

COMMISSION ON COMMUNITY INVESTMENT AND INFRASTRUCTURE

RESOLUTION NO. 12-2022

Adopted April 19, 2022

**APPROVING A BUDGET AND LEVY OF SPECIAL TAXES FOR JULY 1, 2022
THROUGH JUNE 30, 2023 FOR COMMUNITY FACILITY DISTRICTS
ADMINISTERED BY THE SUCCESSOR AGENCY TO THE REDEVELOPMENT
AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO**

WHEREAS, 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”) is implementing various Community Facilities Districts (“CFDs”) under the Mello-Roos Community Facilities Act of 1982, Cal. Government Code §§ 53311 et seq. (the “Mello-Roos Act”) in several redevelopment project areas of the City and County of San Francisco, including Mission Bay North and South, Hunters Point Shipyard, and the Candlestick Point areas of the Bayview Hunters Point, and one former project area, namely Rincon Point/South Beach,; and,

WHEREAS, The Mello-Roos Act authorizes local government agencies to form CFDs to levy and collect a special tax on real property in a designated area (in addition to property taxes and assessments imposed on those properties) for the construction or maintenance of public infrastructure and other specified facilities or property and for the provision of certain public services, and to borrow money by issuing bonds or incurring other forms of indebtedness to assist with financing such activities; and,

WHEREAS, Under the Mello-Roos Act, the Successor Agency Commission (commonly known as the Commission on Community Investment and Infrastructure) (the “Commission”) is the legislative body that created the CFDs and authorized, by ordinances, the levy of special taxes on property owners in the particular areas referenced above (“Special Taxes”). The Special Taxes provide funding to construct or maintain specified public facilities benefiting those areas subject to the taxes; and,

WHEREAS, Under the Mello-Roos Act, the Commission approves, at the time of CFD formation, an ordinance levying Special Taxes based on the Rate and Method of Apportionment. Subsequently, the levy of Special Taxes is approved for the tax year at the same rate or at a lower rate provided in the ordinance, Cal. Govt. Code § 53340 (b); and,

WHEREAS, OCII’s authority as a CFD is separate from, but related to, its authority under the Community Redevelopment Law, as amended by the Redevelopment Dissolution Law. The Redevelopment Agency agreed to form new CFDs and issue debt secured by the Special Taxes and to fund public infrastructure, described in applicable enforceable obligations (including the Mission Bay North Owner Participation Agreement, the Disposition and Development Agreement (“DDA”) for Hunters Point Shipyard (“HPS”) Phase 1, the DDA for Candlestick Point-HPS Phase 2 DDA); and,

WHEREAS, The revenues from Special Taxes are not tax increment funds subject to the Redevelopment Dissolution Law, but are funds of the CFDs, and such Special Tax revenues can only be used for the purposes authorized for such CFDs. To the extent that OCII is only using Special Taxes to fund authorized CFD activities, the budget governing those expenditures is not included in the OCII's annual budget approved by the Board of Supervisors and is not included in the Recognized Obligation Payments Schedule (the "ROPS") approved by the Oversight Board and the Department of Finance (DOF); and,

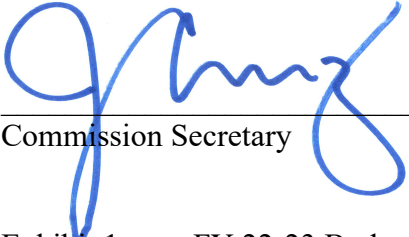
WHEREAS, The proposed CFD Budget, attached as Exhibit 1 to this Resolution, is \$24.9 million and includes expenditure of \$18.9 million Fiscal Year (FY) 22-23 special tax levy, \$5.9 million in special tax fund balance collected in prior years, and \$70,000 in Mission Bay North property tax. The \$70,000 Mission Bay North property tax was included in ROPS 22-23 and is conditional upon Department of Finance approval of the ROPS. The \$70,000 in Mission Bay North property tax is also included in the FY 22-23 OCII budget and is conditional upon Board of Supervisors approval; and,

WHEREAS, The proposed CFD Budget includes specific amounts authorized for operating and capital budgets on which third party contractors will rely to provide maintenance services in CFD Nos. 1, 5, and 8; and,

WHEREAS, Approval of the CFD Budget is not a "project," as defined by the California Environmental Quality Act ("CEQA") Guidelines Section 15378(b)(4), because it is a government fiscal activity which does not involve a commitment to any specific project which may result in a potentially significant physical impact on the environment, and therefore, is not subject to environmental review under CEQA; now therefore be it

RESOLVED, That the Commission approves the CFD Budget, attached to this Resolution as Exhibit 1.

