



**AGENDA REPORT**

<b>PROPOSED ACTION: Resolution:</b> Approve and Authorize Certain Actions Pursuant to the Tax Equity & Fiscal Responsibility Act of 1982, in Connection with the Financing and Refinancing of Various Port Capital Improvements. <b>(Finance &amp; Admin)</b>	
<u>Submitted By:</u> Julie Lam, Chief Financial Officer; Danny Wan, Executive Director	
<u>Parties Involved:</u> N/A	<u>Amount:</u> \$500 Million
<b>EXECUTIVE SUMMARY:</b> Federal law requires issuers of certain types of tax-exempt debt to hold a public hearing on proposed debt obligations, and on the improvements to be financed. Following the public hearing, the debt issuance must be approved by the highest elected representative in the issuing jurisdiction. The actions recommended in this agenda report would authorize Port of Oakland (Port) Staff (Port Staff) to hold the public hearing and obtain approval to issue certain tax-exempt debt pursuant to federal law from the Mayor of the City of Oakland, the highest elected representative. The proposed actions fulfill one requirement imposed on governmental agencies to issue certain types of tax-exempt notes or bonds and would be valid for three years. The proposed actions do not authorize the issuance of any bonds but would allow the Port to continue to issue certain tax-exempt commercial paper notes that were previously authorized. Any future bond issuance by the Port would require the approval of the Board of Port Commissioners (Board).	

**BACKGROUND & ANALYSIS**

The issuance of tax-exempt debt has been, and remains, an important tool for the Port to finance and refinance capital improvements and other costs. For example, (a) the Port’s commercial paper program totals \$200 million in capacity and provides flexibility to borrow funds on short notice to (i) fund a portion of the capital program until a long-term financing is undertaken, (ii) provide interim financing for cash management (e.g., due to lags in grant reimbursement), and (iii) provide emergency funding; and/or (b) the Port may have refinancing opportunities of its existing debt obligations.

To issue certain types of tax-exempt notes or bonds, one requirement imposed on governmental agencies is to allow public comment on the proposed issuance and projects to be financed, followed by approval of the proposed debt. Specifically, the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) requires agencies to hold a public hearing to give interested persons an opportunity to express their views on proposed debt obligations, and on the nature of the improvements to be financed or refinanced. Accordingly, the notice of public hearing must describe the purpose for which the debt may be issued, the improvements that may be made, and their location (the Plan of Financing and Refinancing or Plan). After the hearing, the Plan must be approved by an applicable elected official of the governmental body issuing the debt. With respect to the Port, this approval would come from the Mayor of the City of Oakland (Mayor).

This TEFRA authorization would replace the Port's prior authorization, which became effective in November 2021 and expires on November 15, 2024. The proposed new TEFRA authorization will be valid for three years following the first issuance of debt obligations under this new TEFRA authorization, which is expected to occur on November 15, 2024 in connection with the roll of \$22.5 million in outstanding commercial paper notes under a new Tax Certificate intended to replace the certificate that expires on November 15, 2024. The proposed issuance of debt obligations under this new TEFRA totals up to \$500 million and includes potential refinancing of existing debt as well as the financing of new projects.

A new TEFRA authorization requires Port staff to: 1) publish a Notice of Public Hearing at least seven days prior to the hearing date itself; 2) appoint the Chief Financial Officer or Manager of Financial Planning to conduct the hearing compliant with TEFRA requirements; and 3) hold a public hearing. Port Staff would then compile the minutes of the hearing along with other materials and submit said compilation to the Mayor, who would approve the issuance of tax-exempt debt. Port Staff anticipates holding the public hearing in October 2024.

In the absence of a new TEFRA authorization, after November 15, 2024, the Port would be unable to finance or refinance certain capital projects with tax-exempt bonds or tax-exempt commercial paper notes and would be required to issue such debt on a taxable basis. This would result in higher borrowing costs, as interest on taxable debt is generally higher than comparable tax-exempt debt.

The action proposed by this agenda report fulfills one requirement imposed on governmental agencies to issue certain types of tax-exempt notes or bonds. The proposed action does not authorize the issuance of any bonds but would allow the Port to continue to issue certain tax-exempt commercial paper notes that were previously authorized. Any future bond issuance by the Port would require the approval of the Board.

