

CITY AND COUNTY OF SAN FRANCISCO
BOARD OF SUPERVISORS
BUDGET AND LEGISLATIVE ANALYST

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January 29, 2016


TO: Budget and Finance Committee
FROM: Budget and Legislative Analyst 
SUBJECT: February 3, 2016 Budget and Finance Committee Meeting

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Items 1 and 2
Files 15-1275 and 15-1276
(Continued from January 27, 2016)

Departments:
 Department of Public Works (DPW), Fire Department
 Department of Public Health, Animal Care and Control
 City Administrator's Office, Capital Planning Program
 Controller's Office of Public Finance

EXECUTIVE SUMMARY

Legislative Objectives

- File 15-1275: Resolution determining and declaring the public interest and necessity demand the construction, acquisition, improvement, seismic strengthening and betterment of critical community and mental health, emergency response and safety and homeless shelter and service facilities and the payment of costs necessary or convenient for the foregoing purposes; finding that the estimated \$350,000,000 cost for such improvements is too great to be paid out of the ordinary annual income and revenue of the City and will require incurring bonded indebtedness; adopting findings under the California Environmental Quality Act (CEQA), Administrative Code Chapter 31 and the Planning Code; and waiving time limits in Administrative Code, Section 2.34.
- File 15-1276: Ordinance calling and providing for a special election to be held on June 7, 2016 in order to submit to San Francisco voters a proposition to incur \$350,000,000 for construction, acquisition, improvement, seismic strengthening and betterment of critical community and mental health, emergency response and safety and homeless shelter and service facilities and related costs.

Key Points

- The proposed 2016 Public Health and Safety General Obligation Bond would fund six projects: (1) \$222 million for seismic upgrades and renovations to San Francisco General Hospital (SFGH-Building 5); (2) \$30 million for renovation and expansion of Southeast Health Center; (3) \$44 million for constructing a new ambulance deployment center, (4) \$20 million for Community Health Centers, (5) \$20 million for homeless shelters and service sites, and (6) \$14 million for neighborhood fire stations.

Fiscal Impact

- At least \$10,800,000 for furniture, fixtures and equipment, which cannot be paid with bond proceeds, will likely need General Fund support, subject to approval by the Board of Supervisors.
- The \$350,000,000 GO Bonds at projected annual interest of 6% for 20 years, assuming three issuances, results in total debt service costs of \$603,999,767, including \$253,999,757 interest and \$350,000,000 principal, with \$27,454,535 average annual debt service. Debt service is paid from Property Taxes, such that an owner of a \$600,000 assessed home will pay \$54.27 average annual additional Property Taxes.
- \$54 million of the \$350 million GO bond are not specifically identified in the City's Ten Year Capital Plan.

Recommendations

- Amend the proposed ordinance and resolution to add, "On January 26, 2016, the Planning Department determined that the Bond funding program for the improvement of high demand community health centers across the City and the expansion of access to mental health, urgent care, substance abuse, dental and social services was statutorily exempt from environmental review under CEQA Guidelines, Section 15273(a)(4)-establishment of rates, tolls, fares, and charges for the purpose of obtaining funds for capital projects necessary to maintain service within existing service areas."
- Approval of the proposed ordinance and resolution to submit a \$350 million General Obligation bond to San Francisco voters for the June 2016 ballot is a policy decision for the Board of Supervisors.

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

According to Article 16, Section 18(a) of the State of California Constitution, no county, city, town, township, board of education, or school district, shall incur any indebtedness or liability for any purpose exceeding in any year the income and revenue provided for such year, without the approval of two-thirds of the voters of the public entity voting at an election to be held for that purpose. Section 9.105 of the City's Charter provides that the Board of Supervisors is authorized to approve the issuance and sale of General Obligation bonds in accordance with State law or local procedures adopted by ordinance.

City Administrative Code Section 2.34 requires that (1) a resolution of public interest and necessity for the acquisition, construction or completion of any municipal improvement be adopted by the Board of Supervisors not less than 141 days, and (2) an ordinance ordering the submission of the proposal to San Francisco voters be adopted by the Board of Supervisors not less than 99 days, before the election at which such proposal will be submitted to the voters. These time limits may be waived by resolution of the Board of Supervisors.

