



AGENDA REPORT

PROPOSED ACTION: Resolution: Approve and Authorize the Executive Director to Execute a Letter Agreement with the City of Oakland for Maintenance, Operating Reserve, and Capital Reserve Costs Related to Community Facilities District No. 2015-1, Providing for a Payment Not to Exceed \$562,918.50 for Fiscal Year 2025-26 (Maritime)	
<u>Submitted By:</u> Bryan Brandes, Director of Maritime; Kristi McKenney, Executive Director	
<u>Parties Involved:</u> City of Oakland City Administrator, Jestin D. Johnson	<u>Amount:</u> \$562,918.50 (FY26 Operating Expense) \$2,659,756.76 (cumulative Operating Expense)
EXECUTIVE SUMMARY: Each year the Port of Oakland (Port) enters into a letter agreement with the City of Oakland (City) to pay the City for maintenance and reserve costs related to Community Facilities District No. 2015-1 (CFD), which covers certain costs for City-owned, shared use infrastructure serving the Seaport Logistics Complex and other former Oakland Army Base (OAB) property. The Port’s payment is comprised of (a) 50 percent of the City’s budgeted annual Operation and Maintenance (O&M) cost, net of credits from the prior year; and (b) 50 percent of the Operating and Capital Reserve contributions, net of credits from prior years. For FY 2025-26, the Port’s total contribution would be \$898,050.00, of which \$562,918.50 would be a cash payment. The proposed agreement does not annex Port property into the CFD and the Port’s payment is in lieu of payments the Port or Port tenants would make if it were annexed into the CFD.	

BACKGROUND & ANALYSIS

On June 16, 2015, by City Resolution No. 85722, the City established the CFD to provide funds to maintain certain City-owned and City-maintained public improvements within the former OAB. These improvements, which serve both City and Port tenants, include roadways, storm drains, landscaping, rail crossings, and other related infrastructure constructed in and around the former OAB. Under the provisions of the CFD, the City assesses a tax annually to tenants within the CFD to maintain these public improvements.

While the Port’s property is not included in the CFD at this time, Port Staff have estimated that this Port property will benefit from approximately 50 percent of the infrastructure being maintained with the CFD funds. The City has and continues to expend funds to maintain the improvements and administer the CFD. Thus, starting in FY 2018-19, the Port agreed to pay the City for the Port’s share of the City’s costs to maintain eligible improvements in the Proposed Port Zone referring to these as “In Lieu CFD Payments”.

Prior Payments

The Port's In Lieu CFD Payments to date (FY 2018-19 through FY 2024-25) have been for O&M, Reformation costs (i.e., costs associated with formation of and annexation into the CFD), Operating Reserve, and Capital Reserve costs. Through FY 2024-25, the Port's total In Lieu CFD Payment was \$3,109,313.97, of which \$2,096,838.26 was cash and the balance was credits for unspent O&M funds carried over from year to year.¹

Requested Payment for FY 2025-26

The City has again requested the Port fund 50 percent of its budgeted O&M costs for FY 2025-26. The City has also requested the Port fund 50 percent of the budget for each of the Operating and Capital Reserves. For FY 2025-26, the City has budgeted \$628,400 for O&M; \$314,200.00 for the Operating Reserve; and \$853,500.00 for the Capital Reserve – for a total of \$1,796,100.00. Against this total, the City applies credits for unspent maintenance and reserve funds from the prior year.² Therefore, the net budget (i.e., the budget that needs to be funded in cash) for FY 2025-26 is \$1,125,837.00, of which the Port's share is \$562,918.50.

As additional information, the City's funding request for the annual Operating Reserve is based on the best practice of maintaining a reserve equal to 50 percent of annual O&M costs. The annual Capital Reserve funding requirement is based on an estimate of the future cost to replace capital assets plus a contingency. Because capital replacement occurs in the future, capital reserve funding typically accumulates for several years before being drawn upon. The CFD assets are relatively new; over time, Staff expects the annual Capital Reserve contribution to the CFD (and the Port's cost) to grow.

Inclusive of the FY 2025-26 payment being requested, the Port's total In Lieu CFD Payment will increase to \$4,007,363.97, of which \$2,659,756.76 would be cash payments (the balance is credits carried from year to year).

Letter Agreement for FY 2025-26 Payment

Port and City staff propose to enter into a letter agreement, which sets forth the terms for the Port's In Lieu CFD Payment for FY 2025-26.

- The Port's cash payment of \$562,918.50 for FY 2025-26 is payable to the City by May 31, 2026.
- Similar to prior letter agreements for prior payments, the proposed agreement would provide that unspent O&M funds are returned to the Port on a pro-rated basis in one of three ways: (a) applied as a credit against the Port's future (FY 2026-27) In Lieu

¹ Starting FY 2025-26, Port staff modified its presentation of the total, cash, and credit contributions/amounts to match the City's presentation of funds and to reconcile the Operating Reserve contributions. As a result, the Port's total in lieu contribution reported here is higher than it would be if calculated based on last year's agenda report; however, the offsetting credits are also higher, which results in the same cash amount.

² In FY 2024-25, the City spent approximately 55% of its maintenance budget and no drawdowns were made against the Operating Reserve.

CFD Payments to O&M costs, (b) applied as a credit against the Port's future CFD payments if the Port Zone were annexed into the CFD by June 30, 2026; or (c) refunded to the Port if the Port has notified the City it no longer intends to contribute to the CFD.

- The Port's payments for the Operating and Capital Reserves are non-refundable to the Port, absent future agreement between the City and Port and except to the extent refundable to Special Taxpayers in the CFD generally if the Port property were to be annexed into the CFD.

The proposed agreement only provides a payment mechanism to offset City costs associated with the CFD in FY 2025-26; it does not annex Port property into the CFD nor commit the Port to future In Lieu CFD Payments.

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.

- "Common Sense" exemption under CEQA Guidelines Section 15061(b)(3).

- Other/Notes: The creation of government funding mechanisms or other government fiscal activities that do not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment is not a project pursuant to Section 15378(b)(4) of the CEQA Guidelines. In addition, continuing administrative or maintenance activities, personnel-related actions, general policy and procedure making are not projects pursuant to Section 15378(b)(2) of the CEQA Guidelines.

BUDGET

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

Operating Non-Operating Capital

Analysis: The proposed payment was not budgeted in the Port's adopted FY 2025-26 Maritime Division operating expense budget because of cost-cutting measures implemented during budget development. Staff anticipates absorbing the requested payment into the Port-wide operating expense budget.

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 action is of a nature that does not provide sustainability opportunities

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:

- Grow Net Revenues
- Modernize and Maintain Infrastructure
- Improve Customer Service
- Pursue Employee Excellence
- Strengthen Safety and Security
- Serve Our Community
- Care for Our Environment

Exhibit A Current and Proposed CFD No. 2015-1 Boundaries

