CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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September 14, 2012

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: September 19, 2012 Budget and Finance Committee Meeting

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EXECUTIVE SUMMARY

Legislative Objectives

File 12-0759: The proposed resolution would (a) authorize the San Francisco International Airport (Airport) to issue San Francisco Airport Commission Capital Plan Bonds (Airport Bonds) for a total principal amount not-to-exceed $502,200,000, (b) extend the deadline for sale of the Airport Bonds from December 31, 2015 to June 30, 2019, and (c) approve certain related matters.

File 12-0751: The proposed ordinance would appropriate $543,200,000 of Airport Bond proceeds (File 12-0759) to capital improvement projects and related issuance costs to the Airport Commission for FY 2012-13, and place the total appropriation of $543,200,000 on Controller's Reserve pending sale of the Airport Bonds.

Key Points

- In 2008, the Board of Supervisors authorized the Airport Commission to issue up to $718,000,000 of Airport Commission Capital Plan Bonds (Airport Bonds) for Airport capital projects (File 08-0590). The Board of Supervisors also authorized the appropriation of $593,490,962 at that time for Airport capital projects, including funding for the renovation and expansion of Terminal 2 (File 08-0404). Of these authorizations, the Airport has $103,740,000 in remaining Airport Bond issuance authority, and $77,810,950 in capital project appropriation fund balance.
- The proposed resolution (File 12-0759) would authorize the sale of Airport Bonds to fund the next five years of Airport capital projects, as identified in the Airport's 2012-2016 Five-Year Capital Plan. The proposed supplemental appropriation ordinance (File 12-0751) would appropriate a total of $543,200,000, including (a) $502,200,000 of Airport Bond Proceeds to Airport capital projects, including (1) airfield improvements, including the Runway Safety Area (RSA) Project; (2) Airport support improvements, including baggage and security improvements; (3) groundside projects, including new parking facilities; (4) Airport terminal improvement projects; and (5) utility improvement projects, including wastewater, power, and central plant improvements and (b) $41,000,000 of prior Airport Bond authorization for bond issuance and related financial costs.
- If the proposed resolution is approved, the Airport would combine its remaining 2008 Airport Bond issuance authority of $103,740,000 and the requested 2012 Airport Bond authority of $502,200,000, to issue a total of $605,940,000 in Airport Bonds to fund Airport capital projects and the Airport's Bond Cost of Issuance.

Fiscal Impacts

- The proposed resolution would authorize the issuance of $502,200,000 aggregate principal amount of Airport Bonds. The Airport has estimated total interest costs of $772,499,651 for the Airport Bonds, based on an interest rate 6.00%, resulting in a total debt service of $1,274,699,651, to be repaid over the course of the 30-year period from 2014 to 2044. Any expenses incurred prior to the Airport Bond sale would be funded through the Airport's Commercial Paper program.
- Issuance of the proposed new Airport Bonds would increase the Airport's outstanding debt by $502,200,000 or 12.4%, from $4,060,000,000 to $4,562,200,000.
- The debt service on the Airport Bonds would be repaid from revenues the Airport generates through

landing fees, terminal rental fees, concession revenue, parking revenue, rental revenue, and other sources. The Cost Per Enplaned Passenger (CPE) paid by airlines is forecasted to increase by 5.1% in FY 2013-14.

- On September 12, 2012, the Budget and Finance Committee amended the proposed ordinance (File 12-0751) to increase the supplemental appropriation by a total of $41,000,000, from $502,200,000 to $543,200,000, to provide the Airport appropriation authority for the Airport's estimated Bond issuance and related financial costs, including (a) $17,900,000 Debt Service Reserve Fund; (b) $1,500,000 for Cost of Issuance; (c) $2,600,000 Underwriter's Discount; and (d) $19,000,000 Capitalized Interest.

Recommendation

- Approve the proposed ordinance and the proposed resolution.

MANDATE STATEMENT/ BACKGROUND

Mandate Statement

Section 4.115 of the City's Charter provides that the Airport Commission has the exclusive authority to plan and issue Airport revenue bonds for Airport related purposes, subject to the approval, amendment, or rejection of the Board of Supervisors of each authorization.

Background

On May 13, 2008, the Board of Supervisors authorized the Airport Commission to issue up to $718,000,000 aggregate principal of General Airport Revenue Bonds (Airport Bonds) (File 08-0590) and appropriated $593,490,962 for various capital projects under the Airport's Capital Plan (File 08-0404). File 08-0590 included a deadline of December 31, 2015 for the Airport to issue the up to $718,000,000 of Airport Bonds. The purpose of this 2008 Airport Bond issuance and appropriation was to fund various capital projects identified in the Airport's Capital Plan, including the renovation and expansion of Terminal 2, which has since been completed and opened on April 14, 2011.

As shown in Table 1 below, as of September 6, 2012, the Airport has issued a total of $614,260,000 or 85.6% of the authorized $718,000,000 in Airport Bonds, leaving the Airport with $103,740,000 in Airport Bond issuance authorization. Of the $593,490,962 previously approved supplemental appropriation, as of September 6, 2012, the Airport has expended $515,680,012 or 86.9%, leaving the Airport with $77,810,950 in remaining appropriation authority for these various capital projects. The Airport's existing Airport Bond issuance and appropriation authority are further discussed in the Fiscal Impact section, below.

Table 1. Summary of 2008 Airport Bond Issuance and Appropriation

File	Amount Authorized	Issued or Expended as of Sept. 6, 2012	% Issued or Expended as of Sept. 6, 2012	Amount Remaining
08-0590: Airport Bond Issuance	$718,000,000	$614,260,000	85.6%	$103,740,000
08-0404: Supplemental Appropriation	$593,490,962	$515,680,012	86.9%	$77,810,950

According to Ms. Julia Dawson, Airport Capital Budget Manager, the Costs of Issuance (COI) and other financing costs that the Airport incurred for the 2008 Airport Bonds totaled $98,579,988. Ms. Dawson notes that this $98,579,988 issuance related cost accounts for the difference between the $614,260,000 2008 Airport Bonds issued to date and the $515,680,012 amount the Airport has expended against its 2008 supplemental appropriation. Ms. Dawson advises that the 2008 Airport Bond COI and other financing costs were not included in the 2008 supplemental appropriation.

Table 2, below, summarizes the Airport's remaining $77,810,950 capital project appropriation authority.

Table 2. Remaining 2008 Airport Capital Project Appropriation Authority

Capital Projects	Remaining Supplemental Amount
Airfield Improvements	**$8,586,300**
Runway Safety Area (RSA) Program	7,232,300
Runway Status Lights System (RWSL)	500,000
Runway Improvements	854,000
Airport Support Improvements	**$23,320,000**
West Field Cargo Redevelopment	1,500,000
CBIS / BHS Modernization	4,500,000
Security Improvements	3,288,960
Ground Transportation Management System (GTMS) Replacement	500,000
Superbay Improvements	3,500,000
Telecommunications Network Infrastructure Upgrades	2,500,000
Airport Data Center	6,031,040
Airport Signage Improvements	1,500,000
Groundside Projects	**$1,600,000**
Parking Lot and Garage Improvements	1,350,000
Variable Message Signs on Freeway Ramps	250,000
Terminal Improvement Projects	**$39,597,400**
Boarding Area E Redevelopment	8,780,903
Terminal 3 Checkpoint Improvements	13,424,484
Terminal 1 Redevelopment Planning	5,000,000
International Terminal Renovations	4,892,013
Passenger Boarding Bridge Replacement	2,500,000
ATCT Integrated Facilities / Secure Connector	5,000,000
Utility Improvement Projects	**$4,707,250**
Wastewater System Improvements	1,632,000
Power and Lighting Improvements	750,250
Central Plant Improvements	1,000,000
Telecommunications Infrastructure Improvements	850,000
Storm Drain Improvements	475,000
TOTAL	**$77,810,950**

2012-2016 Five-Year Capital Plan

An updated Airport Five-Year Capital Plan, covering calendar years 2012 through 2016, was reviewed and approved by the City's Capital Planning Committee on February 13, 2012, and included in the City's overall 2012 Ten-Year Capital Plan. The Airport's 2012-2016 Five-Year Capital Plan identified the following three priority projects:

- Runway Safety Area (RSA) – A federally mandated project, to be completed by all airports by December 31, 2015.
- Air Traffic Control Tower (ATCT) – A new tower and integrated base building to be located between Terminals 1 and 2, to replace the existing ATCT. The integrated facility includes entrance reconfiguration, an airline club, and a secure connector between Terminal 1 and 3 and once complete, will allow travelers to transition between the two Terminals and make airline connections without leaving the secure area.
- Terminal 3 Boarding Area Renovations and Reconfiguration – Renovating and refurbishing Boarding Area E in Terminal 3. Additionally, the Airport plans to reconfigure and expand the Terminal 3 checkpoints to improve passenger processing and meet new TSA requirements.

