



107-0402021-002

Agenda Item **No.5(e)**
Meeting of November 2, 2021

MEMORANDUM

TO: Commission on Community Investment and Infrastructure

FROM: Sally Oerth, Interim Executive Director

SUBJECT: Workshop on 2022 Community Facility District (CFD) Budget

EXECUTIVE SUMMARY

OCII administers seven Mello-Roos Community Facilities Districts (CFDs) in the former Rincon Point South Beach, Mission Bay North and South, Bayview Hunters Point and Hunters Point Shipyard Redevelopment Project Areas. These CFDs finance specified public facilities and services and borrow money (by issuing bonds or incurring other debt) to assist with financing these facilities. Historically, OCII has submitted the CFD budget as an appendix to the overall OCII budget.

OCII staff now proposes to separate approval of the CFD budget from the rest of OCII's budget because OCII has an independent obligation to administer CFDs that are not subject to the Redevelopment Dissolution Law. This CFD Workshop provides a greater level of detail on the CFD budget than previously presented to the Commission. Moving forward, each Spring, consistent with the OCII budget, the Commission will annually approve the CFD budget with more detail to increase transparency.

The CFD Budget includes the special tax levy for Fiscal Year (FY) 2021-22, finalized in August 2021, as well as projected expenditures for calendar year 2022. Under the Mello Roos Act, the special tax levy is set by the Rate and Method of Apportionment, which is approved by the Commission at the time of CFD formation. The total 2022 CFD budget is projected at \$18.8 million, \$18.7 million funded by the FY 2021-22 special tax levy and \$0.1 million funded by pledged Mission Bay North Property Tax.

The following memorandum summarizes the proposed 2022 CFD Budget. The draft CFD Budget, which describes the budget for each CFD in detail, including the 2022 work plan for each district, is attached to this memorandum for Commission review.

London N. Breed
MAYOR

Sally Oerth
INTERIM
EXECUTIVE DIRECTOR

Miguel Bustos
CHAIR

Mara Rosales
Bivett Brackett
Efrem Bycer
Dr. Carolyn Ransom-Scott
COMMISSIONERS

One S. Van Ness Ave.
5th Floor
San Francisco, CA
94103

415 749 2400

www.sfocii.org

Staff will incorporate Commission feedback and present the final CFD Budget to the Commission for it review and approval on November 16, 2021.

DISCUSSION

The Mello-Roos Act provides an alternative method of financing certain public capital facilities and services and allows local agencies to create CFDs to fill some funding gaps created after the passage of Prop 13 (June 1978). CFDs have the power to levy and collect special tax, finance specified public facilities and services, and borrow money (issue bonds or incur debt) to finance facilities. A CFD is a voter approved district that levies a special tax based on the unique tax formula (Rate and Method of Apportionment, or “RMA”) approved by the Commission at formation. CFDs help to amortize costs over a longer time period to reduce the upfront burden of development. Repayment of CFD debt is secured by a special tax on property bills. To form a CFD, the landowners must petition for formation and obtain 2/3 approval with property owners within the district boundaries.

CFDs can be maintenance, infrastructure, or both. OCII administers the following CFDs:

Table 1: Background on OCII’s CFDs

CFD	Title	Formation Year	Infrastructure / Maintenance	Term	Outstanding Debt (Millions) August 2021	Available Bond Capacity (Millions) August 2021
CFD 1	South Beach Improvements and Maintenance	1988	Infrastructure / Maintenance	Facilities – Ended; Services – No Sunset	\$0.0	\$0.0
CFD 4	Mission Bay North Public Improvements	1999	Infrastructure	2032* (last debt service payment)	\$6.3	\$0.0
CFD 5	Mission Bay (North and South) Maintenance District	1999	Maintenance	FY 2043-44	N/A	N/A
CFD 6	Mission Bay South Public Improvements	2000	Infrastructure	2050	\$115.8	\$56.3
CFD 7	Hunters Point Shipyard Phase One Improvements	2005	Infrastructure	FY 2055-56	\$31.8	\$30.5
CFD 8	Hunters Point Shipyard Phase One Maintenance	2008	Maintenance	No sunset	N/A	N/A
CFD 9	Hunters Point Shipyard Phase 2 / Candlestick Point Public Facilities and Services	2018	Infrastructure / Maintenance	Facilities - NTE 75 years; Services - No Sunset	\$0.0	\$202.0 (project area 1)

Proposed 2022 CFD Budget

The proposed 2022 budget totals \$18.8 million, which is \$0.9 million more than the 2021 budget of \$17.9 million. **Table 2** shows a more detailed breakdown of 2022 expenditures.

As shown in **Table 2**, of the \$18.7 million budgeted for CFDs funded by special tax, 59.2% are for debt service for previously issued debt. Maintenance services account for 15.7% of spending to provide professional services to maintain parks in the maintenance districts. The budget contains 13.9% in funds collected to provide for developer reimbursements for infrastructure costs. The remaining 11.1% is projected to cover administrative expenses as well as reserves for unforeseen expenditures. CFD 4 also includes \$124,003 in expenditures for debt service and administrative expenses, which are funded through Mission Bay North property tax.