I hereby certify that the foregoing resolution was adopted by the Commission at its meeting of April 19, 2022.



Commission Secretary

Exhibit 1: FY 22-23 Budget for the Community Facility Districts

FY 22-23 Budget for Community Facility Districts

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 Project 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 CFD administrator 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, is 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.

The budget includes an estimate of the special tax levy for FY 22-23, which will be finalized in August 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 CFD budget also details the projected FY 22-23 expenditure, including 2023 debt service amounts. The FY 22-23 CFD budget is \$24.9 million, \$18.9 million funded by the FY 22-23 special tax levy, \$5.9 million funded by special tax fund balance, and \$0.1 million funded by pledged Mission Bay North Property Tax¹.

The following draft budget narrative provides background on CFDs and the CFD budget process, as well as a budget and workplan for each CFD.

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.

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 public 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, plazas, and streetscapes 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 provide 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 the debt is defeased; 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

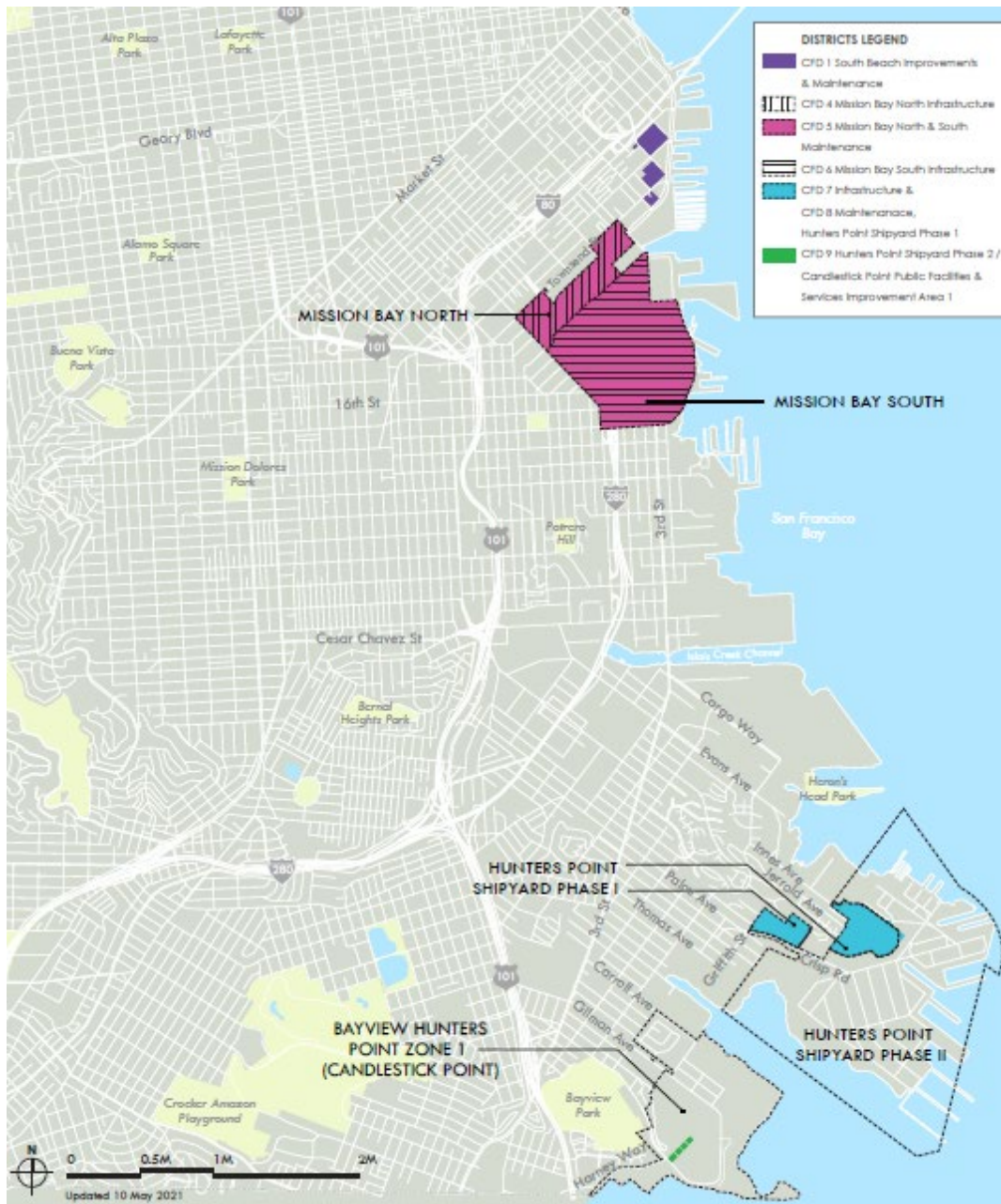


Table 1 shows background on OCII’s CFDs:

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. 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.

CFD budget sources include the projected special tax levy for FY 22-23, which assumes the FY 21-22 special tax levy amount inflated by the 2.78% Consumer Price Index included in the City and County of San Francisco's March 31, 2021 Five Year Financial Plan Update. Budget sources also include special tax fund balance, which is special tax collected in a prior year but unexpended. Finally, budget sources 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. The budget for CFD #4 assumes use of \$70,000 in property tax generated by Mission Bay North because no other sources exist. OCII included this expenditure in its FY 22-23 ROPS. Expenditures include 2023 debt service payments (February and August) because the revenue must be on hand prior to the expending of the debt service to comply with bond holder requirements.

FY 22-23 CFD Budget

The FY 22-23 CFD budget totals \$24.9 million, which is \$6.1 million more than the FY 21-22 budget of \$18.8 million.

