



107-0142023-002

Agenda Item **No.5(f)**
Meeting of April 4, 2023

MEMORANDUM

TO: Community Investment and Infrastructure Commissioners

FROM: Thor Kaslofsky, Executive Director

SUBJECT: Workshop on the budget and levy of special taxes for July 1, 2023 through June 30, 2024 for Community Facility Districts administered by the Successor Agency to the Redevelopment Agency of the City and County of San Francisco

The Office of Community Investment and Infrastructure or “OCII,” as the successor to Redevelopment Agency of the City and County of San Francisco (“SFRA”), administers seven Mello-Roos Community Facilities Districts (“CFD”s) in the Mission Bay North and South, Bayview Hunters Point and Hunters Point Shipyard Redevelopment Project Areas, as well as in the former Rincon Point South Beach Redevelopment Project Area. At the time, when SFRA established these CFDs, resolutions of formation specified the public facilities and services that a particular CFD would fund by issuing bonds or paying directly by appropriations of the special taxes. The CFD Budget for the costs to be expended must be established annually. The facilities and services eligible for funding must be consistent with the Mello-Roos Community Facilities Act of 1982 (“Mello Roos Act”), Cal. Govt § 53311 et seq.

The proposed Fiscal Year 23-24 CFD Budget (“FY 23-24 CFD Budget”) includes an estimate of the annual special tax levy, which will be finalized in August 2023. Under the Mello Roos Act, the special tax levy is set by the Rate and Method of Apportionment (“RMA”), which was approved by the Commission at the time of CFD formation. The FY 23-24 CFD Budget details the projected expenditures of this revenue, including 2024 debt service amounts. The FY 23-24 CFD Budget is \$44.9 million, which includes \$20.0 million funded by the FY 23-24 special tax levy, \$18.1 million in bond funds, and \$6.7 million funded by special tax fund balance.

London N. Breed
MAYOR

Thor Kaslofsky
EXECUTIVE DIRECTOR

Bivett Brackett
CHAIR

Alex Ludlum
Tamsen Drew
Dr. Carolyn Ransom-Scott
COMMISSIONERS

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

415 749 2400

www.sfocii.org

The following memorandum summarizes the FY 23-24 CFD Budget. The budget narrative attached to as Attachment A provides more detail, including background on CFDs and the CFD budget process as well as a budget and workplan for each CFD.

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 RMA tax formula 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 two-thirds approval with property owners within the district boundaries.

CFDs may fund particular public facilities or services, or both, but the CFD formation documents must specify the purpose for imposing the special taxes and implementation of the CFD must be consistent with the formation documents and the Mello-Roos Act. Table 1 lists the CFDs that OCII administers.

Table 1: Background on OCII's CFDs

CFD	Title	Formation Year	Infrastructure/ Maintenance	Term	Outstanding Debt (Millions)	Available Bond Capacity (Millions)
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)	\$0.0	\$0.0
CFD 5	Mission Bay (North and South) Maintenance District	1999	Maintenance of Parks	FY 2043-44	N/A	N/A
CFD 6	Mission Bay South Public Improvements	2000	Infrastructure	2050	\$106.9	\$56.1
CFD 7	Hunters Point Shipyard Phase One Improvements	2005	Infrastructure	FY 2055-56	\$29.5	\$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 - 75 years; Services - No Sunset	\$0.0	\$202.0 (Project Area 1)

Outstanding debt as of beginning of FY 23-24

FY 23-24 CFD Budget

The FY 23-24 CFD Budget totals \$44.9 million, which is \$20.0 million more than the FY 22-23 CFD Budget of \$24.9 million. Table 2 shows a detailed breakdown of the FY 23-24 expenditures. Of this increase, \$18.1 million is due to the refunding of a bond issuance in CFD 6, followed by an increase in the use of fund balance in CFDs 1, 5, and 7 for capital improvements and developer infrastructure reimbursements.

