MEMORANDUM

October 18, 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 approval of: (1) issuance of Port of San Francisco Series 2020 Refunding Revenue Bonds in the aggregate principal amount not to exceed $27.00 million dollars ($27,000,000) with an interest rate not to exceed six percent (6%) per annum to refund the remaining outstanding balance on the Port Commission's 2010 Revenue Bonds; (2) the form of the Third Supplement to Indenture of Trust between the Port and a trustee; (3) the sale of the 2020 Bonds by negotiated sale pursuant to a purchase contract; (4) the form of a bond purchase contract; (5) the preliminary form of the Official Statement relating to the Bonds and the distribution of the statement; (6) the form of the Continuing Disclosure Certificate of the Port and the execution of the certificate; and (7) the form of the Escrow Agreements.

DIRECTOR'S RECOMMENDATION: Approve Attached Resolution

EXECUTIVE SUMMARY

In February 2010, the Port issued $36.65 million of Port revenue bonds to finance the design, construction, repair and improvements to various Port facilities including, among others, the James R. Herman Cruise Terminal at Pier 27, improvements to the structure at Pier 33 to facilitate leasing, and repairs and improvements to Piers 19, 35, and 30-32.

The indenture under which the 2010 Port Revenue Bonds (2010 Bonds) were issued provides for the optional redemption, at the sole option of the Port Commission, of any or all of the remaining outstanding bonds at any time on or after March 1, 2020.

THIS PRINT COVERS CALENDAR ITEM NO. 10A

On September 24, 2019, Port staff presented an informational report and presentation to the Port Commission of a proposal to issue up to $27.00 million in new Port revenue refunding bonds to refinance, at a lower interest cost, the remaining outstanding balance on the Port Commission's 2010 Bonds and to solicit Port Commission and public input. The refinancing intends to take advantage of lower interest rates in the market to achieve interest cost savings, currently estimated to be approximately $12.99 million, over the remaining life of the 2010 Bonds. The maturity date will not be extended by the refunding. Net present value savings are estimated to be $7.91 million. Port staff requests Port Commission approval of this revenue bond issuance and refinancing plan, along with the associated bond documents, including investor disclosure. The changes to the staff report presented at the September 24, 2019 Port Commission meeting are underlined below.

STRATEGIC PLAN OBJECTIVES

This refinancing of the Port's 2010 Bonds will support the following Strategic Plan Objective:

<u>Stability</u> – The refunding is expected to generate an estimated debt service cost savings of approximately $12.99 million through 2040.

The Port can use these savings to provide additional financing for delivery of capital projects or for other strategic needs. Additionally, the refinancing lowers the Port's total operating costs thereby enhancing the Port's overall financial strength.

BACKGROUND

Section 9.112 of Article IX of the City and County of San Francisco Charter entitled "Revenue Bonds of the Port Commission" gives the Port Commission exclusive power to issue debt for Port-related purposes.

On July 1, 2009, the Port made the final payment on a series of revenue bonds originally issued in 1984. Since that time, the Port Commission has authorized the issuance of $97.03 million in debt, consisting of: (a) $59.33 million issued directly by the Port in the form of revenue bonds; and (b) $37.70 million issued by the City on behalf of the Port in the form of Certificates of Participation that the Port is obligated to repay. In addition, in 2015 the Port Commission authorized the transfer of South Beach Harbor from the Office of Investment and Infrastructure [successor agency to the San Francisco Redevelopment Agency (SFRDA)] to the Port. This transfer was completed in April 2019 and included the assumption by the Port of $6.14 million in outstanding balances on three California Division of Boating and Waterways loans incurred by SFRDA in the 1980's to finance the construction of South Beach Harbor.

The Port's current outstanding debt totals $87.92 million as of <u>October 11, 2019</u>:

Port of San Francisco
Outstanding Debt Obligations

Date	Debt Issuance	Original Amount	Currently Outstanding
Feb. 3, 2010	Port Revenue Bonds, Series 2010	$36,650,000	$29,865,000
Oct. 31, 2013	Certificates of Participation Series 2013, for Port Projects*	37,700,000	30,010,000
May 29, 2014	Port Revenue Bonds, Series 2014	22,675,000	20,280,000
Apr. 30, 2019	Cal Division of Boating & Waterways loans for South Beach Harbor**	6,143,932	5,884,454
Subtotal		*$103,168,932*	*$86,039,454*
Incurred Prior to June 2009	Cal Division of Boating & Waterways loans for Hyde Street Harbor	3,500,000	1,883,830
Grand Total		*$106,668,932*	*$87,923,284*

* issued by the City and County of San Francisco on behalf of the Port, and the Port is responsible for repayment.

** Debt assumed by the Port as part of the acquisition on April 30, 2019 of South Beach Harbor from the Office of Investment and Infrastructure, successor agency to the San Francisco Redevelopment Agency.