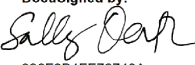
Table 2: Proposed 2022 CFD Budget Summary

Expenditure Type	FY 21-22 Special Tax	% FY 21-22 Special Tax	Mission Bay North Property Tax	Fund Balance
Debt Service	\$ 11,065,549	59.2%	\$ 70,000	\$ -
Maintenance and Operations	\$ 2,940,049	15.7%	\$ -	\$ -
Infrastructure Reimbursement	\$ 2,604,824	13.9%	\$ -	\$ 22,368,662
Maintenance Reserve	\$ 1,087,864	5.8%	\$ -	\$ 15,047,024
Administrative Expenses	\$ 652,100	3.5%	\$ 54,003	\$ -
Contingency (10%)	\$ 326,257	1.7%	\$ -	\$ -
Total	\$ 18,676,643	100.0%	\$ 124,003	\$ 37,415,686

NEXT STEPS

OCII staff will incorporate Commission feedback from this workshop and present the proposed 2022 CFD Budget on November 16, 2021 for Commission review. OCII staff will bring a similarly detailed 2023 CFD Budget before the Commission in Spring 2022, as part of the regular OCII budget process.

(Originated by Melissa Whitehouse, CFD Project Manager)

DocuSigned by:

 336F9B4FE72748A...

Sally Oerth

Interim Executive Director

DRAFT**2022 Budget for Community Facility Districts (CFD)**

The Successor Agency to the Redevelopment Agency of the City and County of San Francisco (commonly known as the Office of Community Investment and Infrastructure or “OCII”) administers seven Mello-Roos Community Facilities Districts (CFDs) in the South Beach / Rincon Point, Mission Bay North and South, Hunters Point Shipyard Phase One, and Hunters Point Shipyard Phase Two-Candlestick Point areas. Community Facilities Districts (“CFD”s) are special taxing districts formed under the Mello-Roos Community Facilities Act of 1982, Cal. Government Code §§ 53311 et seq., (“Mello-Roos Act”) to finance the construction or maintenance of specified public facilities and services, and to borrow money (by issuing bonds or incurring other debt) to assist with financing these facilities.

Under the Mello-Roos Act, the Commission is the legislative body that creates the CFDs and authorizes the levy of special taxes on property owners in a particular area (“Special Taxes”) to construct or maintain specified public facilities benefiting that area. OCII staff administers the CFDs. OCII’s authority as a CFD is separate from Redevelopment Dissolution Law, and thus is not subject to review by the Board of Supervisors, the Oversight Board, or the Department of Finance (DOF) to the extent that OCII is only using Special Taxes to carry out authorized CFD activities. The formation of OCII’s CFDs; however, are related to the enforceable obligations arising under OCII’s former redevelopment authority; for example, the Mission Bay Owner Participation Agreements required the Redevelopment Agency to form and administer certain CFDs. OCII could not form a new CFD today outside of enforceable obligations.

This CFD Budget includes the Special Taxes for Fiscal Year (FY) 2021-22, finalized in August 2021, as well as projected expenditures for calendar year 2022. Under the Mello-Roos Act, the special tax levy is set by the Rate and Method of Apportionment, which is approved by the Commission at the time of CFD formation. The total 2022 CFD expenditure budget is projected at \$18.8 million: \$18.7 million will be funded by the FY 2021-22 special tax levy and \$0.1 million will be funded by pledged Mission Bay North Property Tax¹. Additionally, there is \$37.4 million in unappropriated fund balance for infrastructure reimbursement and maintenance reserves. All of the fund balance has been generated from CFD Special Taxes.

¹ As CFDs are authorized under the Mello Roos Act and are separate legal entities from OCII, they are not subject to Redevelopment Law. However, to the extent that expenditure of property tax is allowed in the CFD by the development documents and required by the activities of the CFD, OCII includes this expenditure on the Recognized Obligations Payment Schedules (“ROPS”) and requests Department of Finance (“DOF”) approval. Expenditures of special tax and bond proceeds do not require DOF approval.

The following budget narrative provides background on OCII's CFDs, discusses the CFD budget process, and includes additional detail on each individual CFD budget for 2022, as well as existing fund balances and work plans per district.

CFD Background

The Mello-Roos Act provides an alternative method of financing certain public capital facilities and services and allows local agencies to create CFDs to fill some funding gaps created after the passage of Prop 13 (June 1978). CFDs have the power to:

- Levy and collect special tax;
- Finance specified public facilities and services; and
- Borrow money (issue bonds or incur debt) to finance facilities.

A CFD is a voter approved district that levies a special tax based on the unique tax formula (Rate and Method of Apportionment, or "RMA") approved by the Commission at formation. CFDs help to amortize costs over a longer time period to reduce the upfront burden of development. Repayment of CFD debt is secured by a special tax on property bills. To form a CFD, the landowners must petition for formation and obtain 2/3 approval with property owners within the district boundaries.