As shown in Table 2, of the \$44.9 million budgeted for the CFDs, 25.4% is for debt service for previously issued debt; 10.7% is for maintenance services, which are professional services to maintain parks and open space in the maintenance districts; 20.1% is for infrastructure, which are reimbursements to the master developers for public infrastructure such as streets, utilities, and parks built in the district; 40.4% is for a potential refunding for a bond issuance in CFD 6, as OCII will monitor market conditions that favor a refunding; and the remaining 3.4% is projected to cover administrative expenses and contingency to cover unforeseen expenditures.

CFDs 1, 5, and 7 will use \$6.7 million in fund balance composed of special tax collected in prior years to fund capital improvements or developer infrastructure reimbursement. CFD 1 will use \$0.2 million in fund balance to fund a one-time repair for deferred capital improvements, which include but are not limited to repairing/replacing missing or damaged pavement and various pavers, planting or replacing trees, pruning trees, replacing broken lights, replacing incandescent lights with LED lights, and replacing or aligning bollards. CFD 5 will use \$0.6 million in fund balance to fund maintenance and operations provided by the City and County of San Francisco's Recreation and Park Department or RPD and the City and County of San Francisco's Port to operate 30.2 acres of completed parks across the district. CFD 7 will use its fund balance to reimburse the developer for public improvement costs accumulated over multiple years at the Hunters Point Shipyard.

CFD 6 will use \$18.1 million in bond proceeds and interest accrued to potentially refund the CFD 6 Special Tax Bond Series 2005 for Mission Bay South public improvements.

Table 2: FY 23-24 CFD Budget Summary

Expenditure Type	Expenditure Detail	FY 23-24 Special Tax	Bond Account	Fund Balance	Total	% FY 23-24 Total
Debt Service	Debt service for previously issued debt	\$11,408,936			\$11,408,936	25.4%
Maintenance and Operations	Professional services to maintain park system	\$4,788,463			\$4,788,463	10.7%
Infrastructure	Direct payments for infrastructure or reimbursements to developer infrastructure	\$2,308,847		\$6,686,128	\$8,994,974	20.1%
Debt Refunding	Refunding for previously issued debt	\$0	\$18,133,716		\$18,133,716	40.4%
Administrative Expenses	Staffing and consulting costs to administer CFD	\$807,015			\$807,015	1.8%
Contingency	Reserve for unexpected maintenance and operations expenses	\$719,690			\$719,690	1.6%
Total		\$20,032,951	\$18,133,716	\$6,686,128	\$44,852,794	100.0%

The proposed FY 23-24 CFD Budget is attached to this memo as Attachment A and provides greater detail for each of the CFD budgets. Attachment A will be updated and included as an exhibit to the resolution at the action meeting on April 18, 2023.

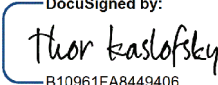
107-0142023-002

Page 4

NEXT STEPS

OCII staff will incorporate Commission feedback from this workshop and present the FY 23-24 CFD Budget on April 18, 2023, for Commission review and approval.

(Originated by Mina Yu, Budget & Project Finance Manager)

DocuSigned by:

B10961FA8449406...
Thor Kaslowsky
Executive Director

Attachment A: FY 23-24 CFD Budget

Attachment A**FY 23-24 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 Mission Bay North and South, Hunters Point Shipyard Phase One, and Hunters Point Shipyard Phase Two-Candlestick Point Project Areas, as well as in the former Rincon Point South Beach Redevelopment Project Area. CFDs are special taxing districts formed under the Mello-Roos Community Facilities Act of 1982, Cal. Government Code §§ 53311 et seq., (“Mello-Roos Act”) to fund 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 City and County of San Francisco 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 and must comply with the existing scope of the resolutions of formation authorizing the CFDs.

The CFD budget includes an estimate of the special tax levy for Fiscal Year 23-24, which will be finalized in August 2023. Under the Mello Roos Act, the special tax levy is set by the Rate and Method of Apportionment (“RMA”), which is approved by the Commission at the time of CFD formation. The CFD budget also details the projected FY 23-24 expenditures (“FY 23-24 CFD Budget”), including 2024 debt service amounts. The FY 23-24 CFD Budget is \$44.9 million, which includes \$20.0 million funded by the FY 23-24 special tax levy, \$18.1 million funded by bonds, and \$6.7 million funded by special tax fund balance¹.