Outstanding Debt

Currently the Airport has $4,060,000,000 in total bond debt outstanding, which is estimated to cost the Airport $354,480,000 in debt service payments in FY 2012-13, including principal and interest. The Airport's debt service, including principal and interest, is funded through Airport revenues, including non-airline revenues, such as terminal concessions and ground transportation concessions, and through fees charged to airlines.

DETAILS OF PROPOSED LEGISLATION

File 12-0759: The proposed resolution would (a) authorize the San Francisco International Airport (Airport) to issue San Francisco Airport Commission Capital Plan Revenue Bonds (Airport Bonds) for a total principal amount not-to-exceed $502,200,000, (b) extend the deadline for issuance of the Airport Bonds from December 31, 2015 to June 30, 2019, and (c) approve certain related matters.

According to Ms. Dawson, the proposed issuance extension would allow the Airport additional flexibility for issuing the Airport Bonds at a fiscally appropriate time.

File 12-0751: The proposed ordinance would appropriate $543,200,000 of proceeds from the proposed Airport Bond sale for capital improvement projects and related issuance costs to the Airport Commission for FY 2012-13, and place the total appropriation of $543,200,000 on Controller's Reserve pending sale of the Airport Bonds.

The proposed supplemental appropriation ordinance would appropriate a total of $543,200,000, including (a) $502,200,000 of new Airport Bond proceeds to Airport capital projects, which include (1) airfield improvements, including federally mandated runway safety projects; (2) Airport support improvements, including baggage and security improvements; (3) groundside projects, including new parking facilities; (4) Airport terminal improvement projects; and (5)

utility improvement projects, including wastewater, power, and central plant improvements, and (b) $41,000,000 of previous Airport Bond authorization for bond issuance and related financial costs.

Table 3 below summarizes the $41,000,000 proposed appropriation to cover the Airport's bond issuance and related financial costs to issue the new Airport Bonds:

Table 3. Bond Issuance and Related Financial Costs

Debt Service Reserve Fund	$17,900,000
Cost of Issuance	1,500,000
Underwriter's Discount	2,600,000
Capitalized Interest	19,000,000
Total Bond Issuance Costs	**$41,000,000**

Table 4, shown on the following page, is a Capital Project Budget for the proposed $502,200,000 supplemental appropriation ordinance. A five-year expenditure plan for the $502,200,000, from FY 2012-13 through FY 2016-17 is summarized in Attachment I to this report.

Table 4. Proposed $502,000,000 Capital Project Budget

Capital Projects	Description	Budgeted Amount
Airfield Improvements		**$83,675,667**
Runway Safety Area (RSA) Program	Project is mandated by US Congress	71,214,909
Runway Status Lights System (RWSL)	Safety system designed to reduce the number of runway incursions	7,493,258
Runway Improvements	Periodic repaving of runway	4,967,500
Airport Support Improvements		**122,622,671**
West Field Cargo Redevelopment	A new cargo building that will be leased to shipping company DHL. This facility will ultimately replace two cargo buildings containing asbestos	30,401,269
BHS/CBIS Modernization	Modernize the baggage handling system (BHS) and checked baggage inspection system (CBIS)	25,053,199
Air Traffic Control Tower (ATCT) Replacement	Demolition of existing ATCT	21,240,000
Security Improvements	Installation of card access readers for increased security	16,544,250
Ground Transportation Management System (GTMS) Replacement	Installation of a system that will make the billing of taxi and shuttle providers more efficient	14,399,293
Superbay Improvements	Fire safety and door improvements to the Superbay Facility, which is a hangar for United and American and yield $8 million/year in revenue from leases	5,200,000
Energy Efficiency Projects - Airport Support	Allow for the use of green energy sources	5,075,000
Telecommunications Network Infrastructure Upgrades	Replace wiring for telecommunications network	4,709,660
Groundside Projects		**58,548,500**
New Parking Garage	Initial costs for a second long-term parking garage	35,000,000
Viaduct Improvements	Resurfacing and seismic upgrades, ongoing program, and improvement in front of Terminal 1	13,010,000
Parking Lot and Garage Improvements	Resurfacing, maintaining infrastructure, new employee parking (freeing up 800 spaces for public), carbon monitoring system	7,500,000
Variable Message Signs on Freeway Ramps	Replace the Variable Message Signs (VMS) on the overhead sign bridges above the freeway ramps to the Airport Terminals	1,988,500
Roadway Improvements	Various Airport roadways leading to the Terminals are in need of reconstruction. The signage is failing and needs to be renovated	1,050,000
Terminal Improvement Projects		**181,753,029**
Boarding Area E Redevelopment	Redevelopment of Terminal 3 Boarding Area E to allow for United expansion	107,130,769
Terminal 3 Checkpoint Improvements	Passenger inspection throughpoint for Boarding Area E	43,273,000
Air Traffic Control Tower (ATCT) Integrated Facilities/ Secure Connector	New ATCT, integrated facilities, support buildings for ATCT, FAA offices (funding shared with $69 million grant)	31,349,260
Utility Improvement Projects		**54,595,733**
Wastewater System Improvements	Replace drainage and sewage systems and construct a new industrial waste processing facility	27,487,758
Power and Lighting Improvements	Bringing power to Terminals and increasing Terminals' power capacity	13,064,975
Central Plant Improvements	Replace boiler and add additional energy-efficient upgrades	9,695,000
Telecommunications Infrastructure Improvements	Upgrade, replacement, expansion, and improvement of telecommunications support infrastructure	2,348,000
Storm Drain Improvements	Replace sections of the storm drain network	2,000,000
CSA Auditing Services	Prop C mandated set-aside for City Service Auditor services	**1,004,400**
TOTAL		**$502,200,000**

FISCAL IMPACTS

File 12-0759: The proposed resolution would authorize the issuance of $502,200,000 aggregate principal amount of San Francisco Airport Commission Capital Plan Bonds (Airport Bonds). The Airport has estimated total interest costs of $772,499,651 for the Airport Bonds, based on an interest rate 6.00% resulting in a total debt service of $1,274,699,651, to be repaid over a 30-year period from 2014 to 2044, as shown in the annual debt service schedule in Attachment II.

According to Ms. Dawson, if the proposed resolution is approved, the Airport would combine its remaining 2008 Airport Bond issuance authority of $103,740,000 (File 08-0590), shown in Table 1 above, and the requested 2012 Airport Bond authority of $502,200,000, to issue a total of $605,940,000 in Airport Bonds to fund Airport capital projects. This combined amount would also fund the Airport Bond Cost of Issuance (COI), which is estimated to total $41,000,000.

The debt service on all the Airport Bonds would be repaid from revenues the Airport generates through landing fees, terminal rental fees, concession revenue, parking revenue, rental revenue, and other sources. These revenues are allocated to debt service on capital projects through the Airport's Annual Operating Budget.

According to Ms. Dawson, the Airport anticipates issuing the $605,940,000 in Airport Bonds between two issuances, March 2013 and November 2014. Any Airport project costs incurred prior to the issuance of the Airport Bonds would be paid through the Airport's Commercial Paper program. The Airport has historically issued Commercial Paper to provide short-term funding for capital projects, and refunds the short-term Commercial Paper with the proposed new Airport Bonds that amortize over a 30-year period. According to Ms. Dawson, this financing strategy allows the Airport to (a) realize savings by achieving a much lower interest rate on the Commercial Paper in the short term, compared to the interest rate on the Airport Revenue Bonds and (b) reduce capitalized interest costs.

File 12-0751: The proposed ordinance would authorize the appropriation of a total of $543,200,000, including (a) $502,200,000 in Airport Bond revenue for Airport capital projects (File 12-0759), in accordance with the Airport's 2012 Five-Year Capital Plan, and (b) $41,000,000 for bond issuance and related financial costs. A summary budget for the $502,200,000 in capital projects is shown in Table 4 above, and a five-year expenditure plan is provided in Attachment I to this report. Table 3 above summarizes the $41,000,000 bond issuance and related financial costs. Under the proposed ordinance, the entire $543,200,000 appropriation would be placed on Controller's reserve pending the sale of the Airport Bonds or Commercial Paper.

Combined Prior and Proposed Bond Issuance and Appropriation Authorization

Table 5, below, summarizes the Airport's intention to combine the remaining $103,740,000 2008 Airport Bond authority, the requested $502,200,000 2012 Airport Bond issuance, and an additional $15,070,950 of Commercial Paper, totaling $621,010,950. Table 5 below also summarizes the uses for the $621,010,950 total funds, which includes the $77,810,950 remaining 2008 capital project appropriation authorization detailed above in Table 2, the requested $502,200,000 project uses shown above in Table 4 and the estimated $41,000,000 Bond issuance and related financial costs for the combined Airport Bonds.