CFDs can be maintenance, infrastructure, or both. OCII administers the following CFDs:

1. **Maintenance CFDs:** CFD 5 Mission Bay (North and South) Maintenance District and CFD 8 Hunters Point Shipyard Phase One Maintenance District provide funds to operate, maintain, and repair open space parcels such as public parks and plazas in the districts. Maintenance CFDs are formed to fund services on an on-going basis above and beyond the normal tax base.
2. **Infrastructure CFDs:** CFD 4 Mission Bay North Public Improvements District, CFD 6 Mission Bay South Public Improvements District, and CFD 7 Hunters Point Shipyard Phase One Improvements District funds to acquire and develop infrastructure such as streetscapes and sewers in the district. Infrastructure CFDs in OCII Redevelopment Project Areas were formed to provide a revenue source for infrastructure before property tax increment was available, (i.e., largely when the developer was the property owner and the sole taxpayer). Infrastructure CFDs often issue bonds to fund infrastructure. The amount of debt each CFD may issue is established by the Commission at CFD formation. The special tax collected in the CFD pays the debt service on the bonds.
3. **Infrastructure and Maintenance CFDs:** CFD 1 South Beach Improvements and Maintenance District and CFD 9 Hunters Point Shipyard Phase Two / Candlestick Point Public Facilities and Services District are infrastructure and maintenance CFDs. At this time, both districts levy only

the services portion of the special tax levy; CFD 1 because the infrastructure improvements for the CFD are complete and CFD 9 because no infrastructure improvements are yet under construction.

Map 1 shows the locations of the existing OCII CFDs in San Francisco:

Map 1: Geographic Boundaries of OCII's CFDs

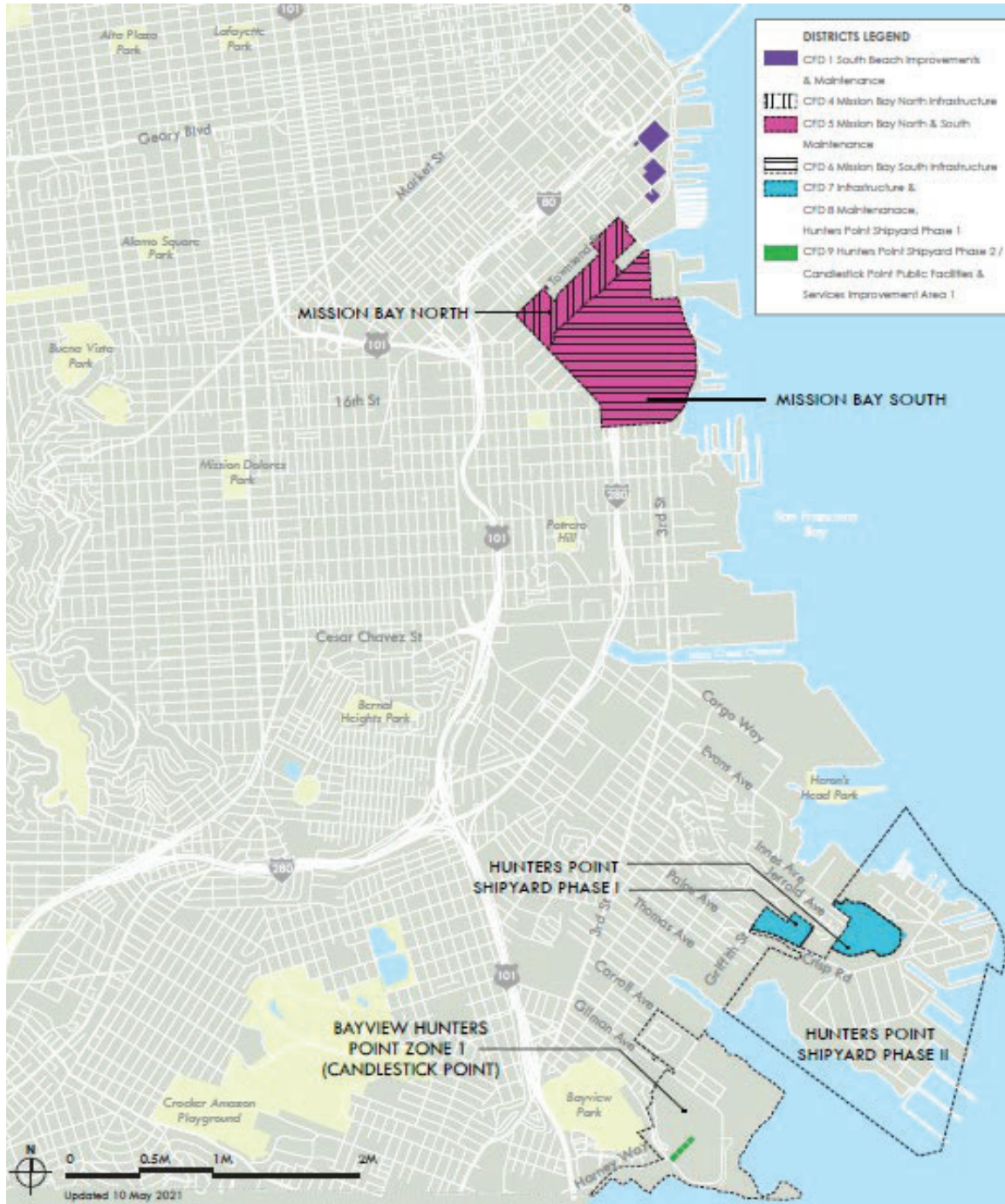


Table 1 shows background on OCII’s CFDs:

Table 1: Background on OCII’s CFDs

CFD	Title	Formation Year	Infrastructure / Maintenance	Term	Outstanding Debt (Millions) August 2021	Available Bond Capacity (Millions) August 2021
CFD 1	South Beach Improvements and Maintenance	1988	Infrastructure / Maintenance	Facilities – Ended; Services – No Sunset	\$0.0	\$0.0
CFD 4	Mission Bay North Public Improvements	1999	Infrastructure	2032* (last debt service payment)	\$6.3	\$0.0
CFD 5	Mission Bay (North and South) Maintenance District	1999	Maintenance	FY 2043-44	N/A	N/A
CFD 6	Mission Bay South Public Improvements	2000	Infrastructure	2050	\$115.8	\$56.3
CFD 7	Hunters Point Shipyard Phase One Improvements	2005	Infrastructure	FY 2055-56	\$31.8	\$30.5
CFD 8	Hunters Point Shipyard Phase One Maintenance	2008	Maintenance	No sunset	N/A	N/A
CFD 9	Hunters Point Shipyard Phase 2 / Candlestick Point Public Facilities and Services	2018	Infrastructure / Maintenance	Facilities - NTE 75 years; Services - No Sunset	\$0.0	\$202.0 (project area 1)

The term is the length of time through which the CFD is active. Outstanding debt shows the amount of principal outstanding for CFDs that have issued bonds. The maximum bond authorization is the remaining amount of debt the CFD may issue.

CFD Budget Process

The CFD budgets are set each year first through the updating of the special tax levy for the upcoming fiscal year. The CFD levy is set each year based on the Rate and Method of Apportionment (“RMA”) of special taxes, as adopted in each CFD’s resolution of formation. The maximum special tax rates for each CFD are based on the amount of taxable property in each CFD as well as allowed inflation rates for the year.

Furthermore, the special tax levy cannot be set higher than total projected expenditures for the CFD. Each year, the special tax levy is finalized in early August after development status is finalized as of June 30 and the inflation rate is established by Consumer Price Index (“CPI”) published by the Bureau of Labor Statistics in July.

The CFD budget sources include the special tax levy, which is levied by fiscal year (July to June) and also include tax increment if an enforceable obligation of the former Redevelopment Agency authorizes the use of property tax. In cases where the CFD will expend property tax, the Successor Agency must obtain approval of that expenditure in the Department of Finance (“DOF”) approved Recognized Obligation Payment Schedule (“ROPS”) and the Commission, Board of Supervisors, and Mayor approved OCII budget. CFD expenditures are made on the calendar year (January to December).

Proposed 2022 CFD Budget

The Proposed 2022 CFD budget totals \$18.8 million, which is \$0.9 more than the 2021 budget of \$17.9 million.

Table 2 shows a more detailed breakdown of 2022 expenditures. As shown in **Table 2**, of the \$18.7 million budgeted for CFDs funded by special tax, 59.2% or \$11.1 million, are for debt service for previously issued debt. Maintenance services account for the next largest portion of the annual budget, 15.7% or \$2.9 million, to provide professional services to maintain open spaces in the maintenance districts. Next the budget contains 13.9%, or \$2.6 million, in funds collected to provide for developer reimbursements for infrastructure costs. The remaining 11.1%, or \$2.1 million, is projected to cover administrative expenses as well as reserves for unforeseen expenditures or overages in other areas. Total administrative expenses across all CFDs make up 3.5% of the annual budget.

Also as shown in **Table 2**, CFD 4 expenditure is funded by property tax, as allowed by the Mission Bay North Owner Participation Agreement, and its Financing Plan, if special taxes are unavailable, and when approved by the DOF. CFD 4 includes \$54,003 in Mission Bay North property tax to cover administrative expenses. DOF approved the expenditure for January 1, 2022 - June 30, 2022 in the 2021-22 ROPS. OCII will request approval for the July 1, 2022 - December 31, 2022 expenditures in the 2022-23 ROPS. CFD 4 also includes \$70,000 in Mission Bay North property tax to redeem the remaining outstanding bond proceeds in the district in July 2022. OCII will request approval for this expenditure in the 2022-23 ROPS.