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 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.

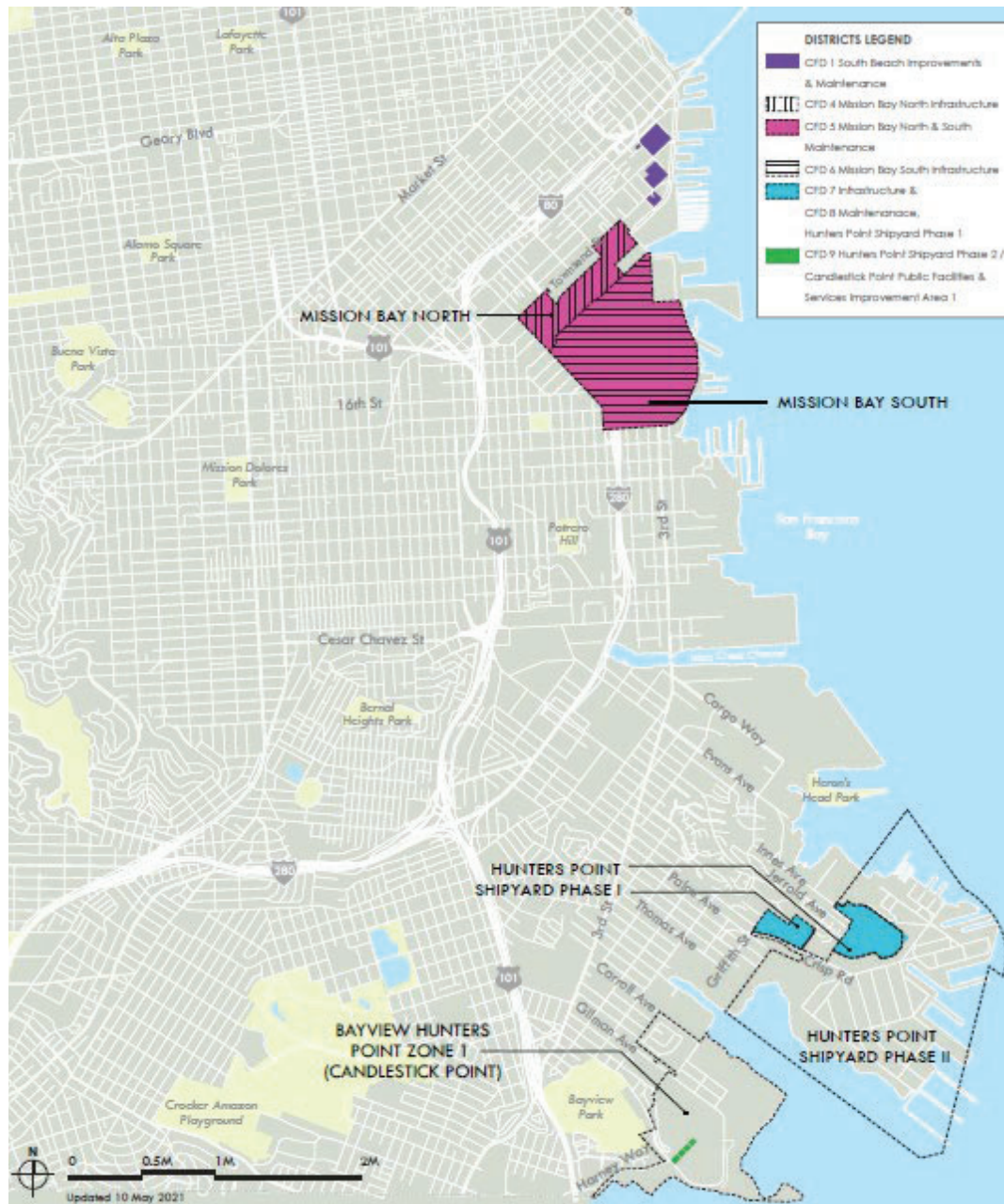
CFDs may provide funding for public facilities, services related to those facilities or both, but the scope of facilities funding or maintenance funding must comply with the CFD formulation documents on which the electors voted. OCII administers the following types of CFDs:

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 and parks as specified in the applicable resolutions of formation. 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. For infrastructure CFDs, the funds can only be used for infrastructure in each Project Area's Infrastructure Plan. The funds cannot be used for repairs.
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 both 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 debt has been issued and 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



Map 2 shows the locations of the parks in Mission Bay.