BackgroundCity's Ten-Year Capital Plan

The City's Ten Year (FY 2016-2025) Capital Plan, approved by the Board of Supervisors on April 21, 2015, provides an assessment of the City's capital needs, the investment required to meet those needs and a detailed plan to finance capital improvements over the next ten years. This Capital Plan recommends \$23 billion in direct City investments plus \$9 billion of external funding, for a total of \$32 billion in capital improvements over the next ten years, including a \$311 million Public Health and Safety General Obligation (GO) Bond to be submitted to San Francisco voters for the June 2016 ballot. This \$311 million GO Bond included:

(a) \$192 million to seismically retrofit and renovate the existing San Francisco General Hospital (SFGH) (Building 5);

(b) \$30 million for renovation and expansion of the Department of Public Health's (DPH) Southeast Health Center;

(c) \$49 million to seismically retrofit and renovate the City's Animal Care and Control facility; and

(d) \$40 million for a new seismically safe expanded Fire Department Ambulance Deployment Center.

Capital Planning Committee

On January 25, 2016, the Capital Planning Committee met and approved placing a \$350 million GO Bond on the June 2016 ballot, with amendments that substitute the City's Animal Care and Control facility (now estimated to cost \$54 million) with (a) \$20 million for improvement of community health centers, (b) \$20 million for facilities to better serve homeless individuals and

families and (c) \$14 million for neighborhood fire stations. On January 27, 2016, the Budget and Finance Committee approved the Capital Planning Committee amendments to the proposed ordinance and resolution to reflect these changes and continued the legislation to the February 3, 2016 meeting. The Capital Planning Committee also approved amending the City's Certificate of Participation (COP) program to include the construction of a new seismically-safe Animal Care and Control shelter.

San Francisco General Hospital Campus

The new Priscilla Chan and Mark Zuckerberg San Francisco General Hospital and Trauma Center (Zuckerberg San Francisco General), constructed with \$887 million of 2008 San Francisco voter-approved General Obligation bonds and significant private gifts and donations, is scheduled to open in the Spring of 2016. In preparation for the opening of this new facility, the Department of Public Health (DPH) and the Department of Public Works contracted with SOHA Engineers, a structural engineering firm, at a total cost of \$303,015 to evaluate the structural performance of the adjacent older 1970s-era existing hospital facility (Building 5). This evaluation found that significant corrective structural work was needed to reinforce and improve the seismic safety of this facility, as well as fire and life safety and related regulatory requirements and renovations.

Once the new Zuckerberg San Francisco General acute care and trauma center opens and patients are transferred from Building 5, this older 1970s-era existing main hospital facility is proposed to be seismically and structurally upgraded to house outpatients, urgent care and the City's psychiatric emergency services. It should be noted that the overall San Francisco General Hospital campus includes 15 buildings which provide various health services, eight of which need seismic safety improvements¹. Mr. Brian Strong, Director of the Capital Planning Program advises that a future GO bond in 2022 is anticipated to be requested for seismic improvements for SFGH Buildings 80/90. In addition, DPH is currently studying the feasibility of future uses for the eight buildings that would seek alternate financing mechanisms, to offset the use of General Fund monies. These studies are anticipated to be completed in the fall of 2016.

Southeast Health Center

The Department of Public Health (DPH) owns and operates ten neighborhood-based primary care health centers, which are identified in the attached map, including the 17,000 square foot Southeast Health Center, which opened in 1979 at 2401 Keith Street in the Bayview Hunters Point neighborhood. The Southeast Health Center provides acute and chronic illness services, preventive medical care, prenatal, mental health and substance abuse care, as well as dental, optometry and podiatry care. DPH advises that while improvements have been made and planned for the other health centers, the Southeast Health Center facility is both outdated and inadequate to serve the growing needs of the patient community and unique because DPH wants to relocate behavioral health services from leased space into a new adjacent addition to the Southeast Health Center facility in order to develop an integrated model of health care to better meet the needs of vulnerable and at-risk individuals and families.

¹ The eight buildings that require seismic safety improvements are: Buildings 1, 9, 10, 20, 30, 40, 80/90 and 100.