Table 2: Proposed 2022 CFD Budget Summary

Expenditure Type	FY 21-22 Special Tax	% FY 21-22 Special Tax	Mission Bay North Property Tax	Fund Balance
Debt Service	\$ 11,065,549	59.2%	\$ 70,000	\$ -
Maintenance and Operations	\$ 2,940,049	15.7%	\$ -	\$ -
Infrastructure Reimbursement	\$ 2,604,824	13.9%	\$ -	\$ 22,368,662
Maintenance Reserve	\$ 1,087,864	5.8%	\$ -	\$ 15,047,024
Administrative Expenses	\$ 652,100	3.5%	\$ 54,003	\$ -
Contingency (10%)	\$ 326,257	1.7%	\$ -	\$ -
Total	\$ 18,676,643	100.0%	\$ 124,003	\$ 37,415,686

The Expenditure categories for the 2022 budget include:

- **Debt Service:** Debt service payments on previously issued debt for infrastructure districts that have issued bonds to reimburse infrastructure built in the district or refund outstanding bond proceeds.
- **Maintenance and Operations:** Professional services to maintain park systems in maintenance CFDs, often including landscaping, janitorial, security, utilities, and tree maintenance.
- **Infrastructure Reimbursement:** Direct reimbursement to developer for costs of completed infrastructure.
- **Maintenance Reserve:** Reserve for future maintenance and operations expenditures greater than annual special tax levy amount or to cover expenditures once CFD special tax has sunset.

- **Administrative Expenses:** Staffing and administration costs (including partial funding for a CFD Manager who manages all the CFDs), which include budgeting, accounting, monitoring on-going revenue and expenditures, managing the bond portfolio and debt service payments, and complying with reporting requirements. OCII has retained the services of a special tax consultant, Goodwin Consulting Group, Inc., to perform a subset of the more technical administrative activities including administering the special tax, ensuring compliance with annual disclosure and reporting requirements, and providing as needed analytical support for bond issuance or other matters.
- **Contingency (10%):** Reserve for unexpected maintenance and operations expenses.

Special tax represents 100% of the revenue funding for the annual budget of the CFDs that collect a special tax levy. All CFDs, apart from CFDs 4, levy a special tax. As CFD 4 does not levy a special tax, funding for the CFD includes property tax generated in Mission Bay North. Some CFDs have an accumulated fund balance, which is shown by individual CFD below. Fund balance reflects special tax received and budgeted in a prior year that has not yet been expended. This occurs when CFD expenditures are less than anticipated.

Below are the individual CFD budgets by project area and CFD.

RINCON POINT SOUTH BEACH

CFD 1: South Beach Improvements and Maintenance

CFD 1, OCII's oldest CFD, provides landscape maintenance for four public plazas and irrigation, special street furniture, lighting systems, and streetscape maintenance on two City blocks in the former Rincon Point South Beach project area. Currently, OCII contracts with Forster & Kroeger Landscape Maintenance, Inc. to provide these services. CFD 1 was originally an infrastructure and maintenance CFD; however, as all bond proceeds have been expended and the bonds have been repaid, the infrastructure portion of the CFD is no longer active. Therefore, the special tax funds only expenses related to the maintenance portion of this CFD.

CFD 1 has a 2022 budget of \$191,143, as well as \$763,181 in existing fund balance. The majority of expenses, or 66%, are spent on Maintenance and Operations, which is professional services to maintain the open space system, including landscaping and minimal tree maintenance. The fund balance will fund future professional services to maintain open space. **Table 3** shows the 2022 CFD 1 Budget.

Table 3: 2022 CFD 1 Budget

Expenditure Type	Expenditure Detail	FY 21-22 Special Tax	Fund Balance 06.30.21	Total
Maintenance and Operations	Professional services to maintain open space, including tree maintenance	\$ 125,500	\$ -	\$ 125,500
Administrative Expenses	Staffing and consulting costs to administer CFD	\$ 34,584	\$ -	\$ 34,584
Contingency (10%)	Reserve for unexpected maintenance and operations expenses	\$ 14,233	\$ -	\$ 14,233
Maintenance Reserves	Reserve for future maintenance expenses	\$ 16,826	\$ 763,181	\$ 780,007
Total		\$ 191,143	\$ 763,181	\$ 954,324

CFD 1 also includes funding of a contingency of 10% of total expenditures and a maintenance reserve to ensure the ability to fund unplanned expenditures throughout the fiscal year. If unexpended, the contingency and maintenance reserve become part of the fund balance to fund future professional services to maintain the service area when expenditure exceeds revenue.

CFD 1 has an accumulated fund balance of \$763,181. This fund balance is a long-term maintenance reserve that can offset future imbalances when expenditure exceeds revenue.