Map 2: Mission Bay Parks



Map 3 shows the locations of the parks in Hunters Point Shipyard/Candlestick Park.

Map 3: Hunters Point Shipyard Candlestick Point Parks



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)	Available Bond Capacity (Millions)
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)	\$0.0	\$0.0
CFD 5	Mission Bay (North and South) Maintenance District	1999	Maintenance of Parks	FY 2043-44	N/A	N/A
CFD 6	Mission Bay South Public Improvements	2000	Infrastructure	2050	\$106.9	\$56.1
CFD 7	Hunters Point Shipyard Phase One Improvements	2005	Infrastructure	FY 2055-56	\$29.5	\$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 - 75 years; Services - No Sunset	\$0.0	\$202.0 (Project Area 1)

Outstanding debt as of the beginning of FY 23-24.

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 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 of each year.

The FY 23-24 CFD Budget sources include the projected special tax levy for FY 23-24, which assumes the FY 22-23 special tax levy amount inflated by CPI. Budget sources also include special tax fund balance, which is special tax collected in a prior year but unexpended.

FY 23-24 CFD Budget

The FY 23-24 CFD Budget totals \$44.9 million, which is \$20.0 million more than the FY 22-23 budget of \$24.9 million. Of this increase, \$18.1 million is due to the refunding of a bond issuance in CFD 6, followed by an increase in the use of fund balance in CFDs 1, 5, and 7 for capital improvements and developer infrastructure reimbursements.

Table 2 shows a more detailed breakdown of the FY 23-24 CFD Budget expenditures. As shown in Table 2, of the \$44.9 million budgeted for the CFDs, 25.4% is for debt service for previously issued debt, 10.7% is for maintenance services, which are professional services to maintain parks and open spaces in the maintenance districts, 20.1% is for infrastructure, 40.4% is for a potential refunding for a bond issuance in CFD 6, and the remaining 3.4% is projected to cover administrative expenses and contingency to cover unforeseen expenditures. CFDs 1, 5, and 7 will use \$6.7 million in fund balance composed of special tax collected in prior years to fund capital improvements or developer infrastructure reimbursement. CFD 6 will use \$18.1 million in bond proceeds and interest accrued to potentially refund the CFD 6 Special Tax Bond Series 2005 for Mission Bay South public improvements.

Table 2: FY 23-24 CFD Budget Summary

Expenditure Type	Expenditure Detail	FY 23-24 Special Tax	Bond Account	Fund Balance	Total	% FY 23-24 Total
Debt Service	Debt service for previously issued debt	\$11,408,936			\$11,408,936	25.4%
Maintenance and Operations	Professional services to maintain park system	\$4,788,463			\$4,788,463	10.7%
Infrastructure	Direct payments for infrastructure or reimbursements to developer infrastructure	\$2,308,847		\$6,686,128	\$8,994,974	20.1%
Debt Refunding	Refunding for previously issued debt	\$0	\$18,133,716		\$18,133,716	40.4%
Administrative Expenses	Staffing and consulting costs to administer CFD	\$807,015			\$807,015	1.8%
Contingency	Reserve for unexpected maintenance and operations expenses	\$719,690			\$719,690	1.6%
Total		\$20,032,951	\$18,133,716	\$6,686,128	\$44,852,794	100.0%