**OTHER FINDINGS AND PROVISIONS**

**ENVIRONMENTAL REVIEW**

The proposed action was analyzed under the California Environmental Quality Act (CEQA) and was found to be:

- Categorically exempt under the following CEQA Guidelines Section:  
Choose an item.
- Not a "Project" under CEQA, as defined in Public Resources Code § 21065.
- "Common Sense" exemption under CEQA Guidelines Section 15061(b)(3).
- Other/Notes:

**BUDGET**

- Administrative (No Impact to Operating, Non-Operating, or Capital Budgets); OR
  - Operating
  - Non-Operating
  - Capital

Analysis: The proposed action does not have any budget or staffing impact.

**STAFFING**

- No Anticipated Staffing Impact.
- Anticipated Change to Budgeted Headcount.  
Reason:
- Other Anticipated Staffing Impact (e.g., Temp Help).  
Reason:

**MARITIME AND AVIATION PROJECT LABOR AGREEMENT (MAPLA):**

Applies? No (Not Aviation or Maritime CIP Project) – proposed action is not covered work on Port's Capital Improvement Program in Aviation or Maritime areas above the threshold cost.

Additional Notes:

**LIVING WAGE** (City Charter § 728):

Applies?

No (No Covered Agreement) – proposed action is not an agreement, contract, lease, or request to provide financial assistance within the meaning of the Living Wage requirements.

Additional Notes:

**SUSTAINABLE OPPORTUNITIES:**

Applies? **No.**

Reason: This is an administrative action with no opportunity to implement sustainability initiatives.

**GENERAL PLAN** (City Charter § 727):

Conformity Determination:

No Project – conformity determination not required because proposed action does not change use of or make alterations to an existing facility, or create a new facility.

**STRATEGIC PLAN.** The proposed action would help the Port achieve the following goal(s) and objective(s) in the Port's Strategic Business Plan:

- |   |   |
|---|---|
| <input type="checkbox"/> Grow Net Revenues              | <input checked="" type="checkbox"/> Modernize and Maintain Infrastructure |
| <input type="checkbox"/> Improve Customer Service       | <input type="checkbox"/> Pursue Employee Excellence                       |
| <input type="checkbox"/> Strengthen Safety and Security | <input type="checkbox"/> Serve Our Community                              |
| <input type="checkbox"/> Care for Our Environment       |   |

**ATTACHMENT A**

**NOTICE OF PUBLIC HEARING  
FOR THE  
PORT OF OAKLAND**

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FOR THE  
PORT OF OAKLAND**

The Port of Oakland (Port) will hold a public hearing on October \_\_, 2024 at \_\_\_\_\_[upon approval of this hearing by the Board, the time and location of the hearing will be added to this Notice], in connection with the issuance of certain Revenue Bonds, Refunding Revenue Bonds and/or Commercial Paper Notes (collectively, the Obligations) pursuant to a plan of financing that includes the issuance of Obligations (i) to finance the Projects described below, and (ii) to refinance the repayment of existing Obligations, including, without limitation, all or a portion of its outstanding Commercial Paper Notes, originally issued to finance the Projects.

**PROJECTS:**

The Projects to be financed and refinanced pursuant to a plan of financing and refinancing include airport, dock, and wharf, improvements within the meaning of Sections 142(a)(1) and 142(a)(2) of the Internal Revenue Code of 1986, as amended, relating to the San Francisco Bay Oakland International Airport (Airport) generally located at One Airport Drive, Oakland, California and at the Port's seaport facilities located in Oakland, California and generally bounded by the I-80 to the north, West Grand Avenue to the northeast, the I-880 to the east and northeast, Oakland Estuary/Inner Harbor Channel to the south, and Oakland Outer Harbor to the west, including the marina and Port owned facilities located in the area generally known as Jack London Square, which is located in the bounded area described above (Projects). Additional details regarding the financed and refinanced

Projects are as follows:

San Francisco Bay Oakland International Airport, One Airport Drive:

Capital improvements involving upgrades for existing structures; renovation and redevelopment of the terminal complex (e.g., roof, air handler and restroom upgrades); automobile, bus and aircraft parking areas; gates, aprons, taxiways, runways and airfield rehabilitation; perimeter dike seismic improvements; electric vehicle and bus charging infrastructure and supporting electrical distribution substations; parking lot access control; security system upgrades; trash capture; storm water system; and sewer, water, and electrical utility program expansion and upgrades. The capital improvements developed will serve various Airport air carriers and tenants which include but are not limited to: Advanced Air, Alaska Airlines, Allegiant Air, Azores Airlines, Delta Air Lines, FedEx, Hawaiian Airlines, JSX, Kaiser Air, Southwest Airlines, Spirit Airlines, Sun Country Airlines, UPS, Viva Aerobus, Volaris and Volaris El Salvador.

The Port's seaport, in which all of the following marine terminals are located:

<b>Berths/Terminal</b>	<b>Marine Terminal Operator</b>	<b>Address</b>
20-21 & 23-24	No Operator. Partially occupied by TraPac, LLC, and other parties on a limited-term basis	1599 Maritime Street
22	Eagle Rock Aggregates, Inc. (not yet in operation)	1699 Maritime Street
25-32	TraPac, LLC	2800 7 <sup>th</sup> Street
33-34	TraPac, LLC and Everport Terminal Services, Inc. under long-term lease; and other parties on a limited-term basis	3050 7 <sup>th</sup> Street
35-38	Everport Terminal Services, Inc.	5190 7 <sup>th</sup> Street
55-56	SSA Terminals (Oakland), LLC	2505 Middle Harbor Road
57-59	SSA Terminals (Oakland), LLC	1717 Middle Harbor Road
60-63	SSA Terminals, LLC	1579 Middle Harbor Road
67-68	No Operator; occupied by various parties on a limited-term basis	1 Market Street

The seaport property also includes:

- Rail yards; transloading facilities; warehousing; container and equipment yards; berths for non-marine terminal operations (e.g., layberths, tug boats, barges); and a network of roadways – all generally bounded by Maritime Street and 7<sup>th</sup> Street to the west, West Grand Avenue to the north, Middle Harbor Road to the south, and I-880 to the east.
- Middle Harbor Shoreline Park, 2777 Middle Harbor Road, which is bounded by the Oakland Harbor Channel to the south, marine terminals to the east and 7<sup>th</sup> Street to the north and west.

Capital improvements to the marine terminals and other properties identified above include the repair, renovation and modernization of existing infrastructure comprised of pavement, buildings, cranes, wharves, bollards and fenders, berths, rail tracks and crossings, wet and dry utilities including electric charging infrastructure, landscaping, communications networks, security systems, and shoreline public access. Other improvements include dredging and the mitigation/remediation of environmental issues.

Other Port-owned facilities located in the areas generally known as Jack London Square, Brooklyn Basin, Embarcadero Cove, Business Park and other waterfront parks and public access areas. Capital improvements in these other port owned facilities include 530

Water Street building improvements, equipment replacements and upgrades, boardwalk replacements, wharf repairs, sanitary sewer rehabilitation, utilities and other tenant improvements.

INITIAL OWNER AND OPERATOR:

The Projects will be initially funded by the Port, and in most cases, would be operated by Port tenants. However, the Port would own the Projects and they would be returned to the Port before or upon the expiration of tenant leases, depending on the exact terms of each lease.

AMOUNT:

The total principal amount of the Obligations to be issued to finance or refinance the costs of the Projects will not exceed \$500 million.

The Obligations will be limited obligations of the Port. Neither the faith and credit nor the taxing power of the City of Oakland, the State of California or any political subdivision thereof will be pledged to the payment of the principal of or interest on the Obligations or other related costs.

This notice is intended to comply with the public notice requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended.

Those wishing to comment on the proposed nature or location of the Projects or the financing may either appear in person at the public hearing or submit written comments. Written comments must be received at the following address at least 24 hours prior to the hearing:

Chia-Jung Yang  
Manager, Financial Planning  
530 Water Street, 2<sup>nd</sup> Floor  
Oakland, California 94607  
(510) 627-1670