Table 2 shows a more detailed breakdown of FY 22-23 expenditures. As shown in Table 2, of the \$18.9 million in special tax budgeted for the CFDs, 59.6% is for debt service for previously issued debt, 17.5 % is for maintenance and operations, which are professional services to maintain parks and streetscapes in the maintenance districts, 16.2% is for infrastructure, and the remaining 6.7% is to cover administrative expenses, maintenance reserves, and contingency to cover unforeseen expenditures. Total administrative expenses across all CFDs make up 4.0 % of the annual budget. CFDs 1 and 7 will use \$5.9 million in fund balance composed of special tax collected in prior years to fund capital improvements or developer infrastructure reimbursement. CFD 4 will expend \$70,000 in Mission Bay North property tax, which is the only available funding source because CFD 4 does not levy a special tax, to fund debt service.

Table 2: FY 22-23 CFD Budget Summary

Expenditure Type	Expenditure Detail	FY 22-23 Special Tax	Fund Balance	Mission Bay North Property Tax	Total	% FY 22-23 Special Tax
Debt Service	Debt service for previously issued debt	\$ 11,261,249	\$ -	\$ 70,000	\$ 11,331,249	59.6%
Maintenance and Operations	Professional services to maintain park system	\$ 3,315,503	\$ -	\$ -	\$ 3,315,503	17.5%
Infrastructure	Direct payments for infrastructure or reimbursements to developer infrastructure	\$ 3,067,066	\$ 5,891,270	\$ -	\$ 8,958,336	16.2%
Maintenance Reserve	Reserve for future maintenance and operations expenditures	\$ 373,563	\$ -	\$ -	\$ 373,563	2.0%
Administrative Expenses	Staffing and consulting costs to administer CFD	\$ 750,932	\$ -	\$ -	\$ 750,932	4.0%
Contingency	Unplanned expenditure	\$ 136,972	\$ -	\$ -	\$ 136,972	0.7%
Total		\$ 18,905,285	\$ 5,891,270	\$ 70,000	\$ 24,866,555	100.0%

The Expenditure categories for the FY 22-23 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 provided under contract to OCII to maintain park systems and streetscapes in maintenance CFDs, often including landscaping, janitorial, security, utilities, tree maintenance, and a capital component for major repair and replacement of covered public facilities.
- **Capital:** Payments to maintain or install capital improvements in parks and open space.
- **Infrastructure Reimbursement:** Direct reimbursement to developer for costs of completed infrastructure.
- **Maintenance Reserve:** Long-term reserve for future anticipated maintenance and operations expenditures increases.
- **Administrative Expenses:** OCII staffing and administration costs (including partial funding for CFD staff to oversee the CFDs, insurance costs, 1% County admin fee), 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:** Reserve for unforeseen expenditure.