The Expenditure categories for the FY 23-24 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, and tree maintenance services.
- **Capital:** Payments to maintain, install, or repair capital improvements in parks and open space.
- **Infrastructure Reimbursement:** Direct reimbursement to developer for costs of completed infrastructure.
- **Debt Refunding:** Bond proceeds and interest accrued to refund a bond issuance if a refunding opportunity should arise.
- **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. CFD administration requires technical tax experience and therefore OCII has retained the services of a special tax consultant, Goodwin Consulting Group, Inc. (“Goodwin”). Goodwin will 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 levy a special tax. Some CFDs have a Maintenance Contingency, which is shown by individual CFD below. Maintenance Contingencies reflects special tax received and budgeted in prior years 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 and hardscape maintenance for four public plazas, irrigation, special street furniture, lighting systems; and streetscape maintenance in several areas within the former Rincon Point South Beach Project Area. Currently, OCII contracts with Forster & Kroeger Landscape Maintenance, Inc. to provide these services. The current contract expires October 31, 2023, and OCII staff will issue a Request for Proposals ("RFP") for a new contract. 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 financing is no longer active. Therefore, the special tax funds only expenses related to the maintenance portion of this CFD.

CFD 1 has a FY 23-24 budget of \$428,272. The majority of expenses are spent on on-going operational and capital improvement costs, as summarized in the table and text below. The remainder of expenses are for administrative expenses. The majority of expenditures will be funded by the FY 23-24 special tax levy of \$204,611 with the remainder, or \$223,660, funded by special tax fund balance. Table 3 shows the FY 23-24 CFD 1 Budget.

Table 3: FY 23-24 CFD 1 Budget

Expenditure Type	Expenditure Detail	Special Tax	Fund Balance	Total
Maintenance and Operations	Professional services to maintain plazas and streetscapes including landscaping and janitorial services	\$ 123,840	\$ 23,660	\$ 147,500
Capital Repair	Planned repairs on existing capital	\$ -	\$ 200,000	\$ 200,000
Administrative Expenses	Staffing and consulting costs to administer CFD	\$ 41,838		\$ 41,838
Infrastructure	Direct payments for infrastructure or reimbursements to develop infrastructure	\$ 38,934		\$ 38,934
Total		\$ 204,612	\$ 223,660	\$ 428,272

As of December 31, 2022, CFD 1 had a fund balance of \$776,676. The fund balance is composed of special taxes levied in prior years but unexpended and is a reserve that can balance future budgets when expenditure exceeds revenue. In FY23-24, CFD 1 anticipates using \$223,660 in

fund balance to fund a one-time repair of certain deferred capital improvements, which will be included in the forthcoming RFP for a new maintenance contract. These improvements will include, but are not limited to, resetting pavers and stones, replacing missing pavement and stones, repairing brick pavement, planting trees in empty tree wells, replacing at risk trees, pruning trees, replacing broken lights, replacing incandescent lights with LED lights, and replacing or aligning bollards. The remaining fund balance will be unbudgeted.

In FY 23-24, OCII will continue to work with its current contractor and new contractor to maintain the plazas and streetscapes. After the FY 2023-24 capital repairs are completed, OCII will also estimate the appropriate size for the reserve and will evaluate the need to adjust assessments to maintain fund balance.

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 was established to fund 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. The FY 23-24 CFD 4 budget is \$0 due to the fact the outstanding debt was paid off in FY 22-23. Also CFD 4 is currently not levying a special tax. Due to its limited activity, OCII will review in the future whether the dissolution of CFD 4 should occur, prior to its expiration date in 2032.

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 23-24 CFD 6 Budget includes \$29.8 million in expenditures, the largest portion of which reflects the outstanding bond balance plus interest accrued on the CFD 6 Special Tax Bond Series 2005 ("CFD 6 Bonds") for Mission Bay South public improvements, along with the associated cost of issuance should the refunding occur. This balance is budgeted as OCII will monitor market conditions that favor refunding the CFD 6 Bonds. As per OCII's Debt Policy, refunding bonds must achieve at least three percent net present value debt service savings.

The smallest expenditure in the budget is for administrative expenses. The FY 23-24 CFD 6 Budget, however, contains no budgeted use of property tax.