On October 13, 2009, the Port Commission approved resolution 09-63 authorizing the issuance of the first of two series of currently outstanding Port revenue bonds. The bonds were issued on February 3, 2010 in the amount of $36.65 million to finance the design, construction, reconstruction repair and/or improvements to Pier 19, 23, 33, 30-32, 35 and 50, and Phase I of the James R. Herman Cruise Terminal. The 2010 Bonds were issued in two series; Series A, Non AMT-Tax Exempt and Series B, Taxable reflecting the mix of public and private capital improvements financed. The debt service on the bonds is approximately $2.8 million annually through 2030, dropping to approximately $1.9 million annually thereafter through 2040. The bonds were issued pursuant to an Indenture of Trust (Master Indenture) and a First Supplement to Indenture of Trust, both documents dated as of February 1, 2010.

The 2010 Bonds were structured with an optional redemption feature to allow the Port Commission, at its sole discretion, as of March 1, 2020, to redeem prior to maturity any or all of those bonds maturing on or after March 1, 2021, for a redemption price equal to the principal amount of the bonds to be redeemed plus the accrued, but unpaid interest, without premium.

On November 15, 2016, the Port Commission approved resolution 16-42 adopting the most recent update to the Port's municipal debt policy (Debt Policy). The objectives of the Debt Policy are: (i) to maintain unfettered, cost-effective access to the capital markets through prudent debt management policies; (ii) provide financial support for the

Port's objectives under the Port's Strategic Plan and the Port 10 Year Capital Plan (Capital Plan) through Commission debt; (iii) provide guidelines for the overall management of Commission debt; and (iv) achieve the highest practical credit ratings and the lowest possible costs commensurate with a prudent level of risk.

The Debt Policy provides for the issuance of refunding bonds to refinance previously issued and currently outstanding debt in order to achieve debt service savings, and or certain other specified reasons. The Debt Policy also specifies that refunding bonds issued solely to achieve debt service savings shall not be issued unless: (i) the estimated net present value of the savings, as determined by the Port's financial advisors, is at least 3% of the principal amount of the refunded bonds; and (ii) it is unlikely, in the judgment of the Port's financial advisors, that a future refunding would realize greater savings.

Port staff, in consultation with Public Financial Management, Inc. and Backstrom McCarley Berry & Co., the Port's financial advisors (FAs), have recently determined that the Port can realize significant debt service savings by refinancing the Port's 2010 Bonds on March 1, 2020, when they first become eligible for refunding. The FAs have estimated that under current market conditions a refinancing would generate total savings of approximately $13 million in debt service savings over the remaining life of the 2010 Bonds, or approximately $8 million on a fully discounted net present value basis, assuming the Port maintains its current credit rating[1]. This equates to 26% of the principal amount of the 2010 Bonds, which is significantly above the Debt Policy threshold for the issuance of refunding bonds. The table below illustrates some of the preliminary estimated benefits of refunding. A more detailed table showing annual debt service savings is attached.

	2010 Revenue Bonds	**2020 Refunding Revenue Bonds**	**Annual Reduction in Debt Service**
Average Coupon Rate	5.75% *	4.27%	
Par Amount	29,865,000 *	23,525,000	
Avg Annual debt service 3/1/2021 - 3/1/2030	2,844,564	2,005,686	838,878
Avg Annual debt service 3/1/2031 - 3/1/2040	1,852,808	1,392,950	459,858

* refers to the bonds being refunded for the 2010 issuance

Additionally, the Port's FAs are of the opinion (assuming current market conditions) that it is unlikely that the Port could achieve significant additional savings by delaying the refunding beyond the March 1, 2020 date.

[1] The Port's revenue bond ratings are A1/A/A from Moody's, Standard & Poor's and Fitch Rating; respectively.

PROPOSED ISSUANCE OF PORT REFUNDING REVENUE BONDS

In light of the substantial debt service savings that can be achieved through a refinancing of the 2010 Bonds, Port Finance staff proposes the Port Commission issue 2020 Port Refunding Revenue Bonds (2020 Refunding Bonds) in an amount not to exceed $27,000,000 (par amount), with the proceeds used to retire $29,865,000 (aggregate principal) of outstanding 2010 Bonds, on March 1, 2020, and to pay for the cost of issuance. Port staff anticipates that with expected premium generated from the sale of the bonds, only $23.53 million in new bonds would be required to fully refinance the 2010 Bonds; however, staff seeks authorization to issue the higher amount to provide sufficient flexibility to address any changes in market conditions between now and the date of a sale. Port staff is currently targeting a closing for mid-February 2020. This, of course, is subject to change.

The 2020 Refunding Bonds would be issued pursuant to a Third Supplement to the Indenture of Trust, which would amend and supplement the existing Master Indenture.

Proposed Bond and Financing Structure

Port staff intend to issue the 2020 Refunding Bonds through a negotiated sale with an underwriter and a co-underwriter, selected through a solicitation to the Controller's Office of Public Finance's as-needed pool of qualified underwriters. The solicitation was structured to encourage Local Business Enterprise (LBEs) to respond for the co-underwriting opportunity. The Director of the Controller's Office of Public Finance advised the Port in this selection.