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 several areas within 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 FY 22-23 budget of \$223,688. The majority of expenses (49.8%) are spent on Maintenance and Operations, which is professional services to maintain open space. The remainder of expenses are for capital repair (6.6%), infrastructure (33.5%), and administrative expenses (10.1%). The majority of expenditure will be funded by the FY 22-23 special tax levy of \$196,458 (87.8%), with the remainder, or \$27,230, funded by special tax fund balance (12.2%). **Table 3** shows the FY 22-23 CFD 1 Budget.

Table 3: FY 22-23 CFD 1 Budget

Expenditure Type	Expenditure Detail	FY 22-23 Special Tax	Fund Balance	Total
Maintenance and Operations	Professional services to maintain open space, including tree maintenance	\$ 111,301	\$ -	\$ 111,301
Capital Repair	Planned repairs on existing capital	\$ 14,800	\$ -	\$ 14,800
Infrastructure	Direct payments for infrastructure or reimbursements to developer infrastructure	\$ 47,769	\$ 27,230	\$ 74,999
Administrative Expenses	Staffing and consulting costs to administer CFD	\$ 22,588	\$ -	\$ 22,588
Total		\$ 196,458	\$ 27,230	\$ 223,688

As of December 31, 2021, CFD 1 had a fund balance of \$779,719. The fund balance is composed of special tax levied in a prior year but unexpended and is a long-term maintenance reserve that can offset future imbalances when expenditure exceeds revenue. In FY22-23, CFD 1 will use \$27,231 in fund balance to fund repairs to existing capital improvements, the remaining fund balance will be unbudgeted

In FY 22-23, OCII will continue to work with Forster and Kroeger to maintain the plazas and streetscapes. OCII will also estimate the appropriate size for the long-term maintenance reserve, which will inform the need to continue to levy special tax to build maintenance reserve.

MISSION BAY NORTH AND SOUTH

The Mission Bay Project Areas include 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 OCII's other CFDs, CFD 4 does not levy a 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.

The FY 22-23, CFD 4 budget includes \$70,000 to redeem outstanding bond proceeds. All expenses will be funded from Mission Bay North pledged property tax increment on reserve. As all outstanding debt will be redeemed, this will be the last fiscal year with expenses in this district.

Table 4: FY 22-23 CFD 4 Budget

Expenditure Type	Expenditure Detail	Mission Bay North Property Tax
Debt Service	Redeem remaining outstanding bonds	\$ 70,000
Total		\$ 70,000

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 utilized the \$6.18 million in bond proceeds to repay the outstanding debt, leaving \$70,000 outstanding. In the FY 22-23 ROPS, OCII requested 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 repay the outstanding 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 FY 22-23 CFD 6 budget includes \$11.4 million in expenditures, the majority of which (81.6%), are budgeted for debt service for previously issued debt used to reimburse infrastructure expenses. The second highest expenditure (16.6%) is budgeted for direct reimbursement of

infrastructure expenditures. The smallest expenditure in the budget (1.7%) 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 FY 22-23 budget, however, contains no budgeted use of property tax.

Table 5: FY 22-23 CFD 6 Budget

Expenditure Type	Expenditure Detail	FY 22-23 Special Tax
Debt Service	Debt service for previously issued debt	\$ 9,295,136
Administrative Expenses	Staffing and consulting costs to administer CFD	\$ 199,161
Infrastructure Reimbursement	Direct reimbursement to developer for costs of infrastructure construction	\$ 1,895,165
Total		\$ 11,389,463

As of August 31, 2021, CFD 6 had \$115,847,406 in outstanding principal due to the issuance of the Series 2005A, 2005B, 2013A, 2013B and 2013C bonds. The proceeds from these bonds were fully expended and used to reimburse the developer for infrastructure completed in the district. In FY 22-23 OCII will engage a financing team to refund eligible bond series and reduce borrowing costs.