In 2022, OCII will continue to work with Forster and Kroeger to maintain the plazas and streetscapes. OCII will also prepare a long-term projection of future revenue and expenditure. This analysis will identify the point at which expenditure will exceed revenue and project the cost of future capital improvements required to maintain the plazas and streetscapes and estimate the appropriate size for the long-term maintenance reserve.

MISSION BAY NORTH AND SOUTH

The Mission Bay project area includes CFD 4, an infrastructure CFD for Mission Bay North; CFD 6, an infrastructure CFD for Mission Bay South; and CFD 5, a maintenance CFD for Mission Bay North and South.

CFD 4: Mission Bay North Public Improvements

CFD 4 funds the reimbursement of public infrastructure in Mission Bay North, such as streets, utilities, and parks that have been constructed by the Mission Bay master developer. Unlike all of

OCII's other CFDs, CFD4 does not collect any special tax. CFD 4 expenditures can be funded with property tax generated in Mission Bay when special tax is not available, subject to approval through the ROPS and annual budget.

In 2022, CFD 4 has projected administrative expenditures of \$54,003 and debt service expenditure of \$70,000 to redeem remaining outstanding bond proceeds for the district. All expenses will be funded from Mission Bay North pledged property tax increment. As all outstanding debt will be redeemed, 2022 will be the last year with debt service expenses.

Table 4: 2022 CFD 4 Budget

Expenditure Type	Expenditure Detail	Mission Bay North Property Tax
Debt Service	Redeem remaining outstanding bonds	\$ 70,000
Administrative Expenses	Staffing and consulting costs to administer CFD	\$ 54,003
Total		\$ 124,003

As of August 31, 2021 OCII had \$6.25 million in outstanding principal for variable rate bonds issued in 2002 and \$6.18 million in bond proceeds generated by this issuance. The bond proceeds were allocated to a traffic signal at 8th and Townsend in Mission Bay North, but this public improvement will not be constructed in the foreseeable future. Accordingly, OCII will utilize the \$6.18 million in bond proceeds to repay the outstanding debt, leaving \$70,000 outstanding. In the 2022-23 ROPS, OCII will request authority to use \$70,000 in Mission Bay North pledged property tax on reserve to call the remaining outstanding debt. Pending ROPS approval by the Department of Finance, OCII will redeem the remaining debt in 2022.

After OCII redeems the 2002 variable rate bonds, CFD 4 will no longer have outstanding debt and will have no Special Taxes. As a result, OCII will review in the future whether the dissolution of CFD 4, prior to its expiration date in 2032, is warranted.

CFD 6: Mission Bay South Public Improvements

CFD 6 levies a special tax to fund debt service and to reimburse the Mission Bay master developer for public infrastructure built in the district, such as streets, utilities, and parks. Any special tax remaining at the end of the year falls to fund balance and will be used to fund subsequent

reimbursement requests by the master developer for completed infrastructure that the City has accepted.

The CFD 6 2022 budget includes \$11.2 million in expenditures and a fund balance of \$18.2 million. The majority of expenses, or 82%, are budgeted for debt service for previously issued debt that had been used to reimburse infrastructure expenses. As of August 31, 2021 CFD 6 had \$115.8 million in outstanding debt from series 2005A, 2005B, 2013A, 2013B, and 2013C. The second highest expenditure, or 17%, is budgeted for direct reimbursement of infrastructure expenditures. The smallest expenditure in the budget, or 1% is budgeted for administrative expenses. CFD 6 expenditures can also be funded through tax increment from Mission Bay South pledged property tax if special tax and fund balance are insufficient and OCII's expenditures are approved under the ROPS and annual budget. The 2022 budget, however, contains no budgeted use of property tax.

Table 5: 2022 CFD 6 Budget

Expenditure Type	Expenditure Detail	FY 21-22 Special Tax	Fund Balance 06.30.21	Total
Debt Service	Debt service for previously issued debt	\$ 9,115,311	\$ -	\$ 9,115,311
Administrative Expenses	Staffing and consulting costs to administer CFD	\$ 163,570	\$ -	\$ 163,570
Infrastructure Reimbursement	Direct reimbursement to developer for costs of infrastructure construction	\$ 1,887,259	\$ 18,166,774	\$ 20,054,033
Total		\$ 11,166,140	\$ 18,166,774	\$ 29,332,914

As of August 31, 2021, CFD 6 has \$115,847,406 in outstanding debt due to the issuance of the Series 2005 and 2013 bonds. The proceeds from these bonds were fully expended and used to reimburse the developer for infrastructure completed in the district. Debt service on these bonds will be \$9,115,311 in 2022. The CFD does not plan to issue additional debt in 2022; however, analysis of the CFD in the coming year will include reviewing the impact of calling or refunding some portions of the 2005 or 2013 bond series and how such action can impact the special tax levy or future debt service payments for the district.

In addition to the \$18.2 million in fund balance for CFD 6 generated from special tax that is available to appropriate, there is also a \$19.7 million bond cash reserve held by the trustee to ensure debt service payments can be made if special tax is insufficient. These funds cannot be appropriated and must remain in the bond cash reserve as long as the bonds are outstanding.