A negotiated sale affords the Port more flexibility to change the sale date or structure of the issue to obtain lower interest rates. Port staff believes that a negotiated sale is more appropriate for this sale given the size of the issuance, the nature of the Port's operations, and the credit quality of the bonds.

The Port's financial advisors and underwriters have advised staff that given the Port's current ratings, in the current market, the Port would not incur an interest rate penalty by issuing its Refunding Bonds without a debt service reserve fund. Eliminating the debt service reserve allows the Port to reduce the size of the new bond issue and therefore reduce annual debt service on the bonds.

1. Financing Structure:

   Debt Service

   A. In the current market, the Port could issue $23.53 million in Refunding Bonds, without providing a debt service reserve, at an estimated True Interest Cost (TIC) in the current market of 2.82%, assuming A1/A/A ratings. The interest rate reflects a 25 basis point premium over estimated current market rates to account for market fluctuations. The TIC is the rate compounded semi-annually, necessary to discount the amounts payable on the principal and interest dates to the purchase price received by the Port for the new bonds. As such it reflects the time value of money and the actual interest cost or borrowing rate on the Refunding Bonds.

Under this scenario, the relevant estimated debt service parameters are as follows:

Refunding Bonds Statistics (Preliminary Estimate)

Avg. Annual debt service 3/1/2021 - 3/1/2030	$2.01 million
Avg. Annual debt service 3/1/2031 - 3/1/2040	$1.39 million
Maximum Annual debt service	$2.03 million
TIC	2.82%
Minimum debt service coverage FYs 2020-21 to 2023-24 (Port Revenue Bonds)	7.72x
Minimum debt service coverage FYs 2020-21 to 2023-24 (Port Revenue Bonds and Subordinate Debt)	4.09x

B. To be more conservative, Port staff also reviewed a sale of $26.30 million in bonds priced at a True Interest Cost of rate of 3.23%. This scenario assumes: (i) that the bonds would be sold at interest rates 75 basis points higher than the current market, and (ii) that the Port would be required by the market to provide a debt service reserve fund for the benefit of the investors. As market conditions fluctuate, Port staff believes that it is prudent to plan for this possibility. As shown in the table below, the Port's average annual debt service would increase under this scenario by approximately $227,000 for the first ten years, and $190,000 for the last ten years when compared to the first refunding scenario summarized above. However, in this scenario, the Port would still realize total savings of approximately $8.4 million in debt service over the remaining life of the 2010 Bonds, or $6.2 million on a net present value basis. The Port's current five-year projections indicate that Port operations would generate more than sufficient cash to cover debt service cost under either scenario. Savings even at this much higher borrowing rate would still be significant.

Refunding Bonds Statistics (Higher Interest Rates)

Avg. Annual debt service 3/1/2021 - 3/1/2030	$2.28 million
Avg. Annual debt service 3/1/2031 - 3/1/2040	$1.58 million
Maximum Annual debt service	$2.31 million
TIC	3.23%
Minimum debt service coverage FYs 2020-21 to 2023-24 (Port Revenue Bonds)	7.14x
Minimum debt service coverage FYs 2020-21 to 2023-24 (Port Revenue Bonds and Subordinate Debt)	3.92x

2. <u>Bond Structure</u>
The bonds would be issued in two series, Series 2020A, a Tax-Exempt issue; and Series 2020B, a Taxable issue. This structure will preserve the tax status of the original bond sale. The 2020 Refunding Bonds would be structured so that the final maturity dates of the new issues would be the same as that of the 2010 Bonds being refinanced: March 1, 2040 for the Series 2020A issue; and March 1, 2030 for the Series 2020B issue. Both bond series will be structured with relatively level debt service. As illustrated in the tables above, the total debt service for the 2020 Refunding Bonds will decline significantly after March 1, 2030, the date when the Series 2020B bonds are fully repaid.

To provide flexibility to react to changing market conditions, and on the advice of its FAs, Port staff proposes a cap of 6% on the stated coupon interest rate payable on the bonds. The bonds would be structured, to achieve a minimum present value savings of 10% of the principal amount of the refinanced principal amount of bonds. This affords flexibility in structuring, while ensuring the savings generated from the refinancing to justify the issuance cost and the allocation of staff resources to the transaction.

3. <u>Description of Financing Documents</u>

Any issuance of Refunding Bonds requires Port Commission approval of the following documents:

i. A Port Resolution authorizing the sale
ii. Third Supplement to the Indenture of Trust
iii. Bond Purchase Agreement
iv. Preliminary Official Statement
v. Continuing Disclosure Certificate
vi. Escrow Agreements (one for each series of 2010 Bonds)

Port staff has been working with co-bond counsel, disclosure counsel, the Port's financial advisors, the underwriters and the City Attorney's office to prepare and structure the Refunding Bonds issuance for the Port Commission's consideration.

