018 Seawall Bond in or around May 2019; and
- WHEREAS, The Board of Supervisors requires the Port Commission to approve the issuance amount of each bond sale; and
- WHEREAS, Port staff have identified \$45,800,000 to be included in the initial 2018 Seawall Bond issuance for the Seawall Program to fund, among other things: (1) geotechnical investigations; (2) alternatives development and analysis; (3) identification and preliminary design of pilot projects; (4) Preliminary Design and Engineering of Phase I Projects, including NEPA/CEQA and permits; and (5) costs related to advancing the United States Army Corps Flood Study; and
- WHEREAS, The initial 2018 Seawall Bond issuance amount includes \$4.2 million in bond related costs (\$139,000 for CSA Audit and GOBOC Fees, \$601,000 in Cost of Issuance, \$470,000 in Underwriter's Discount, and \$2.99 million in a Reserve for Market Uncertainty); and
- WHEREAS, Proceeds from the initial 2018 Seawall Bond issuance will be used to reimburse \$9,000,000 for prior Seawall Program expenses, including \$6,000,000 to the Capital Revolving Fund and \$3,000,000 to the Port Harbor Fund; and
- WHEREAS, The Port anticipates reimbursing an additional \$3,000,000 to the Capital Revolving Fund through the second 2018 Seawall Bond issuance; and
- WHEREAS, Staff recommends that the Port Commission approve the sale of the 2018 Seawall Bond and recommend that the Board of Supervisors consider and approve the issuance of the 2018 Seawall Bonds; now therefore, be it
- RESOLVED, That the issuance and sale of the 2018 Seawall Bond, and reimbursement of prior expenses incurred within the Seawall Program, are not a project subject to review under the California Environmental Quality Act (CEQA) because these actions would not involve any

physical changes to the environment; because feasibility and planning studies are exempt from review under CEQA Guidelines section 15262; and because the establishment of a government financing mechanism involving no commitment to specific projects to be constructed is not a project as defined by CEQA and CEQA Guidelines section 15378; and be it further

RESOLVED, As to projects that may be funded with proceeds of the 2018 Seawall Bond funds, the Port Commission will not proceed with any project until it is fully compliant with CEQA; if any of the projects are found to cause significant adverse impacts, the Port Commission retains absolute discretion to: (1) modify the project to mitigate significant adverse environmental impacts, (2) select feasible alternatives which avoid significant adverse impacts of the project, (3) require the implementation of specific measures to mitigate the significant adverse environmental impacts of the project, as identified upon environmental evaluation in compliance with CEQA and Administrative Code Chapter 31, (4) reject the project as proposed if the economic and social benefits of the project do not outweigh otherwise unavoidable significant adverse impacts of the project, or (5) approve the project upon a finding that the economic and social benefits of the project outweigh otherwise unavoidable significant adverse impacts; and be it further

RESOLVED, The Port Commission hereby approves the first 2018 Seawall Bond sale in an aggregate principal amount not to exceed \$50,000,000; and, be it further

RESOLVED, The Port Commission hereby recommends that the Board of Supervisors consider and approve a reimbursement resolution authorizing the reimbursement of up to \$9,000,000 of prior expenses incurred within the Seawall Program, including \$6,000,000 to the City's Capital Revolving Fund and \$3,000,000 to the Port Harbor Fund to apply to expenditures within the Seawall Program; and be it further

RESOLVED, The Port Commission hereby recommends that the Board of Supervisors consider and approve a first sale in an amount not to exceed \$50,000,000 of Seawall Bonds.