As of December 31, 2021, CFD 6 had a fund balance of \$37.0 million. The fund balance is composed of special tax levied in a prior year but unexpended and is banked for future infrastructure reimbursements and 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 the infrastructure in Mission Bay South is not yet complete, CFD 6 is generating a fund balance to reimburse the developer when work is complete and reimbursement claims are submitted. In FY 22-23, staff will prepare an analysis of the cost of remaining infrastructure and develop a financing strategy to identify how that cost should be allocated to potential repayment sources, including special tax, Mello Roos bond proceeds, property tax, and tax allocation bond proceeds.

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 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 FY 22-23 CFD 5 budget includes \$2.8 million in expenditures. The vast majority of total expenditures are budgeted for maintenance and operations (87.9%) and capital expenses (\$59,500) provided by an outside contractor to operate the 24.3 acres of completed parks across the district. Based on OCII’s negotiations with the outside contractor, parks maintenance and operations and capital expenses for the district are projected to be \$1,160,110 in FY 22-23. The CFD 5 budget includes a small expenditure for administrative expenses (6.2%) and a contingency (3.8%) to fund unplanned expenditures. This is the first year CFD 5 budget will budget a contingency below 10%. This change is necessary to offset increased maintenance and operations costs as new park acreage is complete and added to the system. If unexpended, the contingency becomes part of the fund balance to fund future professional services to maintain the service area when expenditure exceeds revenue.

Table 6: FY 22-23 CFD 5 Budget

Expenditure Type	Expenditure Detail	FY 22-23 Special Tax
Maintenance and Operations	Professional services to maintain park system including landscaping, janitorial, and security	\$ 2,426,947
Capital Expenses	Planned capital expenses	\$ 59,500
Administrative Expenses	Staffing and consulting costs to administer CFD	\$ 169,865
Contingency Reserve (3.8%)	Unplanned expenditure	\$ 103,773
Total		\$ 2,760,085

As of December 31, 2021 CFD 5 had a sizeable fund balance of \$8.3 million. However, expenditures in the district are projected to continue to exceed revenue as new open space is added to the system. 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 is composed wholly of special tax levied in a prior year but unexpended.

OCII developed the open space in CFD 5 through a lease with San Francisco Recreation and Park Department (“RPD”) and San Francisco Port (“Port”). Under the terms of the lease, OCII leases the open space from RPD and Port and works with a master developer to construct parks. When

parks are complete, the open space reverts to the original owner. In FY 22-23, OCII will continue to work with RPD and Port to transition completed parks to their original owner.

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 FY 22-23 CFD 7 budget includes \$8.7 million in expenditures. The majority (75.2%) of expenditure is budgeted for direct reimbursement of infrastructure costs. The second highest expenditure (22.7%) is budgeted for debt service. The smallest portion of expenditure (2.1%) is budgeted for administrative expenses.

Table 7: FY 22-23 CFD 7 Budget

Expenditure Type	Expenditure Detail	FY 22-23 Special Tax	Fund Balance	Total
Debt Service	Debt service for previously issued debt	\$ 1,966,113	\$ -	\$ 1,966,113
Administrative Expenses	Staffing and consulting costs to administer CFD	\$ 185,115	\$ -	\$ 185,115
Infrastructure Reimbursement	Direct reimbursement to developer for costs of infrastructure construction	\$ 664,831	\$ 5,864,040	\$ 6,528,871
Total		\$ 2,816,059	\$ 5,864,040	\$ 8,680,099

The majority of the FY 22-23 budget (67.6%) is supported by fund balance. This fund balance was generated in years where special tax collected exceeded expenditure because the developer did not submit an anticipated reimbursement request. In those years, the CFD retained collected special tax to fund future infrastructure reimbursement requests. In FY 22-23 the developer will submit a large infrastructure reimbursement that will reimburse multiple years of infrastructure cost. The remainder of the budget (32.4%) is supported by the FY 22-23 special tax levy.