Table 5. Summary of Combined Sources and Uses

Combined Sources	
Remaining 2008 Airport Bond Issuance Authorization	$103,740,000
Proposed 2012 Airport Bond Issuance Authorization	502,200,000
Subtotal	**$605,940,000**
Additional Future Commercial Paper Issuance	15,070,950
Total Sources	**$621,010,950**
Combined Uses	
Remaining 2008 Capital Appropriation Authorization	$77,810,950
Proposed 2012 Capital Appropriation Authorization	502,200,000
Subtotal	**$580,010,950**
Estimated Total Airport Bond Costs of Issuance	41,000,000
Total Uses	**$621,010,950**

According to Ms. Dawson, the additional $15,070,950 in Commercial Paper shown in Table 5 above would be refunded with Airport Bonds in a future Airport Bond authorization.

POLICY CONSIDERATIONS

Airlines' Fees Would be Increased to Pay for the Proposed $502,200,000 Airport Bond Issuance

Airline terminal rentals and landing fees constitute approximately 41% of the Airport's overall revenue, of which a portion is used to repay Airport Bonds. The Cost Per Enplaned Passenger, (CPE), a metric used to measure the average cost of airline operations at an airport, divides airline-required revenue[1] by enplaned (departing) passengers.

$$\textbf{Cost Per Enplaned Passenger (CPE)} = \frac{\textbf{Airline-Required Revenue}}{\textbf{Enplaned Passengers}}$$

The CPE at the Airport has been estimated at $14.15 for FY 2012-13. In FY 2013-14, the CPE is forecasted to increase by $0.72 or 5.1% to $14.87, including costs associated with the proposed Airport Bonds. According to Ms. Dawson, the airlines have approved the Airport's Capital Plan and reviewed the resulting impact to the CPE.

[1] Airline Required Revenue = (Airport Debt Service & Amortization + Operating & Maintenance Expenses) - (Nonairline Revenue, Designated Passenger Facility Charges, and Deferred Revenue)

The Proposed $502,200,000 Airport Bond Issuance Would Increase the Airport's Outstanding Long-Term Debt by 12.4%

As noted in the Background section above, the Airport currently owes $4,060,000,000 in outstanding long-term Airport Bond debt. Issuance of the proposed Airport Bonds of $502,200,000 would result in Airport outstanding debt totaling $4,562,200,000, an increase of 12.4 percent. The Airport's annual debt service on the proposed Airport Bond issuance would increase from as low as $1,889,777 in FY 2013-14 to as high as $88,146,299 per year in FY 2041-42, as shown in Attachment II. The Airport's total long-term debt service schedule is shown in Attachment III to this report. As shown in Attachment III, if the proposed Airport Bond issuance is approved, debt service from the existing and proposed Airport Bonds would peak at $408,801,928 in FY 2015-16, or 44.0 percent, of the Airport's anticipated operating budget for FY 2015-16.

The Airport's approved FY 2012-13 operating budget is $843,524,462, including $350,144,580 in debt service and $493,379,882 in other operating expenses. Despite what appears to be a relatively high debt to operating budget ratio, MGO Certified Public Accountants noted the following on November 28, 2011:

> "Standard and Poor's affirmed the Airport's underlying credit ratings and subsequently upgraded the Airport from "A" to "A+" with a Stable Rating Outlook on June 30, 2011. Moody's and Fitch also affirmed their existing credit ratings of the Airport of "A1" and "A+" with Stable Rating Outlooks, respectively."[2]

According to Ms. Dawson, the Airport anticipates the requested Airport Bonds will receive an A+ rating from Standard and Poor's and Fitch, and an A1 rating from Moody's at the time of issuance.

On September 12, 2012, the Budget and Finance Committee Amended the Proposed Ordinance to Include Appropriation Authority for the Airport Bond's $41,000,000 Costs of Issuance

As discussed above, in 2008 the Board of Supervisors authorized the Airport to issue up to $718,000,000 of Airport Bonds. As shown in Table 1 above, to date the Airport has issued a total of $614,260,000 of Airport Bonds, such that $103,704,000 of Airport Bond issuance authority remains. As is also noted above, the Airport estimates that issuing the combined 2008 and 2012 Bond Issuances, totaling $605,940,000, as shown in Table 5 above, would result in an estimated cost of issuance of $41,000,000.

According to Ms. Dawson, the Airport would use funds from the remaining $103,704,000 2008 Bond issuance authority to fund the estimated $41,000,000 cost of issuance for the 2012 and 2013 Airport Bond issuances. However, the Airport has not previously received appropriation authority from the Board of Supervisors for this $41,000,000, nor did the Airport initially include an estimated cost of issuance in the subject supplemental appropriation ordinance. Therefore, on September 12, 2012, the Budget and Finance Committee amended the proposed ordinance, to increase the requested supplemental appropriation ordinance (File 12-0751) by an amount of

[2] Source: City and County of San Francisco Basic Financial Statements and Single Audit Reports for the Year Ended June 30, 2011.

$41,000,000, from $502,200,000 to $543,200,000, so that the Airport has the appropriation authority for the estimated Bond issuance and related financial costs.

RECOMMENDATION

Approve the proposed ordinance and the proposed resolution.

Summary of Supplemental Appropriation - Project List
San Francisco International Airport
July 17,2012

Capital Projects	FY12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17	Total Supplemental Amount
Airfield Improvements						
Runway Safety Area (RSA) Program	31,643,909	28,840,000	10,559,000	172,000	-	**71,214,909**
Runway Status Lights System (RWSL)	-	-	5,593,258	1,900,000	-	**7,493,258**
Runway Improvements	-	-	-	160,163	4,807,338	**4,967,500**
Airfield Improvements Total	**31,643,909**	**28,840,000**	**16,152,258**	**2,232,163**	**4,807,338**	**83,675,667**
Airport Support Improvements						
West Field Cargo Redevelopment	7,897,206	15,745,000	6,759,063	-	-	**30,401,269**
CBIS / BHS Modernization	19,107,233	5,945,966	-	-	-	**25,053,199**
Air Traffic Control Tower Replacement	-	1,130,000	12,640,000	7,470,000	-	**21,240,000**
Security Improvements	16,544,250	-	-	-	-	**16,544,250**
Ground Transportation Management System (GTMS) Replaceme	14,399,293	-	-	-	-	**14,399,293**
Superbay Improvements	1,200,000	4,000,000	-	-	-	**5,200,000**
Energy Efficiency Projects - Airport Support	5,075,000	-	-	-	-	**5,075,000**
Telecommunications Network Infrastructure Upgrades	3,179,660	1,530,000	-	-	-	**4,709,660**
Airport Support Improvements Total	**67,402,642**	**28,350,966**	**19,399,063**	**7,470,000**	**-**	**122,622,671**
Groundside Projects						
New Parking Garage	35,000,000	-	-	-	-	**35,000,000**
Viaduct Improvements	-	450,000	5,565,000	6,995,000	-	**13,010,000**
Parking Lot and Garage Improvements	3,500,000	2,000,000	2,000,000	-	-	**7,500,000**
Variable Message Signs on Freeway Ramps	1,988,500	-	-	-	-	**1,988,500**
Roadway Improvements	66,700	433,300	-	-	550,000	**1,050,000**
Groundside Projects Total	**40,555,200**	**2,883,300**	**7,565,000**	**6,995,000**	**550,000**	**58,548,500**
Terminal Improvement Projects						
Boarding Area E Redevelopment	84,883,841	22,246,928	-	-	-	**107,130,769**
Terminal 3 Checkpoint Improvements	22,821,600	17,329,600	3,121,800	-	-	**43,273,000**
ATCT Integrated Facilities / Secure Connector	13,443,050	15,524,386	2,381,824	-	-	**31,349,260**
Terminal Improvements Projects total	**121,148,491**	**55,100,914**	**5,503,624**	**-**	**-**	**181,753,029**
Utility Improvement Projects						
Wastewater System Improvements	7,353,758	12,584,000	7,550,000	-	-	**27,487,758**
Power and Lighting Improvements	3,034,998	3,649,977	-	185,000	6,195,000	**13,064,975**
Central Plant Improvements	8,645,000	1,050,000	-	-	-	**9,695,000**
Telecommunications Infrastructure Improvements	2,348,000	-	-	-	-	**2,348,000**
Storm Drain Improvements	1,300,000	700,000	-	-	-	**2,000,000**
Utility Improvement Projects Total	**22,681,756**	**17,983,977**	**7,550,000**	**185,000**	**6,195,000**	**54,595,733**
CSA Auditing Services						
CSA Auditing Services	200,880	200,880	200,880	200,880	200,880	**1,004,400**
CSA Auditing Services Total	**200,880**	**200,880**	**200,880**	**200,880**	**200,880**	**1,004,400**
Grand Total	**283,632,878**	**133,360,037**	**56,370,825**	**17,083,043**	**11,753,218**	**502,200,000**