Copies of the above financing documents are attached to this staff report for the Port Commission's review and consideration. The documents are in substantially final form, but minor modifications and updates will continue to be made until bond closing. Additionally, the Port's financial presentation in the Preliminary Official Statement will be updated to reflect the fiscal year end June 30, 2019 financial statements when they become available. The audit of the Port's fiscal year 2018-19 financial results is currently in progress, and audited financial statements for the fiscal year end June 30, 2019 are expected to be released within the next few months.

The financing documents listed above are described in more detail below:

A. Third Supplement to Indenture of Trust — This document is a short supplement to the existing Indenture of Trust (the Master Indenture, as previously supplemented; see description below), which provides for the specific terms of the proposed 2020 Refunding Bonds issuance. Those terms include the bonds' maturity and payment terms and schedules.

   2010 Indenture of Trust (Master Indenture) This is the principal security document for the proposed issuance of 2020 Refunding Bonds. It is entered into between the Port and a Bond Trustee, U.S. Bank National Association, on behalf of the bondholders, and is the contract between the bondholders and the Port. The Master Indenture contains covenants regarding the operation of the Port that are designed to enhance the security of the Bonds and describes the terms under which investors will be repaid. Individual issuances of Port Revenue Bonds are offered for sale under a Supplement to Indenture which describes the terms specific to that particular issuance.

B. Preliminary Official Statement (POS) — The Preliminary Official Statement is the document that is distributed to potential investors to solicit their interest in purchasing any 2020 Refunding Bonds. It provides information concerning the bond issue and operational and financial information on the Port. As required by the Securities and Exchange Commission (SEC), the document must be accurate in all material respects, and may not have any misleading misstatements or omissions. To assure accuracy of this document, the Commission should carefully review it prior to authorizing its distribution to potential investors. Subsequent to sale of the 2020 Refunding Bonds in the bond market, the bond interest rates, and sales price information will be inserted. After the pricing information is inserted, the preliminary designation will be deleted from the document caption, and the document will be identified as the Official Statement which will be distributed to all purchasers of the 2020 Refunding Bonds upon closing of the transaction.

C. Bond Purchase Agreement — This document contains the terms and conditions for a sale of 2020 Refunding Bonds to the underwriters in a negotiated sale including the fees paid.

D. Continuing Disclosure Certificate — The continuing disclosure certificate is an agreement between the Port and the Underwriters under which the Port agrees to provide certain financial and operating data, including the Port's financial statements, on an annual basis and to provide notices of certain specified events to the marketplace for the life of the 2020 Refunding Bonds issuance.

E. Escrow Agreements — The escrow agreements describe the duties and obligations of the Escrow Agent (the same bank as the Bond Trustee under the Indenture) for the 2010 Bonds, and establishes an escrow fund for the deposit of monies from the following sources in an amount sufficient to fully redeem the 2010 Bonds; (i) the proceeds of the 2020 Refunding Bonds, (ii) the 2010 Bonds debt service reserve fund, and (iii) the 2010 Bonds debt service payment otherwise due March 1, 2020. Pursuant to each Agreement, the escrow agent will use the deposited funds plus a small amount of interest earnings generated while the funds are held by the Escrow Agent, to fully repay the outstanding 2010 Bonds on March 1, 2020, without premium.

4. Proposed 2020 Port Refunding Revenue Bonds Parameters

Port Commission of the City and County of San Francisco Refunding Revenue Bonds, Series 2020

○ Not to Exceed Par Amount	$27 million
○ Not to Exceed Interest Rate (coupon rate)	6%
○ Final Maturity	March 1, 2040 (20 years)
○ Percent Savings of Refunded Bonds	10% minimum

5. Estimated Sources and Uses of Funds (subject to change)

i. Sources:

Bond Proceeds	
Par Amount	$23,525,000
Premium received	2,930,876
Bond Proceeds – Total	$26,455,876
Prior Issue – Debt Service Reserve Fund	2,846,906
Prior Issue – 3/1/2020 Debt Service Payment	1,920,024
Total Sources	$31,222,806

Estimated Sources and Uses of Funds (cont.)

ii. Uses:

Deposit into Escrow Account	$30,800,902
Cost of Issuance[2]	421,904
Total Uses	$31,222,806

[2] Includes fees of rating agencies, financial advisors, legal counsel, underwriters, trustee, escrow agent, disclosure counsel, verification agent, printer, and other miscellaneous expenses associated with an issuance of 2020 Refunding Revenue bonds.