Table 5: FY 23-24 CFD 6 Budget

Expenditure Type	Expenditure Detail	Special Tax	Bond Account	Total
Debt Service	Debt service for previously issued debt	\$ 9,478,686		\$ 9,478,686
Bond Refunding Cost of Issuance	Cost of Issuance for refunding of CFD 6 Special Tax Bond Series 2005		\$ 3,425,263	\$ 3,425,263
Bond Refunding Bond Balance	CFD 6 Special Tax Bond Series 2005 bond balance and accrued interest for refunding		\$ 14,708,453	\$ 14,708,453
Administrative Expenses	Staffing and consulting costs to administer CFD	\$ 184,822		\$ 184,822
Infrastructure Reimbursement	Direct reimbursement to developer for costs of infrastructure construction	\$ 1,953,744		\$ 1,953,744
Total		\$ 11,617,252	\$ 18,133,716	\$ 29,750,968

Series 2005A, 2005B, 2013A, 2013B and 2013C bonds were issued in CFD 6, and the proceeds from these bonds have been fully expended to reimburse the developer for infrastructure completed in the district. These bonds will have an outstanding principal of \$106.9 million at the beginning of FY 23-24.

As of December 31, 2022, CFD 6 had a fund balance of \$24.4 million. 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 23-24, 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 30.2 acres of passive and active park space, including 5.95 new acres to be added in FY 23-24. When all the Mission Bay parks are complete, CFD 5 will include 41 total acres of park and CFD funds will remain available to cover park maintenance costs until 2044. Maintenance and operations expenses include landscaping, janitorial and security. OCII currently leases these City and County of San Francisco and City and County of San Francisco Port (“Port”) owned park parcels but in FY 23-24 OCII will terminate the lease. CFD 5 funds can only be used for maintenance and repairs of Mission Bay parks and cannot be used on infrastructure. In FY 23-24, OCII will provide the City and County of San Francisco Recreation

& Park Department (“RPD”) and the Port with CFD 5 funds for the maintenance and operations of the park spaces.

The FY 23-24 CFD 5 budget includes up to \$3.6 million in expenditures. The vast majority of total expenditures are budgeted for maintenance and operations provided by RPD and the Port to operate the 30.2 acres of completed parks across the district. Based on OCII’s negotiations with RPD and the Port, parks maintenance and operations for the district are projected to be \$3.4 million in FY 23-24. The CFD 5 budget includes a small expenditure for administrative expenses. CFD 5 will generate \$2.9 million in special taxes, and \$0.7 million will be drawn from fund balance to cover the gap in funding if RPD and the Port are not able to obtain general fund monies to cover the shortfall.

Table 6: FY 23-24 CFD 5 Budget

Expenditure Type	Expenditure Detail	Special Tax	Fund Balance	Total
Maintenance and Operations	Professional services to maintain park system including landscaping, janitorial, and security	\$ 2,669,689	\$ 681,085	\$ 3,350,774
Administrative Expenses	Staffing and consulting costs to administer CFD	\$ 248,316	\$ -	\$ 248,316
Total		\$ 2,918,005	\$ 681,085	\$ 3,599,090

As of December 31, 2022, CFD 5 had a fund balance of \$8.9 million, but 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 funding shortfalls. RPD and the Port will be required to fund shortfall beyond what can be covered by the CFD 5 fund balance in future years.

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/Candlestick Point Phase 2; 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 23-24 CFD 7 budget includes \$9.1 million in expenditures. The majority of the expenditures are budgeted for direct reimbursement of infrastructure costs. The second highest expenditure is budgeted for debt service. The smallest portion of expenditure is budgeted for administrative expenses.

Table 7: FY 23-24 CFD 7 Budget

Expenditure Type	Expenditure Detail	Special Tax	Fund Balance	Total
Debt Service	Debt service for previously issued debt	\$ 1,930,250		\$ 1,930,250
Administrative Expenses	Staffing and consulting costs to administer CFD	\$ 167,968		\$ 167,968
Infrastructure Reimbursement	Direct reimbursement to developer for costs of infrastructure construction	\$ 1,259,847	\$ 5,781,383	\$ 7,041,230
Total		\$ 3,358,065	\$ 5,781,383	\$ 9,139,448

The majority of the FY 23-24 CFD 7 Budget 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 23-24 the developer will submit a large infrastructure reimbursement that will reimburse multiple years of infrastructure cost. The remainder of the budget is supported by the FY 23-24 special tax levy.