Date	SFO Capital Plan Bond Authorization ($)		
		Interest	Debt Service
6/30/2014	-	1,889,777	1,889,777
6/30/2015	-	16,451,638	16,451,638
6/30/2016	-	31,624,216	31,624,216
6/30/2017	-	31,624,216	31,624,216
6/30/2018	-	31,624,216	31,624,216
6/30/2019	-	31,624,216	31,624,216
6/30/2020	-	31,624,216	31,624,216
6/30/2021	-	31,624,216	31,624,216
6/30/2022	-	31,624,216	31,624,216
6/30/2023	-	31,624,216	31,624,216
6/30/2024	-	31,624,216	31,624,216
6/30/2025	-	31,624,216	31,624,216
6/30/2026	1,366,361	31,624,216	32,990,577
6/30/2027	8,276,461	31,545,650	39,822,111
6/30/2028	8,755,242	31,066,142	39,821,384
6/30/2029	9,283,217	30,540,827	39,824,044
6/30/2030	9,842,372	29,979,776	39,822,148
6/30/2031	10,459,036	29,364,628	39,823,663
6/30/2032	11,111,036	28,710,938	39,821,974
6/30/2033	12,459,382	28,011,629	40,471,011
6/30/2034	16,498,877	27,205,005	43,703,882
6/30/2035	17,539,584	26,163,227	43,702,812
6/30/2036	18,619,786	25,087,440	43,707,225
6/30/2037	19,877,364	23,828,136	43,705,500
6/30/2038	22,099,433	22,483,414	44,582,847
6/30/2039	32,715,060	20,994,732	53,709,791
6/30/2040	60,353,382	18,857,749	79,211,130
6/30/2041	73,093,381	15,050,272	88,143,652
6/30/2042	77,680,945	10,465,355	88,146,299
6/30/2043	72,099,790	5,632,442	77,732,232
6/30/2044	20,069,292	1,304,504	21,373,796
	-	-	-
Total	**502,200,000**	**772,499,651**	**1,274,699,651**

San Francisco Airport - Annual Debt Service Schedule

Fiscal Year Ending	Existing Debt Service ($)	Capital Plan Bond Authorization ($)	Total Debt Service ($)
6/30/2013	350,144,580	-	350,144,580
6/30/2014	364,215,079	1,889,777	366,104,856
6/30/2015	375,847,262	16,451,638	392,298,900
6/30/2016	377,177,712	31,624,216	408,801,928
6/30/2017	375,569,548	31,624,216	407,193,764
6/30/2018	370,453,128	31,624,216	402,077,344
6/30/2019	372,566,749	31,624,216	404,190,965
6/30/2020	371,839,503	31,624,216	403,463,719
6/30/2021	369,685,814	31,624,216	401,310,030
6/30/2022	367,536,362	31,624,216	399,160,578
6/30/2023	367,609,643	31,624,216	399,233,859
6/30/2024	363,600,038	31,624,216	395,224,254
6/30/2025	343,924,325	31,624,216	375,548,541
6/30/2026	308,681,231	32,990,577	341,671,808
6/30/2027	259,147,465	39,822,111	298,969,576
6/30/2028	249,994,288	39,821,384	289,815,672
6/30/2029	193,470,113	39,824,044	233,294,157
6/30/2030	143,652,183	39,822,148	183,474,331
6/30/2031	94,573,822	39,823,663	134,397,485
6/30/2032	74,066,661	39,821,974	113,888,635
6/30/2033	61,648,543	40,471,011	102,119,554
6/30/2034	62,305,497	43,703,882	106,009,379
6/30/2035	62,307,763	43,702,812	106,010,575
6/30/2036	62,305,100	43,707,225	106,012,325
6/30/2037	62,308,267	43,705,500	106,013,767
6/30/2038	62,485,353	44,582,847	107,068,200
6/30/2039	58,001,701	53,709,791	111,711,492
6/30/2040	28,949,861	79,211,130	108,160,991
6/30/2041	17,867,431	88,143,652	106,011,083
6/30/2042	17,867,967	88,146,299	106,014,266
6/30/2043	15,756,952	77,732,232	93,489,184
6/30/2044	4,332,641	21,373,796	25,706,437

Items 3, 4, and 5 **Files 12-0860, 12-0861, and 12-0862**	**Department:** Office of Contract Administration (OCA)

EXECUTIVE SUMMARY

Legislative Objectives

File 12-0860: Resolution authorizing the Office of Contract Administration (OCA) to enter into the Fifth Amendment between the City and En Pointe Technology Sales, Inc. (En Pointe), to (a) increase the agreement limit from $38,490,000 to $54,150,000, (b) exercise the second of two options to extend the agreement by one year through December 31, 2013, and (c) update standard contractual clauses.

File 12-0861: Resolution authorizing OCA to enter into the Fifth Amendment between the City and Xtech to (a) increase the agreement limit from $51,490,000 to $67,890,000, (b) exercise the second of two options to extend the agreement by one year through December 31, 2013, and (c) update standard contractual clauses.

File 12-0862: Resolution authorizing OCA to enter into the Third Amendment between the City and CCT Technologies, Inc., dba ComputerLand of Silicon Valley (ComputerLand), to (a) increase the agreement limit from $24,490,000 to $34,460,000, (b) exercise the second of two options to extend the agreement by one year through December 31, 2013, and (c) update standard contractual clauses.

Key Points

- On December 9, 2008, subsequent to a competitive request for proposals (RFP) process, the Board of Supervisors approved the award of $72,000,000 for three technology product purchase agreements (File 0814-16), each in an equal amount not-to-exceed $24,000,000, with the firms En Pointe, Xtech, and ComputerLand. The Agreements were for terms of three years, from January 1, 2009 through December 31, 2011, with options to extend the terms by two additional years, or through December 31, 2013. Each of the agreements has since been amended on more than one occasion to exercise the first option to extend, and to increase the agreements' not-to-exceed limit based on actual City departmental spending on technology products.
- Based on actual expenditures through July 31, 2012 and projections based on average monthly expenditure rates, the agreements with En Pointe and ComputerLand will exceed their existing limits in September 2012. The agreement with Xtech is projected to reach its limit in December 2012.
- The proposed resolutions would authorize OCA to exercise the second of the two options for each of the agreements, extending each agreement through December 31, 2013. OCA intends to conduct a solicitation process in 2013 and award new agreements by the end of the 2013 to replace these expiring agreements.

Fiscal Impacts

- The three proposed resolutions would authorize OCA to increase the not-to-exceed limits for three existing technology product purchase agreements: (1) increasing the En Pointe agreement by $15,660,000, from $38,490,000 to $54,150,000; (2) increasing the Xtech agreement by $16,400,000, from $51,490,000 to $67,890,000; and (3) increasing the ComputerLand agreement by $9,970,000, from $24,490,000 to $34,460,000.
- All expenditures for technology product purchases are subject to separate appropriation approval for each City department by the Board of Supervisors, through the Annual Appropriation Ordinance or through supplemental appropriation ordinances.

Recommendations

- Approve the three proposed resolutions.

MANDATE STATEMENT/ BACKGROUND

Mandate Statement

In accordance with Section 9.118(b) of the City's Charter, any contract or agreement that has a term in excess of ten years or exceeds $10,000,000 in expenditures or the modification of such agreement exceeds $500,000, is subject to Board of Supervisors approval.

Background

The Office of Contract Administration (OCA) administers a number of agreements with various private firms for as-needed technology products for all City Departments, through the City's Technology Store. City departments requiring technology products are required to purchase such items through the City's Technology Store's vendors, who were previously pre-qualified under a competitive Request for Proposals (RFP) process, without undergoing another separate independent competitive process, with some exceptions made for products which are only sold directly through specific manufacturers, federally funded purchases, or specific projects which are large enough to require a separate RFP process. In addition, for purchases in excess of $100,000, City departments are required to request bids from no fewer than three pre-qualified vendors from the City's Technology Store, and then purchase such technology products and/or services from the lowest bidding vendor.

Original Agreements and Amendments

On April 8, 2008, OCA issued a RFP to pre-qualify various vendors for the City's Technology Store. On December 9, 2008, subsequent to this competitive RFP process, the Board of Supervisors approved the award of $72,000,000 for three technology product purchase agreements (File 0814-16), each in an equal amount not-to-exceed $24,000,000, with En Pointe, Xtech, and ComputerLand. The Agreements were for terms of three years, from January 1, 2009 through December 31, 2011, with options to extend the terms by two additional years, or through December 31, 2013.

Since their adoption, each of the three technology product purchase agreements has been amended. A summary of the past amendments to the subject purchasing agreements is shown in Table 1, below.

Based on actual spending through July 31, 2012, and average spending over the lifetime of the three agreements, shown in the Attachment to this report, the agreements with En Pointe and ComputerLand are presently at or near their not-to-exceed limits. The agreement with Xtech is estimated to reach its not-to-exceed limit in December 2012.