NEXT STEPS

Upon Port Commission approval, Port staff will seek Board of Supervisor's approval to issue the Port of San Francisco Series 2020 Refunding Revenue Bonds, and approval of the associated appropriation ordinance and bond documents. Port staff also will have the following major tasks to complete:

A. *Rating Agencies' Review*

Port staff will meet with the Credit Rating Agencies (Moody's Investors Services, Standard & Poor's Corporation and Fitch Ratings) in December 2019 to present the Port's credit update (including finances and capital plan) and refinancing plan. Additional credit tasks include:

- Providing any follow-up information, as requested.
- Receiving the ratings from the three Rating Agencies.
- Evaluating the rating impact on the financing.

The Rating Agencies will present the Port's financing to their respective credit committees. Upon issuance of the ratings, the Rating Agencies will publish a summary of the ratings. Additionally, each Rating Agency will periodically review the Port's credit status as long as the bonds are outstanding.

B. *Preliminary Official Statement (POS) and Continuing Disclosure Certificate*

- Together with disclosure counsel and other members of the financing team, finalize disclosure and marketing documents.

C. *Third Supplement to the Indenture of Trust and Other Bond Documents*

- Together with co-bond counsel and other members of the financing team, finalize the Third Supplement to the Indenture of Trust and the other bond documents.

D. *Bond Sale and Pricing*

- The underwriters will pre-market the Port's bonds to investors.
- Port staff, together with our financial advisors, will negotiate interest rates and prices for purchase of the bonds by the underwriters.

E. *Closing*

- The financing team will execute the final financing documents.
- The Port will deliver the bonds to the underwriters on the closing date in return for the purchase price ("proceeds"). The proceeds will be delivered to the escrow agent and deposited into the escrow account(s) established to redeem the 2010 Bonds.
- The Port will deliver to the escrow agent, funds equal to the March 1, 2020 principal and interest payment due on the 2010 Bonds, for deposit into the escrow account(s) established to redeem the 2010 Bonds.
- On March 1, 2020, the escrow agent will redeem all of the outstanding 2010 Bonds by paying the 2010 Bonds principal and interest due plus any accrued interest. Following that date, the 2010 Bonds will no longer be outstanding.

Financing Schedule (subject to change)

Week of October 28, 2019	Introduction of the bond documents and the appropriation ordinance at the Board of Supervisors.
Week of December 2, 2019	Rating Agency Meetings.
Week of December 16, 2019	Receive Ratings.
December 9, 2019 – January 7, 2020	Board of Supervisors Approval Process
January 2020	Post Preliminary Official Statement.
January, 2020	Pricing of the 2020 Refunding Bonds.
Mid-February, 2020	Sale and Closing.
March 1, 2020	Repayment of all outstanding 2010 Bonds. Full defeasance.

CONCLUSION

The Port issued its first revenue bonds under the current revenue bond indenture in February 2010. Over the past ten years interest rates have declined significantly – even more so over the course of August 2019. Port Finance staff, in conjunction with the Port's financial advisors, have determined that the Port can achieve significant debt service cost savings by refinancing its 2010 Bonds on March 1, 2020, the first date that a redemption of the outstanding bonds is allowed.

Port staff recommends that the Port Commission approve the attached resolution authorizing the issuance of new 2020 Refunding Revenue Bonds to refinance the 2010 Revenue Bonds, and financing documents needed to complete the transaction. Staff is currently targeting a mid-February close for bond issuance, with the 2010 Bonds retired on March 1, 2020. The Executive Director will be monitoring the progress of the refinancing and will delay or cancel the sale if, in her opinion, market conditions cause the refinancing to achieve net present value savings lower than authorized in this staff report.

Prepared by: Lawrence Brown
Financial Analyst

For: Katharine Petrucione, Deputy Director
Finance and Administration

Attachments:

1. Annual Savings from Refinancing
2. Third Supplement to the Indenture of Trust
3. Bond Purchase Agreement
4. Preliminary Official Statement'
5. Continuing Disclosure Certificate
6. Escrow Agreements

Attachment 1

SAVINGS*

Port of San Francisco
Refunding Revenue Bonds, Series 2020AB
Preliminary Estimate