Other DPH Health Centers

DPH recently made improvements to integrate primary care and mental health services at two health centers—Ocean Park Health Center and Sunset Mental Health, as highlighted in the attached map. This integrated approach allows DPH to provide coordinated primary care, mental health, dental care, substance abuse disorder and social services within one facility. DPH would use additional bond funds to reconfigure and upgrade its facilities to provide integrated primary care and behavioral services at all its clinics. As these are programmatic fund allocations, the specific locations, projects and costs have not been identified. However, DPH indicates that changes to the Castro Mission Health and Maxine Hall clinics are currently in the early stages of programming and design.

Fire Department Ambulance Deployment Facility

In 2015, the Fire Department responded to more than 100,000 emergency medical service calls, an average of 274 calls per day, transporting approximately 55,000 patients to local hospitals. A new dynamic deployment model fully implemented by July 2009 strategically deploys ambulances from specified locations throughout the City, depending on demands for emergency medical services. The current 1½ story Ambulance Deployment Facility sits on a 64,000 square foot lot, at 1415 Evans Avenue in the Bayview neighborhood, only has space to restock one ambulance at a time, which can delay the turn-around time to return ambulances to serve, slowing emergency response times.

The proposed bond would construct a new seismically safe 30,000 square foot, three-floor facility and 55,000 square foot parking structure on the City-owned site at 2245 Jerrold Avenue in the Bayview neighborhood. The new facility would include four ambulance restocking bays, ambulance supplies warehouse, locker rooms, on-site training rooms and secure, off-street parking. Currently, 2245 Jerrold Avenue contains Fire Station 9 and three buildings for materials and vehicle storage, two of which would be demolished to allow construction of the new facility. The Fire Department proposes to consolidate its Bureau of Equipment functions from a seismically unsafe unreinforced masonry building at 2510 25th Street to the 1415 Evans Avenue site.

Neighborhood Fire Stations

All 44 City Fire Stations have structural, seismic or other health and safety-related building deficiencies. If not addressed, these deficiencies could render Fire Stations inoperable after a major earthquake or disaster.

The first Earthquake Safety and Emergency Response (ESER) GO Bond in 2010 provided \$65 million for improvements to 23 of the City's 44 neighborhood fire stations in every Supervisorial district. The second ESER GO Bond in 2014 provided \$85 million for additional improvements to fire stations. As of January 2016, the 2014 ESER bond funds were expended on five completed fire stations and planning and design for nine additional stations. The proposed bond funds would be used for additional capital improvements at fire stations, based on existing capital project planning and prioritization.

Homeless Service Sites

The City provides homeless services at various sites including: three City-owned homeless shelters, a Navigation Center at a temporary site and two deployment centers for the San Francisco Homeless Outreach Team (SFHOT) at leased sites. The two homeless shelters at 1001 Polk Street and 525 5th Street provide services to homeless adults, and one shelter at 260 Golden Gate provides services to families. The Navigation Center, at 1950 Mission Street, provides various services to transition homeless individuals to permanent housing solutions. The SFHOT deployment centers deploy multiple agencies' staff to assess medical and behavioral crises, refer persons to emergency care and other services and provide case management to severely disabled individuals living on the street.

As programmatic fund allocations, the specific locations, projects and costs have not been identified. However, the funds would generally be used to repair and replace health and safety systems in the three City-owned homeless shelters, including fire protection systems, plumbing, roofs, ADA requirements, security, heating and ventilation, electrical and seismic upgrades. In addition, funding would be used to remodel, modernize or acquire facilities to improve homeless services, such as through innovative service models as the Navigation Center and SFHOT.

DETAILS OF PROPOSED LEGISLATION

File 15-1275: The proposed resolution would (a) determine and declare that the public interest and necessity demand the construction, acquisition, improvement, seismic strengthening and betterment of critical community and mental health, emergency response and safety and homeless shelter and service facilities and the payment of \$350,000,000 costs is necessary or convenient for the foregoing purposes; (b) find that a portion of the proposed bond is not a project under the California Environmental Quality Act (CEQA) and adopt findings under CEQA for the remaining portion of the bond; (c) find that the proposed bond is in conformity with the priority policies of Planning Code, Section 101.1(b) and with the General Plan consistency requirement of Charter, Section 4.105 and Administrative Code, Section 2A.53; and (d) waive the time limits set forth in Administrative Code Section 2.34.