Table 1. Amendment History for Three Subject Purchasing Agreements

En Pointe Technologies					
Amendment No.	**File No.**	**Adoption/ Amendment Date**	**Agreement End-Date**	**Agreement Increase Amount**	**Revised Not-to-Exceed Amount**
Original Agreement	08-1416	12/09/2008	12/31/2011	N/A	$24,000,000
1	11-0487	6/07/2011	12/31/2011	$4,000,000	$28,000,000
2	N/A*	11/21/2011	12/31/2012	$475,000	$28,475,000
3	11-1311	1/10/2012	12/31/2012	$9,525,000	$38,000,000
4	N/A*	6/28/2012	12/31/2012	$490,000	$38,490,000
5 (proposed)	*12-0860*	-	*12/31/2013*	*$15,660,000*	*$54,150,000*
XTech					
Amendment No.	**File No.**	**Adoption/ Amendment Date**	**Agreement End-Date**	**Agreement Increase Amount**	**Revised Not-to-Exceed Amount**
Original Agreement	08-1416	12/9/2008	12/31/2011	N/A	$24,000,000
1	10-0894	9/28/2010	12/31/2011	$17,000,000	$41,000,000
2	N/A*	11/21/2011	12/31/2012	$0	$41,000,000
3	11-1309	1/10/2012	12/31/2012	$10,000,000	$51,000,000
4	N/A*	6/28/2012	12/31/2012	$490,000	$51,490,000
5 (proposed)	*12-0861*	-	*12/31/2013*	*$16,400,000*	*$67,890,000*
ComputerLand					
Amendment No.	**File No.**	**Adoption/ Amendment Date**	**Agreement End-Date**	**Agreement Increase Amount**	**Revised Not-to-Exceed Amount**
Original Agreement	08-1416	12/09/2008	12/31/2011	N/A	$24,000,000
1	N/A*	12/14/2011	12/31/2012	$0	$24,000,000
2	N/A*	6/28/2012	12/31/2012	$490,000	$24,490,000
3 (proposed)	*12-0862*	-	*12/31/2013*	*$9,970,000*	*$34,460,000*

* Amendment was executed by the OCA Director without Board of Supervisors approval.

DETAILS OF PROPOSED LEGISLATION

File 12-0860: Resolution authorizing the Office of Contract Administration (OCA) to enter into the Fifth Amendment between the City and En Pointe Technology Sales, Inc. (En Pointe), to (a) increase the agreement limit from $38,490,000 to $54,150,000, (b) exercise the second of two options to extend the agreement by one year through December 31, 2013, and (c) update standard contractual clauses.

File 12-0861: Resolution authorizing OCA to enter into the Fifth Amendment between the City and Xtech to (a) increase the agreement limit from $51,490,000 to $67,890,000, (b) exercise the second of two options to extend the agreement by one year through December 31, 2013, and (c) update standard contractual clauses.

File 12-0862: Resolution authorizing OCA to enter into the Third Amendment between the City and CCT Technologies, Inc., dba ComputerLand of Silicon Valley (ComputerLand), to (a) increase the agreement limit from $24,490,000 to $34,460,000, (b) exercise the second of two options to extend the agreement by one year through December 31, 2013, and (c) update standard contractual clauses.

If approved, each of these agreements would expire on December 31, 2013 and would not have additional options for renewal. According to Mr. Bill Jones of OCA Purchasing, OCA intends to conduct a solicitation process in 2013 and award new agreements by the end of the 2013 to replace these three expiring technology product agreements.

FISCAL IMPACTS

The three proposed resolutions would authorize the Office of Contract Administration (OCA) to execute the amendments to three existing technology product purchase agreements, as summarized in Table 2 below.

Table 2. Summary of Not-to-Exceed Amount Increases

File No.	Vendor	Existing Not-to-Exceed Amount	Proposed Not-to-Exceed Increase	Revised Not-to-Exceed Amount
12-0860	En Pointe Technologies	$38,490,000	$15,660,000	$54,150,000
12-0861	Xtech	$51,490,000	$16,400,000	$67,890,000
12-0862	ComputerLand	$24,490,000	$9,970,000	$34,460,000

All expenditures for technology product purchases are subject to separate appropriation approval for each City department by the Board of Supervisors, through the Annual Appropriation Ordinance or through supplemental appropriation ordinances.

OCA calculated the requested increases using actual expenditures through July 31, 2012 and then used monthly average expenditure rates to project future expenditures through December 31, 2013, as shown in the Attachment to this report.

The agreements with En Pointe (File 12-0860) and ComputerLand (File 12-0862) are anticipated to reach their existing not-to-exceed limits in September 2012. As a result, as shown in the Attachment, the requested increases for En Pointe and ComputerLand were calculated based on 16 months of average expenditures (September 2012 through December 2013). In contrast, the agreement with Xtech is expected to reach its existing not-to-exceed limit in December 2012, such that the requested increase for Xtech was calculated based on 13 months of average expenditures (December 2012 through December 2013). In addition, as shown in the Attachment, a two-month contingency was added to each of the three agreements to account for variability and uncertainty with regard to departmental spending with the three vendors. OCA also rounded these estimates up to the nearest $10,000 in order to calculate the proposed request. The Budget and Legislative Analyst concurs with the projected calculations, submitted by OCA.

RECOMMENDATIONS

Approve the three proposed resolutions.

ATTACHMENT

File No.	Contract Vendor	Start of Contract	Current Term	Proposed New Term	Current Not-to-Exceed Amount (A)	Total Expenditures as of 7/31/2012	Balance Remaining	Average Monthly Expenditures, 1/1/2009 - 7/31/2012 (B)	Months of Addl. Spending Authority Needed [1] (C)	Additional Estimated Amount (B x C) = D	Contingency of 2 Months Spend (B x 2) = E	Calculated Increase (D+E)	Calculated Increase, rounded (F)	New Contract Value (A+F)
12-0860	**En Pointe**	1/1/2009	12/31/2012	12/31/2013	38,490,000	37,401,445	1,088,555	869,801	16	13,916,816	1,739,602	15,656,418	15,660,000	54,150,000
12-0861	**Xtech**	1/1/2009	12/31/2012	12/31/2013	51,490,000	47,003,174	4,486,826	1,093,097	13	14,210,261	2,186,194	16,396,455	16,400,000	67,890,000
12-0862	**ComputerLand**	1/1/2009	12/31/2012	12/31/2013	24,490,000	23,813,800	676,200	553,809	16	8,860,944	1,107,618	9,968,562	9,970,000	34,460,000

1. The agreements with **En Pointe** (File 12-0860) and **ComputerLand** (File 12-0862) are anticipated to reach their existing not-to-exceed limits in September 2012. As a result, the requested increases for En Pointe and ComputerLand were calculated based on 16 months of average expenditures (September 2012 through December 2013). The agreement with **Xtech** is expected to reach its existing not-to-exceed limit in December 2012. As a result, the requested increase for Xtech was calculated based on 13 months of average expenditures (December 2012 through December 2013).

Item 6 File 12-0822	Department: San Francisco Municipal Transportation Agency (SFMTA) Recreation and Park Department (RPD)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve and authorize an amendment to the lease of the Union Square Garage at 333 Post Street between the City, on behalf of Recreation and Park Department (RPD), and the Uptown Parking Corporation (Uptown Parking Corporation), a nonprofit corporation, to continue the term of the lease on a month-to-month basis following the retirement of certain parking revenue bonds until the City and Uptown Parking Corporation either (a) execute a new lease to replace the existing lease or (b) terminate the lease and create a new advisory body in place of Uptown Parking Corporation.

Key Points

- In May 2001, Uptown Parking Corporation issued $19,000,000 of Series 2001 Parking Revenue Bonds to finance improvements to the Union Square Plaza and Garage. On July 11, 2012, the SFMTA issued $43,050,000 of Parking Revenue Bonds, including $16,960,000 for the Union Square Garage resulting in full redemption of the $19,000,000 in Parking Revenue Bonds. Since the $19,000,000 in debt originally issued by Uptown Parking Corporation has been redeemed, the existing lease with Uptown Parking Corporation will terminate in 90 days, on October 9, 2012, in accordance with the existing lease, unless the lease is amended.

- The proposed lease amendment would be effective upon approval by the Board of Supervisors until (a) a new lease is approved, or (b) termination of the existing lease and creation of a new advisory body to replace the Uptown Parking Corporation, both of which are estimated to be completed within 180 days (6 months) of the effective date of this lease amendment.

Fiscal Analysis

- Currently, Uptown Parking Corporation pays $1 in annual rent for the Union Square Garage and would continue to do so under the proposed amended lease. In addition, Uptown Parking Corporation collects all Union Square Garage parking revenues and then deducts operating and management expenses, prior to remitting net revenues to SFMTA and RPD. Uptown Parking Corporation incurred management costs of $135,600 in FY 2011-12, which is deducted from Union Square Parking revenues.