Date	Prior Debt Service	Prior Receipts	Prior Net Cash Flow	Refunding Debt Service	Savings	Present Value to 02/12/2020 @ 2.2066225%
03/01/2020	1,920,023.53	1,920,023.53				-2,222.54
03/01/2021	2,844,342.10		2,844,342.10	2,031,335.58	813,006.52	799,010.04
03/01/2022	2,845,481.56		2,845,481.56	2,002,088.86	843,392.70	810,926.78
03/01/2023	2,846,370.26		2,846,370.26	2,006,861.60	839,508.66	789,414.19
03/01/2024	2,841,658.16		2,841,658.16	1,999,785.26	841,872.90	774,151.05
03/01/2025	2,846,345.26		2,846,345.26	2,006,034.50	840,310.76	755,644.92
03/01/2026	2,844,381.40		2,844,381.40	2,000,756.70	843,624.70	741,822.25
03/01/2027	2,844,743.00		2,844,743.00	2,003,683.10	841,059.90	723,156.45
03/01/2028	2,841,955.80		2,841,955.80	2,000,075.90	841,879.90	707,757.38
03/01/2029	2,845,649.40		2,845,649.40	2,004,354.90	841,294.50	691,504.96
03/01/2030	2,844,712.60		2,844,712.60	2,001,880.50	842,832.10	677,292.48
03/01/2031	1,853,775.00		1,853,775.00	1,392,750.00	461,025.00	362,555.66
03/01/2032	1,851,118.76		1,851,118.76	1,390,000.00	461,118.76	354,694.75
03/01/2033	1,850,643.76		1,850,643.76	1,390,250.00	460,393.76	346,386.06
03/01/2034	1,852,093.76		1,852,093.76	1,393,250.00	458,843.76	337,661.55
03/01/2035	1,855,212.50		1,855,212.50	1,393,750.00	461,462.50	332,145.28
03/01/2036	1,854,743.76		1,854,743.76	1,396,750.00	457,993.76	322,425.19
03/01/2037	1,850,687.50		1,850,687.50	1,392,000.00	458,687.50	315,830.43
03/01/2038	1,853,043.76		1,853,043.76	1,394,750.00	458,293.76	308,634.27
03/01/2039	1,851,300.00		1,851,300.00	1,389,500.00	461,800.00	304,164.99
03/01/2040	1,855,456.26		1,855,456.26	1,396,500.00	458,956.26	295,650.18
	48,893,738.13	1,920,023.53	46,973,714.60	33,986,356.90	12,987,357.70	10,748,606.32

Savings Summary

PV of savings from cash flow	10,748,606.32
Less: Prior funds on hand	-2,846,906.46
Plus: Refunding funds on hand	4,328.79
Net PV Savings	7,906,028.65

* Preliminary rates as of 8/29/19 plus 25 basis points. Prepared by PFM Financial Advisors LLC

PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 19-42

WHEREAS, Pursuant to the Charter of the City and County of San Francisco (the "City") and Chapter 43, Article XII of the San Francisco Administrative Code (the "Port Bond Ordinance"), the Port Commission is authorized, subject to the approval of the Board of Supervisors of the City (the "Board"), to issue revenue bonds for any Port-related purpose and secured solely by Port revenues; and

WHEREAS, Pursuant to Resolution No. 09-63, adopted by the Port Commission on October 13, 2009, the Port issued $14,220,000 aggregate principal amount of its City and County of San Francisco Revenue Bonds, Series 2010A (Non-AMT Tax-Exempt) (the “Series 2010A Bonds”) and $22,430,000 aggregate principal amount of its City and County of San Francisco Revenue Bonds, Series 2010B (Taxable) (the “Series 2010B Bonds” and, collectively with the Series 2010A Bonds, the “Series 2010 Bonds”) for the purpose of financing the costs of acquiring, constructing, improving and developing facilities under the jurisdiction of the Port; and

WHEREAS, The Series 2010 Bonds were issued pursuant to an Indenture of Trust (the “Master Indenture”), as supplemented by a First Supplement to Indenture of Trust, each dated as of February 1, 2010, between the Port Commission and U.S. Bank National Association, as successor trustee; and

WHEREAS, The Series 2010A Bonds are currently outstanding in the principal amount of $14,220,000 and the Series 2010B Bonds are currently outstanding in the principal amount of $15,645,000 and are subject to redemption at the option of the Port Commission on any date on or after March 1, 2020; and

WHEREAS, The Port Commission adopted its Municipal Debt Policy (the “Debt Policy”) on July 14, 2009, and, on November 15, 2016, adopted an update to the Debt Policy; and

WHEREAS, The purpose of the Debt Policy is to provide comprehensive guidelines for the issuance and management of the Port Commission’s bonds and other debt obligations; and

WHEREAS, The Debt Policy provides for the issuance of refunding bonds to refinance previously issued and outstanding debt in order to achieve debt service savings, and for certain other specified reasons; and

WHEREAS, The Debt Policy also specifies that refunding bonds issued solely to achieve debt service savings shall not be issued unless: (i) the estimated net present value of the savings, as determined by the Port's financial advisors, is at least 3% of the principal amount of the refunded bonds; and (ii) it is unlikely, in the judgment of the Port's financial advisors, that a future refunding would realize greater savings; and

WHEREAS, Port staff, in consultation with the Port's financial advisors (the "Co-Municipal Advisors"), have determined that the Port can realize significant debt service savings by refinancing the Port's Series 2010 Bonds on March 1, 2020, when they first become eligible for refunding; and

WHEREAS, The Co-Municipal Advisors have estimated that under current market conditions a refinancing would generate net present value savings significantly above the Debt Policy threshold for the issuance of refunding bonds; and

WHEREAS, The Co-Municipal Advisors are of the opinion (assuming current market conditions) that it is unlikely that the Port could achieve significant additional savings by delaying the refunding beyond the March 1, 2020 date;

WHEREAS, The Port Commission has determined that it is desirable to issue refunding bonds, in one or more series, (together, the "Bonds") to refund the Series 2010 Bonds in order to achieve debt service savings; and

WHEREAS, In connection with the issuance, sale and delivery of the Bonds, the Port Commission will enter into a Third Supplement to Indenture of Trust and certain other related documents and will prepare a Preliminary Official Statement and execute a final Official Statement; and

WHEREAS, The Bonds will be sold by negotiated sale pursuant to one or more bond purchase contracts; now, therefore, be it

RESOLVED, By the San Francisco Port Commission as follows:

Section 1. Recitals. The Port Commission finds and determines that all of the recitals above are true and correct.