As more infrastructure remains to be built, CFD 6 is growing a fund balance to have funds on hand to reimburse the developer once work is complete and reimbursement claims submitted. As part of the workplan for the upcoming year, staff will prepare long-term revenue and cost projections through the term of the CFD. This analysis will identify the extent of future infrastructure reimbursements and determine the appropriate size of fund balance that should be held for eventual developer reimbursement or to pay down debt service.

CFD 5: Mission Bay (North & South) Maintenance

CFD 5 levies a special tax to maintain 24.3 acres of passive and active park space, including 1.7 new acres that are anticipated to be added in 2022. When the Mission Bay parks are fully developed, CFD 5 will include 41 total acres of park and CFD funds will remain available to cover park maintenance costs until 2043. Maintenance and operations expenses include landscaping, janitorial and security. OCII currently leases these City and Port owned park parcels and contracts directly with a third-party property management company to provide these services.

The CFD 5 2022 budget includes \$2.8 million in expenditures and a \$8.1 million fund balance. The vast majority, or 81%, of total expenditures are budgeted for maintenance costs provided by an outside contractor to operate the 24.3 acres of completed parks across the district.

Table 6: 2022 CFD 5 Budget

Expenditure Type	Expenditure Detail	FY 21-22 Special Tax	Fund Balance 06.30.21	Total
Maintenance and Operations	Professional services to maintain park system including landscaping, janitorial, and security	\$ 2,239,549	\$ -	\$ 2,239,549
Administrative Expenses	Staffing and consulting costs to administer CFD	\$ 153,555	\$ -	\$ 153,555
Contingency Reserve (10%)	Reserve for unexpected maintenance and operations expenses	\$ 239,310	\$ -	\$ 239,310
Maintenance Reserve	Reserve for future maintenance and operations expenditures	\$ 127,670	\$ 8,059,712	\$ 8,187,382
Total		\$ 2,760,084	\$ 8,059,712	\$ 10,819,796

CFD 5 also includes funding of a contingency of 10% of total expenditures and a maintenance reserve to ensure the ability to fund unplanned expenditures. Although CFD 5 has a sizeable fund balance of \$8.1 million, expenditures in the district are projected to exceed revenue starting in 2023 as new open space is completed and added to OCII's responsibilities to fund park maintenance. Therefore, the existing fund balance will be used to offset future mismatches in expenditure and revenue, or to fund expenditures once the CFD sunsets in 2043.

The fund balance in CFD 5 was mostly generated through special tax collected but unexpended. However, the fund balance is also growing in FY 2021-22 due to a \$50,000 open space maintenance fee, required under the Mission Bay South Owner Participation Agreement, to fund open space maintenance in CFD 5. The open space maintenance fee is paid directly to OCII, to be used only for maintaining Mission Bay Parks, and is a contribution towards the projected cost of extra maintenance due to usage of the open space by new development recently approved by OCII at 1450 Owens Street. Future developments may also be required to pay this fee. The open space maintenance fee will be paid annually and will increase with the Consumer Price Index.

HUNTERS POINT SHIPYARD

The Hunters Point Shipyard project area includes CFD 7, an infrastructure CFD for Hunters Point Shipyard Phase 1; CFD 8, a maintenance CFD for Hunters Point Shipyard Phase 1; and CFD 9, an infrastructure and maintenance CFD for Hunters Point Shipyard/Candlestick Point Phase 2.

CFD 7: Hunters Point Shipyard Phase One Improvements

CFD 7 levies a special tax to fund debt service and to reimburse the Shipyard Phase One master developer for public infrastructure built in the district, such as streets, utilities, and parks. Any special tax remaining at the end of the year falls to fund balance, which will be used to reimburse the developer for completed infrastructure.

The CFD 7 total budget for 2022 includes \$2.8 million in expenditures and a \$4.2 million fund balance. The majority, or 69%, of the total expenditures are budgeted for debt service costs for previously issued debt in the district. The second highest expenditure, or 25%, is budgeted for direct reimbursement of infrastructure costs. The smallest portion of expenditure, or 6%, is budgeted for administrative expenses.

Table 7: 2022 CFD 7 Budget

Expenditure Type	Expenditure Detail	FY 21-22 Special Tax	Fund Balance 06.30.21	Total
Debt Service	Debt service for previously issued debt	\$ 1,950,238	\$ -	\$ 1,950,238
Administrative Expenses	Staffing and consulting costs to administer CFD	\$ 148,255	\$ -	\$ 148,255
Infrastructure Reimbursement	Direct reimbursement to developer for costs of infrastructure construction	\$ 717,565	\$ 4,201,888	\$ 4,919,453
Total		\$ 2,816,058	\$ 4,201,888	\$ 7,017,946

As of August 31, 2021, CFD 7 has \$31,800,000 in outstanding debt due to the issuance of the Series 2014 Bonds. Proceeds from these bonds have been fully expended to reimburse the developer for infrastructure completed in the district. Debt service on these bonds will be \$1,950,238 in 2022. OCII does not plan to issue additional debt in 2022, but may consider refunding outstanding debt should market conditions be favorable.