- An alternative management structure in which SFMTA would be responsible for the management of Union Square Garage is estimated by SFMTA to result in additional SFMTA costs of $33,000. Therefore, if the $135,600 currently expended due to Uptown Parking Corporation's management of Union Square Garage were saved, RPD would have saved $102,600 in FY 2011-12.

Policy Considerations

- A Controller's June 9, 2011 report found that (a) based on the results of a survey, the City is the only municipality in California which leases City-owned parking garages to nonprofit corporations who then subcontract the day-to-day operations of those City-owned garages as a standard practice, (b) nonprofit parking corporations do not appear to offer tangible operational advantages, and (c) the City is unlikely to need nonprofit parking corporations to help construct or expand parking garages in the future. This Controller's report also found that the City's practice of leasing City-owned garages to special-purpose nonprofit corporations, such as Uptown Parking Corporation, added a total of approximately $551,070 in additional annual costs to the City. SFMTA believes it has addressed the majority of the Controller's concerns and incorporated specific lease provisions into the new leases currently being negotiated to address specific recommendations that the Controller included in its report.

- Included in the proposed lease amendment is the clause that states that it is "the intention" of the City and Uptown Parking Corporation to continue the existing agreement on a month-to-month basis until either a new lease is completed or there is agreement to terminate the lease and create a new advisory body in its place. However, the 180 day time limit is not legally binding and, if the proposed resolution is approved, the existing lease could continue on a month-to-month, in perpetuity, unless one of the parties decides to terminate.

- Given (a) the Controller's June 9, 2011 report findings, (b) Uptown Parking Corporation would be the only nonprofit corporation whose bonds were redeemed who will continue in its current role of managing City-owned garages, (c) that SFMTA and RPD have already decided to move forward to negotiate a new lease with Uptown Parking Corporation for the Union Square Garage, and (d) SFMTA estimates an annual savings of approximately $67,000 would be achieved if SFMTA instead of Uptown Parking Corporation managed the Union Square Garage, approval of the proposed resolution is a policy decision for the Board of Supervisors.

Recommendations

- Amend the proposed resolution to impose a 180 day time limit on the requested lease amendment.

- Approval of the proposed resolution, as amended, is a policy decision for the Board of Supervisors

MANDATE STATEMENT / BACKGROUND

Mandate Statement

Charter Section 9.118(c) requires that any amendment of a lease, which extends for ten or more years or has anticipated revenue to the City and County of $1,000,000 or more, must first be approved by resolution of the Board of Supervisors.

Background

The Union Square Garage is a public 4-story underground, off-street parking facility at 333 Post Street, beneath Union Square Park which is bordered by Geary Street, Powell Street, Post Street and Stockton Street and is currently under the jurisdiction of the Recreation and Park Department (RPD) and managed by the San Francisco Municipal Transportation Authority (SFMTA). The City of San Francisco Uptown Parking Corporation (Uptown Parking Corporation), a nonprofit corporation, dedicated to the operation of the Union Square and Sutter Stockton Garages, has managed the Union Square Garage for decades, which primarily requires oversight of a day-to-day parking operator agreement, including ensuring that the operator is providing sufficient staffing levels, cleanliness levels, and that all equipment is in proper working order. Uptown Parking Corporation currently contracts with Central Parking SF to provide day-to-day parking garage operations at the Union Square Garage.

Uptown Parking Corporation's Existing Lease with the Recreation and Park Department for Union Square Garage

On May 1, 1999, the City, on behalf of RPD, as lessor, leased the Union Square Garage to Uptown Parking Corporation, as lessee, with the understanding that debt would be issued by Uptown Parking Corporation to complete renovations to the Union Square Plaza and Garage and debt service payments would be sourced from both Union Square Garage and Sutter-Stockton Garage revenues[1]. The May 1, 1999 lease between RPD and Uptown Parking Corporation expires on the earlier of either (a) 50 years after the commencement date or (b) full repayment, retirement, or earlier redemption of the debt. The existing lease stipulates that the City has "buyback" rights, such that the City may pay off the bonds for the Union Square Garage. In accordance with this lease provision, if the City exercises these buyback rights, the lease between Uptown Parking Corporation and the City would terminate and Uptown Parking Corporation must vacate the premises within 90 days.[2]

Under the terms of the existing lease, Uptown Parking Corporation pays $1 in annual rent to RPD. According to Ms. Sonali Bose, Chief Financial Officer for SFMTA, Uptown Parking Corporation historically collected all garage revenue on behalf of RPD and SFMTA and then deducted the annual expenses of operating and managing the Union Square Garage and bond interest, redemption and related costs from those revenues. The remaining net income was remitted by Uptown Parking Corporation to SFMTA[3] who then deducted $94,526 in annual administrative fees and subsequently remitted those funds to RPD as General Fund revenue to support general RPD operations, such as park maintenance, recreation programming, aquatics, urban forestry and park patrol operations. As shown in Table 1 below, RPD received net income of $2,459,685 from the Union Square Garage in FY 2011-12. See Attachment 1 for a complete of summary of operating and management expenses in FY 2011-12.

[1] The Sutter-Stockton Garage is under the jurisdiction of the SFMTA but managed by Uptown Parking Corporation under a separate lease.

[2] The lease between SFMTA and Uptown Parking Corporation for the Sutter-Stockton Garage would likewise terminate in 90 days from the redemption due to the inclusion of similar "buy-back" rights of the City in that lease.

[3] In addition to Uptown Parking Corporation, SFMTA is reimbursed from parking revenues for administrative costs incurred by SFMTA for overseeing the Union Square Garage.

Table 1: Union Square Garage Operating Expenses Less Total Revenues Projected to be Received in FY 2011-12

Total Revenue Received	$6,432,395
Operating and Management Expenses[4]	-2,570,762
Bond Interest, Redemption and related costs[5]	-1,401,948
Net income to RPD	**$2,459,685**

In addition, the lease between RPD and Uptown Parking Corporation contains a supplemental park maintenance agreement that stipulates Uptown Parking Corporation will provide additional janitorial, gardening, landscaping, and other maintenance services to Union Square Park beyond the RPD's existing basic provision of those same services. According to Ms. Bose, the total cost of the additional maintenance services provided by Uptown Parking Corporation under the supplemental maintenance agreement in FY 2011-12 was $260,712, and are included in the $2,570,762 deductions for operating and management costs (see Attachment1), which are funded from the Union Square Garage revenues. The initial term of the supplemental park maintenance was five years, from May 1, 1999 through April 20, 2004, with five options to extend the agreement in additional five-year increments, for a total of 30 years, or through April 30, 2029. This supplemental maintenance agreement will automatically terminate along with the lease upon expiration or earlier termination of the existing lease due to the "buy-back rights" previously discussed.

A new Union Square Garage operator was selected in February, 2012

Ms. Bose advises that Uptown Parking Corporation issued a Request for Proposal (RFP) for a garage operator to manage the Union Square Garage and Sutter-Stockton Garage in October 2010. The selection panel was made up of members of Uptown Parking Corporation's Board of Directors, as well as SFMTA and RPD staff. Uptown Parking Corporation selected a new garage operator, Central Parking SF, to be responsible for day-to-day garage operations at both the Union Square and Sutter-Stockton Garages with RPD input and SFMTA approval. The term of the management agreement between Uptown Parking Corporation and Central Parking SF is five years, from February 1, 2012 through January 31, 2017.

Existing Lease with Uptown Parking Corporation will terminate on October 9, 2012 due to SFMTA's redemption of remaining $15,690,000 in Parking Revenue Bonds issued to fund Union Square Garage Renovations

In May 2001, Uptown Parking Corporation issued $19,000,000 of Series 2001 Parking Revenue Bonds to finance improvements to the Union Square Garage. As of July 11, 2012, a total principal of $15,690,000 of the original $19,000,000 Parking Revenue Bonds remained.

[4] Operating Expenses include all costs associated with day-to-day operations, including (a) utilities, (b) office, garage, and parking supplies, (c) administrative salaries, and (d) garage security.

[5] $1,384,747, or 98.8 percent of the $1,401,948 is for Bond Interest and Bond Redemption with the remaining $17,201 or1.2% for (a) trustee fees, (b) corporate legal fees, and (c) corporate insurance.

On April 10, 2012, the Board of Supervisors approved the issuance of up to $80,000,000 of SFMTA revenue bonds in order redeem all of the Union Square Garage's outstanding bonds, as part of a larger package to refinance all of the City's previous parking meter and parking garage debt at lower interest rates and achieve significant savings (Resolution No. 120-12). On July 11, 2012, the SFMTA issued $43,050,000 of new Parking Revenue Bonds, including $16,960,000 for the Union Square Garage. As a result of the redemption of the remaining $15,690,000 Union Square Garage Parking Revenue Bonds, and issuance of $16,960,000 of new Union Square Garage Parking Revenue Bonds at lower interest rates, SFMTA will realize an annual savings in debt service of between $147,000 and $150,600. Table 2 below summarizes the use of the $16,960,000 in new Parking Revenue Bonds for the Union Square Garage.