Section 2. Conditions Precedent. All conditions, things and acts required by law to exist, to happen and to be performed precedent to and in the issuance of the Bonds exist, have happened and have been performed in due time, form and manner in accordance with applicable law, and the Port is authorized pursuant to the Charter and the Administrative Code to incur indebtedness in the manner and form provided in this Resolution, subject, however, to approval by the Board of a resolution authorizing the issuance and delivery of the Bonds.

Section 3. Approval of the Bonds. The Port Commission hereby approves the issuance, sale and delivery of the Bonds in accordance with the Master Indenture, as previously amended and supplemented, and as amended and supplemented by the Third Supplement to Indenture of Trust referred to in Section 4 below (collectively, the "Indenture"), as the same is finally executed and delivered. The proceeds of the Bonds will be used to (i) refund the Series 2010 Bonds; (ii) fund a debt service reserve fund for the Bonds, if required; and (iii) pay costs of issuance of the Bonds. The Bonds shall be designated as "Port Commission of the City and County of San Francisco Port Refunding Revenue Bonds, Series 2020," with such other or additional designation as deemed appropriate by the Executive Director of the Port or her designee. The Bonds shall be issued in an aggregate principal amount not to exceed twenty-seven million dollars ($27,000,000), with an interest rate not to exceed six percent (6%) per annum and shall have a final maturity date not later than twenty-five (25) years following the dates of issuance thereof. The Bonds may be issued in one or more series or sub-series and in whole or in part as tax-exempt or taxable obligations. The Bonds shall be subject to redemption as set forth in the Indenture. To the extent deemed necessary or desirable by the Executive Director, this Port Commission authorizes the procurement of credit enhancement for the Bonds, including, but not limited to, municipal bond insurance or a debt service reserve fund surety bond, and the documents authorized herein may be modified or amended to permit the procurement of credit enhancement for the Bonds, to the extent deemed necessary or desirable by the Executive Director, upon consultation with the City Attorney.

Section 4. Approval of the Third Supplement to Indenture. The form of the Third Supplement to Indenture of Trust, between the Port and a national banking association meeting the requirements of the Master Indenture to be named therein, as trustee (the "Trustee"), as presented to this Port

Commission, copies of which are on file with the Secretary of the Port Commission, is hereby approved. The Executive Director of the Port is hereby authorized to execute the Third Supplement to Indenture of Trust, with such changes, additions and modifications as the Executive Director may make or approve in accordance with Section 9 hereof.

Section 5. Sale of Bonds by Negotiated Sale; Selection of Underwriters. The Executive Director is hereby authorized to sell the Bonds by negotiated sale pursuant to one or more purchase contracts as described in Section 6 below, if the Director determines that such manner of sale is in the best interest of the Port, such determination to be conclusively evidenced by the execution and delivery of such purchase contract or contracts by the Port. Stifel, Nicolaus & Company Incorporated and 280 Securities LLC are hereby appointed to act as underwriter(s) for the Bonds (the "Underwriters").

Section 6. Approval of Form of Bond Purchase Contract relating to the Bonds. The form of bond purchase contract between the Port and the Underwriters, relating to the Bonds (the "Bond Purchase Contract"), as presented to this Port Commission, a copy of which is on file with the Secretary of the Port Commission, is hereby approved. The Executive Director is hereby authorized to execute the Bond Purchase Contract, with such changes, additions and modifications as the Executive Director may approve in accordance with Section 10 hereof; provided that the underwriters' discount with respect to the Bonds shall not exceed 0.70 percent (0.70%) of the principal amount of the Bonds, such approval to be conclusively evidenced by the execution and delivery of the Bond Purchase Contract by the Executive Director.

Section 7. Approval of the Official Statement in Preliminary and Final Form. The form of an official statement relating to the Bonds (the "Official Statement"), as presented to this Port Commission, a copy of which is on file in preliminary form with the Secretary of the Port Commission, is hereby approved. The Executive Director is hereby authorized to approve the distribution of the Preliminary Official Statement in substantially said form, with such changes, additions, modifications or deletions as the Executive Director may approve; such approval to be conclusively evidenced by the Executive Director's direction to the Underwriters to distribute the Preliminary Official Statement to potential purchasers of the Bonds. The Executive Director is hereby authorized to cause the distribution of the Preliminary Official Statement, deemed final for purposes of Rule 15c2-12 of the Securities and Exchange Act of 1934, as amended, and to sign a certificate to that effect. The Executive Director is hereby further authorized and directed to authorize the distribution of and sign the Official Statement in final form.