Series 2014 Bonds were issued in CFD 7, and the proceeds from this bond have been fully expended to reimburse the developer for infrastructure completed in the district. This bond will have an outstanding principal of \$29.5 million at the beginning of FY 23-24. OCII does not plan to issue additional debt in 2023 but may consider refunding outstanding debt should market conditions be favorable.

CFD 8: Hunters Point Shipyard Phase One Maintenance

CFD 8 levies a special tax to fund the maintenance of 13 acres of open space, streetscape improvements, and five acres of active park space including a Community Facilities Building (“CFB”) (“HPS 1 Facilities”). The CFB is a 5,000 sq. ft. publicly owned building initially constructed in 2013 with Economic Development Administration (“EDA”) grant funds to be used as a community-based public space supporting a range of uses including community meetings, arts and arts education, job training, and recreation uses. The CFB has been managed since its opening by the Master Developer of Hunters Point Shipyard/Candlestick Point Phase 2 in accordance with the Interim Lease between OCII and the Master Developer. On June 1, 2022, OCII engaged a property management entity (Parklab Open Space Management or “POSM”) for the HPS 1 Facilities within CFD 8. OCII will terminate the Interim Lease as applicable to the CFB and engage POSM for future management of this building, which will allow for greatly expanded community use and functionality beneficial to the community.

OCII owns the land on which the HPS 1 Facilities are being developed in CFD 8, while the developer, HPS Development Co., LP, constructs and maintains the parks and open space until they are transferred to OCII (or in the case of the streetscape improvements, accepted as part of right of way dedication to the City). In FY 23-24, OCII will continue to accept completed HPS 1 Facilities from the developer and work with POSM to implement the parks and open space maintenance program.

Table 8: FY 23-24 CFD 8 Budget

Expenditure Type	Expenditure Detail	Special Tax
Maintenance and Operations	Professional services to maintain and operate Park System	\$ 815,189
Capital Expenses	Planned capital expenses for Park System	\$ 275,000
Administrative Expenses	Staffing and consulting costs to administer CFD	\$ 134,078
Contingency Reserve	Reserve for maintenance, operations and capital expenditures	\$ 286,695
Total		\$ 1,510,963

By the beginning of FY 23-24, Pocket Parks 9-16, Galvez Overlook/Coleman Promenade, and Community Facilities Building and Plaza will be transferred to CFD 8 and will be maintained and managed by POSM. In FY 23-24, the remaining HPS 1 Facilities will transfer to CFD 8 for maintenance and management.

As of December 31, 2022, CFD 8 had a fund balance of \$6.8 million. As OCII continues to manage the parks and open space and assume responsibility for maintaining additional 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 prior years but unexpended.

The FY 23-24 CFD 8 budget is \$1,510,963, with \$1,090,189 for maintenance, operations and capital expenses; \$286,696 for contingency expenditures; and \$134,078 for administrative expenses.

Pursuant to OCII's contract with POSM ("Contract"), the POSM budget is to be approved as part of the Commission's annual approval of the CFD budget. The proposed FY 23-24 POSM budget includes \$815,189 for operating expenses and \$275,000 for capital expenses. These capital expenses include two large capital projects anticipated to occur in FY 23-24: replacement of the Community Facilities Building siding and repair of the Nautical Swing artwork, a circular hybrid of a park-bench and porch-swing that was inspired by the era of shipbuilding structures in the area, in Hillpoint Park. The FY 23-24 POSM budget will be attached to the resolution.

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. FivePoint pays this special tax levy.

The FY 23-24 budget includes \$424,054 in expenditures. The majority of expenditures consist of the contingency reserve for future park maintenance. The budget also includes funds for administrative expenses.

Table 9: FY 23-24 CFD 9 Budget

Expenditure Type	Expenditure Detail	Special Tax
Administrative Expenses	Staffing and consulting costs to administer CFD	\$ 29,994
Contingency Reserve	Reserve for maintenance, operations and capital expenditures	\$ 394,060
Total		\$ 424,054

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.

As of December 31, 2022 CFD 9 had a fund balance of \$1.7 million. Because OCII has not yet been responsible for maintaining the completed open space, actual maintenance and operations costs are unknown at this time. 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.