Table 2: Summary of Uses of $16,960,000 in Parking Revenue Bonds for the Union Square Garage

Repayment of Original Bonds	$15,690,000
Funding of New Debt Service Reserve Fund	1,040,000
Costs of Issuance	230,000
Total	**$16,960,000**

Since the $19,000,000 in debt originally issued by Uptown Parking Corporation was redeemed on July 11, 2012, the existing lease with Uptown Parking Corporation will terminate and Uptown Parking Corporation must vacate the premises within 90 days, or by October 9, 2012 in accordance with the existing lease, unless the lease is amended.

The City is in the process of negotiating a new lease with Uptown Parking Corporation to continue managing the Union Square Garage

According to Ms. Katie Petrucione, Director of Administration and Finance for the RPD, on June 13, 2012, Uptown Parking Corporation's Board of Directors voted to approve a lease amendment with RPD to facilitate the repayment of the bonds and to continue on a month-to-month basis until a new lease can be approved with the City for Uptown Parking Garage's continued management and oversight of the Union Square Garage and plaza.

According to Ms. Bose and Ms. Petrucione, both SFMTA and RPD are generally satisfied with Uptown Parking Corporation's historical performance, and after weighing various alternatives and based on Uptown Parking Corporation's desire to continue its oversight role of the garages and park maintenance, RPD and SFMTA support the continuation of Uptown Parking's role in managing the Union Square Garage. As a result, Ms. Bose and Ms. Petrucione advise that their staffs are currently in the process of negotiating a new lease with Uptown Parking Corporation to manage the Union Square Garage.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve and authorize an amendment to the lease of the Union Square Garage at 333 Post Street between the City, as landlord, and Uptown Parking Corporation, as tenant, to continue the term of the lease on a month-to-month basis following the retirement of the parking revenue bonds until the City and Uptown Parking Corporation

either (a) execute a new lease to replace the existing lease, or (b) terminate the lease and create a new advisory body[6] in place of Uptown Parking Corporation. Given that a new future lease with Uptown Parking Corporation is likely to extend for ten years such a lease would be subject to Board of Supervisors approval.

The proposed lease amendment would be effective upon approval by the Board of Supervisors until (a) a new future lease is approved, or (b) termination of the existing lease and creation of new advisory body to replace the Corporation, both of which are estimated to be completed within 180 days (6 months) of the effective date of this lease amendment. Under the proposed lease amendment, "the City's redemption and/or defeasance of the Bonds shall not effect a termination of the Lease or require the Corporation to vacate the premises", as is currently required under the existing lease. Rather, under the proposed lease amendment, upon payment and retirement of the bonds, the term of the lease would continue on a month-to-month basis unless and until terminated by agreement of the parties or replacement by approval and execution of a new lease.

FISCAL ANALYSIS

Currently, Uptown Parking Corporation pays $1 in annual rent to RPD for the Union Square Garage and would continue to do so under the proposed amended agreement. In addition, as discussed above, Uptown Parking Corporation currently collects all garage revenue on behalf of RPD and SFMTA and then deducts the annual expenses of operating and managing the Union Square Garage, with the remaining net income remitted to SFMTA who then remits that net income to RPD to support RPD for general departmental operations.

Ms. Bose advises that Uptown Parking Corporation is simply reimbursed for its actual costs to manage the Union Square Garage. As shown in Table 3 below, Uptown Parking Corporation incurred management costs of $135,600 in FY 2011-12, which are included in the $2,570,762 deductions for operating and management costs (See Attachment 1).

Table 3: Additional Costs Due to Leasing of Union Square Garage to Uptown Parking Corporation in FY 2011-12

Salaries[7] Attributed to Union Square Garage	$93,500
Benefits[8] Attributed to Union Square Garage	16,000
Payroll Taxes Attributed to Union Square Garage	6,900
Legal Expenses[9]	15,000
Corporate Insurance	4,200
Total	**$135,600**

[6] An alternative to executing a new lease with Uptown Parking Corporation as lessee of the Union Square Garage is to have SFMTA manage the Union Square Garage directly and have Uptown Parking Corporation Board of Directors continue to serve as an Advisory Board to SFMTA on operational and community matters.

[7] Salaries include 50 percent of the Corporate Manager's and the Corporate Accountant's salaries as well as $4,500 in sick/vacation accruals.

[8] Benefits include health insurance premiums as well as contributions to pensions.

[9] According to Ms. Bose, legal expenses vary annually dependent on actual legal activities. Uptown Parking Corporation budgets $15,000 annually for legal expenses.

According to Ms. Bose, an alternative management structure in which SFMTA would be responsible for the management of Union Square Garage, instead of Uptown Parking Corporation, is estimated to result in additional SFMTA costs of approximately $33,000. Therefore, as shown in Table 4 below, that alternative management structure is estimated to achieve approximately $102,600 in savings in FY 2011-12[10].

Table 4: Estimated Savings if SFMTA Managed Union Square Garage in FY 2011-12

Total Additional Costs Due to Leasing of Union Square Garage to Uptown Parking Corporation in FY 2011-12	$135,600
Total Estimated Additional SFMTA Costs if SFMTA Managed Union Square Garage in FY 2011-12	33,000
Total Estimated Savings if SFMTA Managed Union Square Garage in FY 2011-12	**$102,600**

POLICY CONSIDERATIONS

The Controller's June 9, 2011 report found that "leasing garages to nonprofit corporations is unnecessarily costly to the City"

On June 9, 2011 the Controller's Office issued a report which found that "leasing garages to nonprofit corporations is unnecessarily costly to the City". This Controller's report found that the City's practice of leasing City-owned garages to special-purpose nonprofit corporations, such as Uptown Parking Corporation, added a total of approximately $551,070 in additional annual costs to the City. Specifically, the Controller found that (a) based on the results of a survey, the City is the only municipality in California which leases City-owned parking garages to nonprofit corporations who then subcontract the day-to-day operations of those City-owned garages as a standard practice, (b) nonprofit parking corporations do not appear to offer tangible operational advantages, and (c) the City is unlikely to need nonprofit parking corporations to help construct or expand parking garages in the future.

The Controller made six specific recommendations in its June 9, 2011 report, which are summarized, along with SFMTA's response in Attachment 2 to this report. Ms. Bose advises that the SFMTA has addressed the majority of the Controller's concerns and incorporated additional lease provisions into the new leases currently being negotiated to address specific recommendations that the Controller made in its report, including (a) the option to terminate the lease with a 90-day notice for convenience and (b) the incorporation of updated SFMTA parking facility operation and management regulations which govern all day-to-day garage operations administered by the SFMTA.

According to Ms. Bose, the leases of the other two non-profit corporations, (a) Ellis O'Farrell Parking Corporation which manages the Ellis O'Farrell Garage, and (b) Downtown Parking Corporation, which manages the Fifth & Mission Garage, whose debt was redeemed on July 11,

[10] Ms. Bose advises that an additional 25 hours per month would be required by SFMTA staff to manage the Union Square Garage without Uptown Parking Corporation. Given an average hourly rate of $110, those additional 25 hours would cost $33,000 annually (25 hours multiplied by 12 months multiplied by $110).

2012 will be terminated on October 9, 2012 as their leases require. In contrast, the SFMTA and RPD are requesting that Uptown Parking Corporation be the only nonprofit corporation that would continue to manage the Sutter-Stockton Garage[11] and the Union Square Garage, City-owned garages whose debt was redeemed on July 11, 2012[12]. Ms. Bose advises that an identical lease amendment to the one currently proposed for the Union Square Garage lease was previously executed by SFMTA for the Sutter-Stockton Garage on June 18, 2012, which was not subject to Board of Supervisors approval because it was executed under the authority of the SFMTA Director of Transportation.

The 180 day provision included in the lease amendment is not legally binding

Included in the proposed lease amendment is a clause that states that it is "the intention" of the City and Uptown Parking Corporation to continue the existing agreement on a month-to-month basis until either a new lease is completed or there is agreement to terminate the lease and create a new advisory body in its place. The proposed lease amendment also states that the City and Uptown Parking Corporation will work cooperatively to either complete the new lease or to terminate the existing lease and create a new advisory body to replace Uptown Parking Corporation within 180 days of the proposed lease amendment's effective date.