The fund balance as of June 30, 2021 of \$4.2 million for CFD 7 includes \$2.2 million generated by special tax, and \$2.0 million generated through prepayment of CFD taxes paid by the developer to incentivize sales. Additionally, as of June 30, 2021 CFD 7 has \$4.5 million bond cash reserve held by the trustee to ensure debt service payments can be made if special tax is insufficient. These funds cannot be appropriated and must remain in the bond cash reserve as long as the bonds are outstanding.

As significant infrastructure remains to be constructed on the remaining portion of the Shipyard Phase One project (referred to as the Hillside, or Block 48), CFD 7 is building a fund balance to have funds on hand to reimburse the developer once infrastructure is complete. As part of the workplan for the upcoming year, staff will prepare long-term revenue and cost projections through the term of the CFD. This analysis will identify the extent of future infrastructure reimbursements and determine the appropriate size of fund balance that should be held for future developer reimbursement.

CFD 8: Hunters Point Shipyard Phase One Maintenance

CFD 8 levies a special tax to fund the maintenance of four acres of active park space, 14 acres of open space and the Site Office Building, which is a 10,000 sq. ft. publicly owned building which mostly provides space for the community as well as a small amount of office space used by OCII currently being used for the Shipyard Site Office Manager.

OCII owns the land on which public open space is being developed in CFD 8, while the developer, HPS Development Co., LP, constructs and maintains the open space until it is complete and transferred to OCII. In the near future, OCII will accept completed open space from the developer for the first time. To maintain the open space, in 2022 OCII will select a parks maintenance contractor.

The CFD 8 total 2022 budget includes \$1.3 million in expenditures and a \$5.1 million fund balance. The vast majority of expenditures are budgeted for maintenance costs to operate parks and to fund a maintenance reserve for future park maintenance expenditures, 43% each. The remainder of the expenditure is budgeted to administrative expenses (9%) and a contingency reserve (5%).

Table 8: 2022 CFD 8 Budget

Expenditure Type	Expenditure Detail	FY 21-22 Special Tax	Fund Balance 06.30.21	Total
Maintenance and Operations	Professional services to maintain park system	\$ 575,000	\$ -	\$ 575,000
Administrative Expenses	Staffing and consulting costs to administer CFD	\$ 121,900	\$ -	\$ 121,900
Contingency Reserve (10%)	Reserve for unexpected maintenance and operations expenses	\$ 69,690	\$ -	\$ 69,690
Maintenance Reserve	Reserve for future maintenance and operations expenditures	\$ 573,599	\$ 5,122,944	\$ 5,696,543
Total		\$ 1,340,189	\$ 5,122,944	\$ 6,463,133

The CFD 8 budget also includes funding for a contingency of 10% of total expenditures and a maintenance reserve to fund future unplanned expenditures. Additionally, CFD 8 has a fund balance of \$5.1 million. This fund balance was generated through the maintenance special tax levy in the district. In the coming year, OCII staff will prepare a long-term cost and revenue projection for park maintenance and operations. This analysis will identify the appropriate size for the maintenance reserve to anticipate future mismatches between revenue and expenditures or larger one-time unexpected costs.

CFD 9: Hunters Point Shipyard Phase 2 / Candlestick Point Public Facilities and Services

CFD 9 is both a maintenance and infrastructure CFD. However, because no infrastructure has been completed in the district, the CFD levies only the services portion of the special tax levy.

The CFD 9 2022 budget includes \$0.4 million in expenditures and a \$1.1 million fund balance. The vast majority of the total expenditures, or 92%, are budgeted to fund a maintenance reserve for future park maintenance. The remainder of the budget funds administrative expenses (8%) and a 10% contingency reserve (1% of total budget).

Table 9: 2022 CFD 9 Budget

Expenditure Type	Expenditure Detail	FY 21-22 Special Tax	Fund Balance 06.30.21	Total
Administrative Expenses	Staffing and consulting costs to administer CFD	\$ 30,236	\$ -	\$ 30,236
Contingency Reserve (10%)	Reserve for unexpected maintenance and operations expenses	\$ 3,024	\$ -	\$ 3,024
Maintenance Reserve	Reserve for future maintenance and operations expenditures	\$ 369,769	\$ 1,101,186	\$ 1,470,955
Total		\$ 403,029	\$ 1,101,186	\$ 1,504,215

Although no open space has been completed in the district, the CFD levies a special tax to build a reserve for future maintenance and operations. Once open space is complete and maintenance is funded by the CFD, large one-time expenses, such as replacing pavers, lighting and other fixtures, may occur. Should these costs exceed current year revenue, they will be funded by the maintenance reserve. The \$1.1 million in fund balance for CFD 9 was generated through the maintenance special tax levy in the district.