File 15-1276: The proposed ordinance would (a) call and provide for a special election to be held in San Francisco on June 7, 2016 in order to submit to San Francisco voters a proposition to incur \$350,000,000 of General Obligation bonded indebtedness to finance the construction, acquisition, improvement, seismic strengthening and betterment of critical community and mental health, emergency response and safety and homeless shelter and service facilities and related costs; (b) specify the tax levy and interest rates; (c) authorize landlords to pass-through 50% of the resulting property tax increase to residential tenants in accordance with Administrative Code Chapter 37; and (d) establish the election provisions.

Under the proposed resolution (File 15-1275) and ordinance (File 15-1276), the Board of Supervisors would:

- find that the estimated \$350,000,000 cost of the proposed capital improvements are too great to be paid out of the ordinary annual income and revenue of the City and County of San Francisco (City) and will require expenditures greater than the amount allowed in the existing annual tax levy, thus requiring the City to incur bonded indebtedness;
- find that each of the facilities proposed to be funded with this bond have been reviewed as required by the California Environmental Quality Act (CEQA) and the proposed facilities are either categorically exempt from environmental review, or statutorily exempt from CEQA;
- find that the proposed bond is in conformity with the eight priority policies of Planning Code, Section 101.1(b)² and consistent with the City's General Plan;
- authorize landlords to pass-through 50% of the subject property tax increases to residential tenants in accordance with Chapter 37 of the Administrative Code;
- fix the date of June 7, 2016 and the manner of the election, procedures for voting on the proposition, notice of such election and consolidate the special election with the general election;
- fix the maximum rate of interest on the bonds and provide for the levy and collection of property taxes to pay both the principal and interest on the bonds;
- incorporate (a) Administrative Code Chapter 83, authorizing all contracts funded with the proceeds of these bonds be subject to the City's First Source Hiring Program, and (b) Chapter 14B, requiring the Local Business Enterprise and Non-Discrimination in Contracting Ordinance provisions;
- waive the ballot proposition word limit imposed by Municipal Elections Code Section 510;
- comply with Section 53410 of the California Government Code regarding restrictions on the use of bond proceeds;
- waive Administrative Code Section 2.34 time requirement provisions; and
- incorporate Administrative Code Section 5.30-5.36 provisions regarding the Citizen's General Obligation Bond Oversight Committee (CJOB) annual review and report to the Mayor and the Board of Supervisors.

The proposed \$350,000,000 General Obligation Bond would be referred to as the 2016 Public Health and Safety Bond, and would fund the facilities shown in Table 1 below:

² The Eight Priorities of City Planning Code Section 101.1 include: (1) existing neighborhood-serving retail uses be preserved and enhanced, and future opportunities for resident employment in and ownership of such businesses enhanced; (2) existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods; (3) the City's supply of affordable housing be preserved and enhanced; (4) commuter traffic not impede Muni transit service or overburden our streets or neighborhood parking; (5) a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for resident employment and ownership in these sectors be enhanced; (6) the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake; (7) landmarks and historic buildings be preserved; and (8) parks and open space and their access to sunlight and vistas be protected from development.

Table 1: Summary of Projects and Costs for the Proposed 2016 GO Bond

| Projects | Bond Amount | Description |
|--|----------------------|--|
| Existing San Francisco General Hospital (Building 5) | \$222,000,000 | Seismic improvements, and fire alarm system, fire sprinklers and associated upgrades to electrical and mechanical life and safety systems, including new infection-control and ventilation systems, upgraded restrooms, fixtures, hardware, ADA improvements and modernization of the facility. |
| Southeast Health Center | 30,000,000 | Phase I includes \$5 million renovation of the existing Southeast Health Center at 2401 Keith Street in the Bayview-Hunters Point neighborhood to expand patient capacity and upgrade and modernize the facility. Phase II includes \$25 million construction of a new approximately 20,000 square foot adjacent two-story addition to provide comprehensive behavioral patient health services. |
| Other DPH Health Centers | 20,000,000 | Capital improvements to reconfigure and upgrade DPH facilities to provide Integrated Wellness Hub concept in community health centers, to coordinate primary care, mental health, dental care, substance abuse disorder and social services. |
| Fire Department Ambulance Deployment Facility | 44,000,000 | Construction of a new seismically safe 3-floor facility and parking structure at 2245 Jerrold Avenue to accommodate more efficient restocking of four ambulances at one time, including dispatch, training facilities and Fire Department offices. |
| Neighborhood Fire Stations | 14,000,000 | Capital improvements similar to ESER 2010 and 2014 at an additional group of fire stations, including replacement of emergency generators, roof repairs and replacement, repainting and refurbishing, and mechanical and general facility renovations. To extent feasible, will include seismic improvements at selected fire stations. |
| Homeless Service Sites | 20,000,000 | Major health and safety system repairs and replacement in three City-owned homeless shelters, including plumbing, roofs, fire alarms, kitchens, ADA and security, heating and ventilation, electrical and seismic upgrades. Funds also to be used to remodel, modernize or acquire facilities to improve homeless services, such as through the Navigation Center and SFHOT. |
| Total | \$350,000,000 | |