Section 8. Approval of the Escrow Agreements. The form of the Escrow Agreement for the Series 2010A Bonds and the Escrow Agreement for the Series 2010B Bonds (collectively, the "Escrow Agreements"), each by and between the Port and the Trustee, as Escrow Agent, as presented to this Port Commission, copies of which are on file with the Secretary of the Port Commission, are hereby approved. The Executive Director is hereby authorized to execute the Escrow Agreements, with such changes, additions, modifications or deletions as the Executive Director may approve; such approval to be conclusively evidenced by the execution and delivery of the Escrow Agreements by the Executive Director or to proceed with the refunding without the use of an escrow agreement, if the Director determines, in consultation with co-bond counsel and the co-municipal advisors, that it is in the best interests of the Port to do so.

Section 9. Approval of the Continuing Disclosure Certificate. The form of a Continuing Disclosure Certificate, as presented to this Port Commission, a copy of which is on file with the Secretary of the Port Commission, is hereby approved. The Executive Director is hereby authorized to execute the Continuing Disclosure Certificate, with such changes, additions, modifications or deletions as the Executive Director may approve; such approval to be conclusively evidenced by the execution and delivery of the Continuing Disclosure Certificate by the Executive Director.

Section 10. General Authority. The Executive Director, the Secretary of the Port Commission and other officers of the Port, the City Attorney and their duly authorized deputies and agents are hereby authorized and directed, jointly and severally, to take such actions and to execute and deliver such certificates, agreements, requests or other documents as they may deem necessary or desirable to implement the proposed financing through the sale, issuance and delivery of the Bonds and otherwise to carry out the provisions of this Resolution.

Section 11. Ratification of Prior Actions. All actions authorized and directed by this Resolution and heretofore taken are hereby ratified, approved and confirmed by this Port Commission.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of October 22, 2019.

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Secretary

EXHIBIT A

Government Code Section 5852.1 Disclosure

The good faith estimates set forth below are provided for the Bonds in accordance with California Government Code Section 5852.1. These good faith estimates have been provided to the Commission by the Commission's Co-Municipal Advisors in consultation with the Underwriters of the Bonds.

1. Principal Amount. The Co-Municipal Advisors have informed the City that, based on the plan of finance and current market conditions, its good faith estimate of the aggregate principal amount of the Bonds to be sold is $27,000,000 (the "Estimated Principal Amount"), which excludes approximately $2,695,050 of net premium estimated to be generated from current market pricing. Net premium is generated when, on a net aggregate basis for a single issuance, the prices paid for the bonds are higher than the face values of such bonds.

2. True Interest Cost of the Bonds. The Co-Municipal Advisors have informed the City that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the true interest cost of the Bonds, which means the rate necessary to discount the total amount payable on each principal and interest payment date to the purchase price received for the Bonds, is 3.23%.

3. Finance Charge of the Bonds. The Co-Municipal Advisors have informed the City that, assuming that the Estimated Principal Amount of the Bonds

is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the finance charge for the Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the Bonds), is $655,386. Such fees and charges include fees for co-bond counsel, disclosure counsel, the co-municipal advisors, the trustee and escrow agent, city attorney and staff time related to the bond issuance, other costs of issuance and underwriting.

4. Amount of Proceeds to be Received. The Co-Municipal Advisors have informed the City that, assuming that the Estimated Principal Amount of the Bonds is sold plus net premium, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the amount of proceeds expected to be received for sale of the Bonds, less the finance charge of the Bonds, as estimated above, and any reserves or capitalized interest paid or funded with proceeds of the Bonds, is $26,033,972.

5. Total Payment Amount. The Co-Municipal Advisors have informed the City that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the total payment amount, which means the sum total of all payments that the Commission will make to pay debt service on the Bonds, plus the finance charge for the Bonds, as described above, not paid with the proceeds of the Bonds, calculated to the final maturity of the Bonds, is $38,510,242.

The foregoing estimates constitute good faith estimates only. The actual principal amount of the Bonds issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to (a) the actual date of the sale of the Bonds being different than the date assumed for purposes of such estimates, (b) the actual principal amount of Bonds sold being different from the Estimated Principal Amount, (c) the actual amortization of the Bonds being different than the amortization assumed for purposes of such estimates, (d) the actual market interest rates at the time of sale of the Bonds being different than those estimated for purposes of such estimates, (e) other market conditions, or (f) alterations in the plan of finance, delays in the financing, or a combination of such factors. The actual date of sale of the Bonds and the actual principal amount of Bonds sold will be determined by the City based on the timing of the need for proceeds of the Bonds and other factors. The actual interest rates borne by the Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the Bonds will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the City.