



MEMORANDUM

TO: Members, Capital Planning Committee

FROM: Katharine Petrucione, Port of San Francisco, Deputy Director of Finance and Administration

SUBJECT: Request for approval of the Port's Supplemental Appropriation of \$11.5 million to support Phase I of the Seawall Earthquake Safety and Disaster Prevention Program in the event of ongoing litigation

DATE: July 15, 2019

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").

On March 12, 2019, the Port Commission approved Resolution 19-08, authorizing the first issuance of the Seawall Bond for up to \$50.0 million, including issuance costs, 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

On April 5, 2019, two pro se plaintiffs, Michael Denny and Nicholas Smith, filed an action against John Arntz, Director of Elections, and Dennis Herrera, City Attorney, alleging that San Francisco officials violated various state and local election laws in connection with the voter approval in of the Seawall Bond. On June 19, 2019, the San Francisco Superior Court granted the City's demurrer to the complaint and dismissed all of Plaintiffs' claims and entered judgment for the City. Plaintiffs have until August 19, 2019 to file a notice of appeal. While the City Attorney advises that the lawsuit is without merit, the City has chosen to delay the bond issue until the appeal period has expired.

Port staff currently anticipates appropriated Seawall Program funding will be nearly exhausted by the end of September 2019. Rather than have the program stall in the event of an appeal, Port staff recommends authorizing the appropriation of \$11.5 million in available Fund Balance from the Port Harbor Fund to support the Seawall Program through Fiscal Year 2019-20. Eligible expenditures from these funds will be reimbursed through the first Seawall Bond sale when it occurs.

As detailed in *Attachment 1 – Projected Program Cashflow*, this Supplemental Appropriation will fund \$11.5 million in projected expenditures though the end of FY2019-20. Funding sources are provided in *Attachment 2 – Program Funding*.

If you have any questions or need additional information, please contact me at (415) 274-0481 or Carlos Colón at (415) 274-0616. Your consideration of this request is greatly appreciated.

**Re: Port of San Francisco, GO Bond Sale Authorization
July 15, 2019**

**ATTACHMENTS
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cc: Brian Strong, Capital Planning Program
Elaine Forbes, Port of San Francisco, Executive Director

Attachments

Attachment 1 – Projected Program Cashflow
Attachment 2 – Program Funding

ATTACHMENT 1:
 PROJECTED PROGRAM CASHFLOW (\$ MILLIONS)

	FY 2019-20					
	Q1 - July	Q1 - Aug	Q1 - Sept	Q2	Q3	Q4
Port/City	\$ 3,160,000	\$ 1,226,000	\$ 784,000	\$ (730,000)	\$ (5,846,000)	\$ (8,758,000)
State Grant	\$ 3,500,000	\$ 2,570,000	\$ 1,795,000	\$ 1,295,000	\$ -	\$ -
Sources	\$ 6,660,000	\$ 3,796,000	\$ 2,579,000	\$ 565,000	\$ (5,846,000)	\$ (8,758,000)
Port Staff	\$ 60,000	\$ 60,000	\$ 60,000	\$ 180,000	\$ 180,000	\$ 180,000
Consultants	\$ 2,804,000	\$ 1,157,000	\$ 1,454,000	\$ 6,231,000	\$ 2,732,000	\$ 2,582,000
USACE	\$ -	\$ -	\$ 500,000	\$ -	\$ -	\$ -
Uses	\$ 2,864,000	\$ 1,217,000	\$ 2,014,000	\$ 6,411,000	\$ 2,912,000	\$ 2,762,000
BALANCE	\$ 3,796,000	\$ 2,579,000	\$ 565,000	\$ (5,846,000)	\$ (8,758,000)	\$ (11,520,000)

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.

ATTACHMENT 2:
PROGRAM FUNDING

Fiscal Year	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23-27
Funding Sources								
Port Capital	\$2.9		\$1.1					\$10.0
Port Harbor Funds				\$11.5	(\$11.5)			
City Revolving Fund	\$1.0	\$3.0	\$5.0		(\$6.0)	(\$3.0)		
SFMTA Contribution	\$0.5	\$0.5						
Planning Dept Contribution	\$0.5	\$0.25	\$0.25					
State Sources			\$5.0					
2018 General Obligation Bond					\$50.0	\$250.0		\$125.0
Other Funds*								\$54.0
Total Planned Sources	\$4.9	\$3.8	\$11.4	\$11.5	\$32.5	\$247.0	\$0.0	\$189.0
Cumulative Sources	\$4.9	\$8.7	\$20.0	\$31.5	\$64.0	\$311.0	\$311.0	\$500.0

Current Funding

First Bond Sale Pending Litigation

*Pending

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 \$11.5 million from the supplemental appropriation will be reimbursed to the Port. The Port will reimburse the remaining \$3.0 million to the City's Revolving Fund after the second GO Bond sale.