***I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of March 26, 2019.***

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Secretary

## ATTACHMENT 1

<b>SEAWALL PROGRAM PH1 THROUGH FY20/21</b>	<b>BOND</b>	<b>STATE</b>	<b>PORT</b>	<b>TOTAL</b>
<b>SERVICES PROVIDED</b>	<b>\$ 50,000,000</b>	<b>\$ 5,000,000</b>	<b>\$ 2,120,000</b>	<b>\$ 57,120,000</b>
<b>Program Management</b>	<b>\$ 5,907,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,907,000</b>
Program Management	\$ 2,650,000			\$ 2,650,000
Program Finance and Administration	\$ 1,140,000			\$ 1,140,000
Program Planning	\$ 880,000			\$ 880,000
Program Communications	\$ 700,000			\$ 700,000
Contingency	\$ 537,000			\$ 537,000
<b>United States Army Corps of Engineers</b>	<b>\$ 8,875,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,875,000</b>
New Start General Investigation	\$ 7,200,000			\$ 7,200,000
CAP103	\$ 220,000			\$ 220,000
USACE GI Feasibility Study Strategy	\$ 650,000			\$ 650,000
Contingency	\$ 805,000			\$ 805,000
<b>Communications/Public Relations</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,870,000</b>	<b>\$ 1,870,000</b>
Phase 1 - Communications			\$ 870,000	\$ 870,000
Phase 2 - Communications			\$ 830,000	\$ 830,000
Contingency			\$ 170,000	\$ 170,000
<b>Planning/Engineering/Environmental</b>	<b>\$ 30,035,000</b>	<b>\$ 5,000,000</b>	<b>\$ 250,000</b>	<b>\$ 35,285,000</b>
<u>Phase 1 - Planning</u>	<u>\$ 14,965,000</u>	<u>\$ 5,000,000</u>	<u>\$ 250,000</u>	<u>\$ 20,215,000</u>
Data Collection, Review, and Existing Conditions Management and Coordination of Services	\$ 4,000,000			\$ 4,000,000
Multi-Hazard Risk Assessment	\$ 3,000,000		\$ 250,000	\$ 3,250,000
Alternatives Formulation, Analysis, Program Development	\$ 2,500,000	\$ 3,000,000		\$ 5,500,000
Community Planning and Stakeholder Engagement	\$ 2,050,000	\$ 2,000,000		\$ 4,050,000
Seismic Peer Review Panel	\$ 910,000			\$ 910,000
Community Benefits and Workforce Development Strategy	\$ 400,000			\$ 400,000
City Staff Training	\$ 250,000			\$ 250,000
Contingency	\$ 40,000			\$ 40,000
	\$ 1,815,000			\$ 1,815,000
<u>Phase 2 - Preliminary Design</u>	<u>\$ 9,020,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,020,000</u>
Detailed Investigations, Design Level	\$ 3,600,000			\$ 3,600,000
Preliminary Design, Engineering & Cost Est, General Plan	\$ 2,400,000			\$ 2,400,000
NEPA/CEQA Environmental Review/Permits	\$ 1,000,000			\$ 1,000,000
Community Planning and Stakeholder Engagement	\$ 700,000			\$ 700,000
Management and Coordination of Services	\$ 500,000			\$ 500,000
Contingency	\$ 820,000			\$ 820,000
<u>Phase 2 - Pilot Projects</u>	<u>\$ 6,050,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,050,000</u>
Pilot Projects Design	\$ 5,150,000			\$ 5,150,000
Management and Coordination of Services	\$ 350,000			\$ 350,000
Contingency	\$ 550,000			\$ 550,000
<b>City Agencies/Departments/Regulatory Agency Approvals</b>	<b>\$ 983,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 983,000</b>
Other City Agencies/Departments/Regulatory Agency Approvals	\$ 514,000			\$ 514,000
SF Planning Department	\$ 444,000			\$ 444,000
SFPUC Climate Change Study	\$ 25,000			\$ 25,000
<b>Bond Related Costs</b>	<b>\$ 4,200,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,200,000</b>
Reserve for Market Uncertainty	\$ 2,990,000			\$ 2,990,000
Cost of Issuance	\$ 601,290			\$ 601,290
Underwriter's Discount	\$ 470,100			\$ 470,100
CSA Audit Fee	\$ 91,600			\$ 91,600
GOBOC Fee	\$ 47,010			\$ 47,010