Regarding the California Environmental Quality Act (CEQA) findings:

- On February 13, 2015, the Planning Department determined that the proposed SFGH Building 5 project is categorically exempt from CEQA.
- On June 16, 2015, the Planning Department determined that the proposed Southeast Health Center project is categorically exempt from CEQA, as an in-fill development project.

- On December 11, 2015, the Planning Department determined that the proposed Fire Department Ambulance Deployment Facility is categorically exempt from CEQA, as an in-fill development project.
- On January 26, 2016, the Planning Department determined that the three added capital programs regarding DPH health centers, neighborhood fire stations and homeless shelters are statutorily exempt from CEQA under CEQA Guidelines, Section 15273(a)(4). If these program bond funds are approved, the individual bond-funded projects would be referred to the Planning Department for environmental review.

Both the proposed ordinance and resolution should be amended to clarify that the Planning Department environmental determination for bond funding programs for the improvement of the other DPH health centers was completed on January 26, 2016 and found to be statutorily exempt from environmental review under CEQA Guidelines, Section 15273(a)(4).

FISCAL IMPACT

Rationale for Proposed Costs

This \$350 million Public Health and Safety General Obligation Bond was initially included in the 2016-2025 City 10-Year Capital Plan at \$311 million³, including a new Animal Care and Control facility. As noted above, on January 25, 2016, the Capital Planning Committee amended the proposal to substitute the \$54 million Animal Care and Control facility with (a) \$20 million for community health centers, (b) \$20 million for homeless facilities and (c) \$14 million for neighborhood fire stations.

Development of the original three projects was based on preliminary planning and seismic analysis funded with General Fund appropriations, including (a) \$11,375,000 for SFGH in FY 2012-13 through FY 2015-16, and (b) \$2,500,000 for the Southeast Health Center in FY 2012-13, which would be reimbursed by the proposed 2016 GO Bond funds, if approved by the voters. Although specific locations and projects have not yet been identified, DPH estimates that average renovation costs for each DPH Health Center would be \$4-\$5 million depending on the extent and scope of work.

A breakdown of the total estimated costs of \$350 million for the six proposed projects is shown in Table 2 below.

³ The Ten Year Capital Plan estimate of \$311 million for the subject GO Bond increased to \$350 million as a result of additional technical seismic analysis, specific identified locations and further defined scope. The SFGH building is now estimated to cost \$222 million (instead of \$192 million), the Animal Care and Control facility budget moved \$5 million of General Fund costs to bond expenses, increasing the estimated bond cost to \$54 million (instead of \$49 million) and the Ambulance Deployment Center is now estimated to cost \$44 million (instead of \$40 million).

Table 2: Estimated Costs for the Six Proposed Projects

| | SFGH Existing Hospital | Southeast Health Center | Other DPH Health Centers | Ambulance Deployment | Neighborhood Fire Stations | Homeless Shelters |
|--------------------------------|---------------------------------------|--|---|---------------------------------|---------------------------------------|------------------------------|
| Arch/Engin/Mgmt | \$61,332,425 | \$9,506,550 | \$6,750,000 | \$8,510,000 | \$2,810,000 | \$3,840,000 |
| Permits | 1,920,075 | 250,000 | 200,000 | 810,000 | 270,000 | 390,000 |
| Other City Agencies | <u>750,000</u> | <u>249,700</u> | <u>200,000</u> | <u>680,000</u> | <u>360,000</u> | <u>520,000</u> |
| Subtotal Proj Control | \$64,002,500 | \$10,006,250 | \$7,150,000 | \$10,000,000 | \$3,440,000 | \$4,750,000 |
| Construction | 134,539,130 | 17,125,000 | 11,000,000 | 29,470,000 | 9,000,000 | 13,000,000 |
| Contingency (15%) | <u>20,180,870</u> | <u>2,568,750</u> | <u>1,650,000</u> | <u>2,830,000</u> | <u>1,350,000</u> | <u>1,950,000</u> |
| Subtotal Construction | \$154,720,000 | \$19,693,750 | \$12,650,000 | \$32,300,000 | \$10,350,000 | \$14,950,000 |
| Inflation Reserve ⁴ | | | | <u>1,000,000</u> | | |
| Subtotal | | | | 1,000,000 | | |
| Bond Issuance | 3,277,500 | 300,000 | 200,000 | 700,000 | 210,000 | 300,000 |
| Total Project Cost | \$222,000,000 | \$30,000,000 | \$20,000,000 | \$44,000,000 | \$14,000,000 | \$20,000,000 |