As of August 31, 2021, CFD 7 had \$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. 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 December 31, 2021 was \$9.6 million for CFD 7 and included \$3.6 million generated by special tax, and \$2.4 million generated through prepayment of special tax paid by the developer to incentivize sales, and an additional \$3.6 million debt service reserve held by the trustee to ensure debt service payments can be made if special tax is insufficient. The debt service reserve cannot be appropriated and must remain in the bond cash reserve as long as the bonds are outstanding. In FY 22-23 \$5.9 million in fund balance is being budgeted to reimburse the developer for completed infrastructure. The remaining \$0.1 million in prepayments and \$3.6 million debt service reserve is unbudgeted.

CFD 8: Hunters Point Shipyard Phase One Maintenance

CFD 8 levies a special tax to fund the maintenance of five acres of active park space, 13 acres of open space, streetscape improvements and the Site Office Building, which is a 5,000 sq. ft. publicly owned Community Facilities Demonstration Building used as a community-based public space supporting a range of uses including arts and arts education, job training, recreation, and open-space type uses. OCII owns the land on which public parks and open space (and Site Office Building) is being developed in CFD 8, while the developer, HPS Development Co., LP, constructs and maintains the parks and open space until they are completed and transferred to OCII (or in the case of the streetscape improvements, accepted as part of right of way dedication to the City). In FY21-22 OCII intends to accept completed parks from the developer for the first time and anticipates selecting a parks maintenance contractor. In FY 22-23 OCII staff will continue to onboard the maintenance contractor and work with them to implement a parks and open space maintenance program.

The FY 22-23 CFD 8 budget includes \$1.3 million in expenditures. The majority of expenditure (58.0%) is for maintenance and operations, 28.7% is for planned capital expense, and 11.0% is for administrative expenses. The budget also includes a 2.3% contingency to fund unforeseen expenditure. If unexpended, the contingency becomes part of the fund balance to fund future expenses.

Table 8: FY 22-23 CFD 8 Budget

Expenditure Type	Expenditure Detail	FY 22-23 Special Tax
Maintenance and Operations	Professional services to maintain and operate Park System	\$ 777,255
Capital Expenses	Planned capital expenses for Park System	\$ 385,000
Administrative Expenses	Staffing and consulting costs to administer CFD	\$ 147,414
Contingency Reserve (2.3%)	Unplanned expenditure	\$ 30,521
Total		\$ 1,340,190

OCII is proposing, by Resolution No. 13-2022, to enter a property management contract for maintenance of the first of several parks and open spaces to be funded by the CFD No. 8. These parks and open spaces will be brought online for maintenance and management by the CFD over a three-year period beginning in Q4 of FY 21-22. The proposed parks maintenance and management contract estimates expenses of \$1,162,255 for maintenance and operations.

As of December 31, 2021, CFD 8 had a fund balance of \$5.7 million. OCII has not yet been responsible for maintaining the completed parks and open space and the majority of parks and open space is not yet complete. As OCII continues to manage the parks and open space, it will evaluate the need to adjust assessments to maintain fund balance. The fund balance is composed wholly of special tax levied in a prior year but unexpended.

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 FY 22-23 budget includes \$403,030 in expenditures. The majority of expenditures (92.7%) fund a maintenance reserve for future park maintenance; 6.6% funds administrative expenses. The budget also includes a contingency of 10% of expenditure to fund unforeseen expenditure.

Table 9: FY 22-23 CFD 9 Budget

Expenditure Type	Expenditure Detail	FY 22-23 Special Tax
Administrative Expenses	Staffing and consulting costs to administer CFD	\$ 26,788
Contingency Reserve (10%)	Reserve for unexpected maintenance and operations expenses	\$ 2,679
Maintenance Reserve	Reserve for future maintenance and operations expenditures	\$ 373,563
Total		\$ 403,030

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.

As of December 31, 2021 CFD 9 had a sizeable fund balance of \$1.3 million. However, because OCII has not yet been responsible for maintaining the completed open space, actual maintenance and operations costs are unknown. When the open space is complete and OCII has operated the open space for a time sufficient to understand the true maintenance costs, OCII will evaluate the need to maintain fund balance. The fund balance was generated through the maintenance special tax levy in the district.