However, according to Mr. Rob Stone of the City Attorney's Office, the 180 day time limit is not legally binding and, if the proposed resolution is approved, the existing lease could continue on a month-to-month, in perpetuity, unless one party decides to terminate it. In addition, Mr. Stone advises that it would likely take approximately 180 days to terminate the existing lease and dissolve Uptown Parking Corporation, if the decision was made to do so, given the complicated nature of the lease termination and dissolution of Uptown Parking Corporation. The Budget and Legislative Analyst notes that, although the proposed resolution reflects an alternative to negotiating a new lease with Uptown Parking Corporation involving the dissolution of Uptown Parking Corporation, SFMTA and RPD have decided to negotiate a new lease rather than terminate the existing lease and dissolve Uptown Parking Corporation.

Given the fact that the 180 day time limit for the month-to-month arrangement in the proposed lease amendment is not legally binding, such that the existing lease could continue on a month-to-month basis in perpetuity, the Budget and Legislative Analyst recommends that the proposed lease amendment be further amended to impose an 180-day or six-month time limit on the subject lease amendment in order to ensure that the finalizing of the new lease is completed in an expeditious manner.

[11] Ms. Bose advises that a new lease between SFMTA and Uptown Parking Corporation for the Sutter-Stockton Garage is being negotiated because, like the lease with the Union Square Garage, the lease terminates in 90 days (October 9, 2012) due to the City's redemption of the $19,000,000 in Parking Revenue Bonds issued by Uptown Parking Corporation for the renovation of the Union Square Garage.

[12] Portsmouth Square Garage and Japan Center Garage continue to be managed by nonprofit corporations.

SFMTA and RPD are in the process of negotiating a new lease with Uptown Parking Corporation for the Union Square Garage

As previously discussed, SFMTA and RPD are in the process of negotiating a new lease with Uptown Parking Corporation for the Union Square Garage. According to Ms. Bose, the proposed term of a new lease between RPD and Uptown Parking Corporation, which is not the subject of the proposed resolution, but would be subject to future Board of Supervisors approval if the lease term is ten or more years, is likely to include an initial term of ten years, at the same $1.00 annual rent, and contain two five-year extension options, also at annual rent of $1.00. Under this proposed lease, the City would have the option to terminate the lease with 90 days' notice, with RPD Commission approval and the RPD General Manager would also have the ability to terminate the lease at any point for good cause, including default by Uptown Parking Corporation on any term of the lease. Likewise, Uptown Parking Corporation would also have the option to terminate the lease with 90 days' notice. The future new lease would also incorporate updated SFMTA parking facility operation and management regulations which govern all day-to-day garage operations administered by the SFMTA.

Given (a) the Controller's June 9, 2011 report findings, (b) Uptown Parking Corporation would be the only nonprofit corporation whose bonds were redeemed which would continue in its current role of managing City-owned garages,, (c) that SFMTA and RPD have already decided to move forward to negotiate a new lease with Uptown Parking Corporation for the Union Square Garage, and (d) SFMTA estimates an annual savings of between $100,600 and $105,600 if SFMTA managed the Union Square Garage instead of Uptown Parking Corporation, approval of the proposed resolution is a policy decision for the Board of Supervisors.

RECOMMENDATIONS

1. Amend the proposed resolution to impose a 180 day time limit on the proposed lease amendment.

2. Approval of the proposed resolution, as amended, is a policy decision for the Board of Supervisors.

Projected Operation Costs of Union Square Garage for FY 2011-12

Operating Cost	Projected for FY 2011-12
Administrative Salaries	$97,690
Parking Operations Salaries	553,751
Janitorial (non-contract)	0
Payroll Taxes	55,319
SF Business & Payroll Taxes	9,716
General Welfare & Pension	186,023
Worker's Compensation	49,727
Electricity	209,828
Water	10,231
Telephone	10,490
Scavenger	11,304
Insurance	135,559
Repairs / Maintenance	119,625
Office Supplies	3,021
Garage Supplies	15,829
Parking Supplies	3,191
Management Fee	43,878
SFMTA Admin Service Cost	94,526
Accounting / Bookkeeping	0
Garage Audit	29,656
Garage Legal	10,234
Garage Security	168,140
Janitorial Contract	65,248
Armored Car	5,172
Bank Charges (non-trustee)	175,145
Uniform Cleaning	4,200
Payroll Processing	867
Other - Administrative	0
Union Square Supplemental Maintenance - Custodial	123,088
Union Square Supplemental Maintenance - Engineer	54,796
Union Square Supplemental Maintenance - Safety	82,828
Taxes & Licenses	69,228
Marketing	350
Damage Claims	0

Operating Cost	**Projected for FY 2011-12**
Miscellaneous	80
Tenant Legal	5,339
Tenant Utilities	0
Property Management	0
Capital Improvement Projects	166,683
Total Operating Costs	**$2,570,762**

Report Title: «Report_Title»
Department: «Department»
Report Date: «Issue_Date»
Audit Manager: «Audit_Manager»

Recommendation	Implemented	In Process	Not Implemented	Will Not Implement[1]	Explanation for your response	Funds Recovered, Savings, or Increased Costs[2]	Audit Determination[3]
The San Francisco Municipal Transportation Agency should take the following actions:							
1. Compare the costs and benefits to the City of the non-profit parking corporations that are garage tenants. The SFMTA Board of Directors should endorse a formal, long-term policy on whether the City should assume the outstanding debts of non-profit parking corporations and whether it should continue to lease garages to them.	x	x			SFMTA has recently completed issuance of a Parking Revenue Bond that will result in retiring of the outstanding debt of all non-profit corporations. Concurrently, the SFMTA Board approved a new draft lease format for Corporations to consider if they wish to continue to lease the garage(s) they currently oversee. The new lease does incorporate numerous changes that will result in reduced costs and improved efficiencies. In June 2012, two Corporations voted to accept the new lease format and two Corporations voted to terminate the lease and disband the Corporation.		Open
2. Request that each non-profit parking corporation that has not already done so ensure		x			During negotiations regarding the new lease format (see Item		Open

[1]If a department head chooses not to implement a recommendation, a departmental representative should be prepared to explain the basis of this decision before the Board of Supervisors, consistent with the San Francisco Charter, Appendix F, Section F1.105(b).

[2]Indicate all identified funds recovered. Also indicate any savings or costs that are reflected in the department's budget.

[3]CSA's classification of the recommendation's status based on the department's prior response. *Open* = Not yet fully implemented. *Closed* = Fully implemented or no longer applicable. *Contested* = The department indicated it would not implement, but has not otherwise resolved the issue.

Report Title: «Report_Title»
Department: «Department»
Report Date: «Issue_Date»
Audit Manager: «Audit_Manager»

Recommendation	Implemented	In Process	Not Implemented	Will Not Implement[1]	Explanation for your response	Funds Recovered, Savings, or Increased Costs[2]	Audit Determination[3]
that its articles of incorporation or by-laws address the events that will allow or cause the dissolution of the corporation. SFMTA should request that these provisions also state that each corporation's assets shall revert to the City in the event of dissolution.					#1) the Corporations agreed to make these suggested updates to their guiding documents. The guiding documents will be formally updated concurrently with adoption of their new lease by remaining Corporations.		
3. Work with the non-profit parking corporations to add to their lease agreements restrictions on how the corporations can spend City funds.		x			Additional restrictions on expenditures by Corporations are incorporated into the new lease format.		Open
4. Develop a standard or minimum job description for the nonprofit parking corporations' corporate manager positions that clearly defines the position's duties and responsibilities. SFMTA should then seek the agreement of each corporation's board of directors to implement the job description.		x			SFMTA has created a draft job description and salary scale for Corporate Managers. This draft will be shared with the corporations for their review and comments. It is expected that the Corporations will adopt a final job description and salary range soon after the new lease agreements are signed.		Open
5. Develop a compensation scale for the		X			See Item #4.		Open

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Recommendation	Implemented	In Process	Not Implemented	Will Not Implement[1]	Explanation for your response	Funds Recovered, Savings, or Increased Costs[2]	Audit Determination[3]
corporate manager position at the non-profit parking corporations. The scale should tie the value of each manager's salary and benefits to the size and complexity of the garage managed. SFMTA should then seek the agreement of each corporation's board of directors to conform to the compensation scale.							
6. Consider whether it would be advantageous to the City to have non-profit parking corporations' corporate managers work under employment contracts. If it is found to be advantageous, SFMTA should provide corporations with the elements of a model contract and seek the agreement of each corporation's board of directors to establish such a contract.		x			SFMTA considered this issue as it was developing the job description and compensation scale (see Item #4). Although the breadth of responsibilities and the authority level are much lower, a corporate manager's responsibilities are somewhat comparable to a Parking Manager with SFMTA (class – 9177/Manager III). Therefore, an "at-will" status is preferred for the Corporate Manager position, instead of a long-term contract.		Open

[1]If a department head chooses not to implement a recommendation, a departmental representative should be prepared to explain the basis of this decision before the Board of Supervisors, consistent with the San Francisco Charter, Appendix F, Section F1.105(b).

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