The above project costs do not include the costs for furniture, fixtures or equipment, which cannot be paid from the proposed GO bond. Such costs are estimated to total \$10,800,000, including \$7,800,000 for the SFGH existing hospital, \$2,000,000 for the Southeast Health Center and \$1,000,000 for the Ambulance Deployment. This \$10,800,000 cost, which is included in the City's 5-Year Financial Plan, will likely need to be funded with General Fund monies, subject to future appropriation approval by the Board of Supervisors. Additional furniture, fixtures and equipment requirements for the program elements of the proposed bond will not be known until specific projects and locations are determined.

Proposed Bond Financing Costs

If the proposed \$350,000,000 Public Health and Safety General Obligation Bonds are approved by San Francisco voters in June of 2016, Ms. Nadia Sesay, Director of the Office of Public Finance anticipates that these bonds would be sold in three issuances in approximately October 2016 (\$120 million), January 2018 (\$137 million) and January 2019 (\$93 million), as summarized in Table 3 below.

Table 3: Sources and Uses of \$350,000,000 Public Health and Safety Bonds

| Issuances | 1: October 2016 | 2: January 2018 | 3: January 2019 | Total |
|------------------------|------------------------|------------------------|------------------------|----------------|
| Total Sources | \$120,000,000 | \$137,000,000 | \$93,000,000 | \$350,000,000 |
| Uses | | | | |
| Project Funds | \$118,241,500 | \$135,065,000 | \$91,526,000 | \$344,832,500 |
| CSA Audit Fee | <u>238,500</u> | <u>270,000</u> | <u>183,500</u> | <u>692,500</u> |
| Total Fund Deposit | \$118,480,000 | \$135,335,500 | 91,709,500 | \$345,525,000 |
| Cost of Issuance | \$500,000 | \$500,000 | \$500,000 | \$1,500,000 |
| Underwriter's Discount | 900,000 | 1,027,500 | 697,500 | 2,625,000 |
| CGOBC Fees | <u>120,000</u> | <u>137,000</u> | <u>93,000</u> | <u>350,000</u> |
| Total Uses | \$120,000,000 | \$137,000,000 | \$93,000,000 | \$350,000,000 |

In accordance with Section 5.31 of the Administrative Code, one-tenth of one percent (0.1%) of the bonds gross proceeds shall be deposited into a Controller's Office fund, to be appropriated by the Board of Supervisors to cover the costs of the Citizens' General Obligation Bond

⁴ Inflation Reserve included to supplement budgeted expenses in the event inflation exceeds budgeted 5% per year.

Oversight Committee (CGOBOC). The Controller's City Service Audit (CSA) fee, bond issuance costs, underwriter's discount and the CGOBOC fee are included in the total estimated project costs of \$350,000,000 reflected in Table 1 above. These costs total approximately \$5,167,500, which would be separately charged to each of the projects, based on the actual costs.

According to Ms. Sesay, the \$350,000,000 of General Obligation Bonds are projected to have an annual interest rate not to exceed 6.0 percent, with each issuance for 20 years, such that debt service payments will extend from 2017 through 2038, depending on the issuance date. The bonds will result in estimated total debt service payments of \$603,999,767, including \$253,999,767 in interest and \$350,000,000 in principal, with average annual debt service payments of \$27,454,535.

Repayment of the annual debt service will be recovered through increases to the annual Property Tax rate. The owner of a single family residence with an assessed value of \$600,000, assuming a homeowners exemption of \$7,000, would pay average annual additional Property Taxes to the City of \$54.27 per year to cover the debt service on the proposed \$350,000,000 Public Health and Safety General Obligation Bonds. However, all such property tax increases should be offset through the retirement of existing General Obligation bonds.

The City's Charter imposes a three percent limit on the amount of General Obligation Bonds that can be outstanding at any given time, relative to the total assessed value of property in the City. The FY 2015-16 net assessed value of property in the City is \$194,392,571,976, such that the three percent limit is currently \$5,831,777,159. According to Ms. Sesay, as of January 1, 2016, there was \$1,972,113,899 of General Obligation Bonds outstanding, or approximately 1.01% of the total assessed value of property in the City.

If the subject \$350,000,000 General Obligation Bonds are issued, the outstanding General Obligation Bonds would total \$2,322,113,899, or approximately 1.19% of the total assessed value of property. However, the proposed issuances would be consistent with the City's approved Ten-Year Capital Plan, which states that General Obligation bonds will be issued such that Property Tax rates will not increase above the FY 2006 Property Tax rates. Therefore, new General Obligation bonds would only be issued as outstanding General Obligation bonds are retired.

POLICY CONSIDERATION

Since 2008, San Francisco voters have approved seven General Obligation bonds, totaling \$2.8 billion. If the proposed \$350,000,000 General Obligation Bond is approved, it would result in a total of \$3.15 billion of General Obligation bonds. As noted above, the Ten Year Capital Plan includes a total of \$32 billion in capital improvements over the next ten years.

Requires Two-thirds Approval

Approval of the proposed resolution requires two-thirds or more of the Board of Supervisors approval and approval by Mayor. In addition, approval of this \$350,000,000 General Obligation Bond would require approval by at least two-thirds of San Francisco voters. The use

of GO Bond proceeds to finance any project or portion of any project would also be subject to future appropriation approval by the Board of Supervisors.

Coordination with Jail Mental Health Facilities Project

The proposed \$350,000,000 GO bond includes \$222,000,000 to renovate and seismically upgrade the existing SFGH hospital (Building 5) for outpatient services, urgent care and the City's only psychiatric emergency services. The Board of Supervisors is also considering the purchase of property adjacent to the Hall of Justice for a jail replacement and/or mental health facility, which may include \$80 million of State grant funding. Based on recommendations by the Board of Supervisors, the City has established a Jail Closure Committee whose purpose is to define programming requirements and costs associated with a prisoner mental health facility. DPH advises that the Jail Closure Committee will coordinate with other planned programs, such as the renovation and seismic upgrade of Building 5 that may overlap in the delivery of psychiatric emergency services or behavioral health services in the City.

Certificates of Participation for Animal Care and Control

As noted above, the Capital Planning Committee amended the \$350 million GO bond to remove the proposed new \$54 million Animal Care and Control shelter and instead include this facility under the City's Certificate of Participation (COP) program. GO bonds, require two-thirds approval by the voters, are generally less expensive than COPs and impose additional property taxes to pay for the debt on the bonds. In contrast, COPs do not require voter approval, are generally more expensive including higher interest rates than GO bonds, and are typically repaid from revenues related to the project or the City's General Fund.

According to Ms. Sesay, assuming the City's proposed jail replacement and/or mental health facility adjacent to the Hall of Justice moves forward with \$80 million in awarded State grant funding, the \$54 million Animal Care and Control project would fit within the constraints of the City's COP capital plan, without significant impact on the timing of other capital projects. However, Ms. Sesay advises that assuming an interest rate of 6.5% for a \$54 million Animal Care and Control project funded with COPs would result in a total issuance of \$77.7 million and net debt service costs⁵ of \$131.4 million, or average annual debt payments of \$5.7 million over 23 years. In comparison, if the \$54 million Animal Care and Control facility were issued as a stand-alone GO bond, the interest rate is assumed at 6%, the total issuance would be \$55.2 million and total debt service would be \$95.5 million over approximately 20 years or an average of \$4.8 million annually.

Capital Planning Process

As noted above, the City's Ten Year Capital Plan anticipated the need for a GO bond in June 2016 to address (a) SFGH, Building 5, (b) DPH's Southeast Health Center, (c) Fire Department's Ambulance Deployment Center, and (d) Animal Care and Control shelter. However, the Ten Year Capital Plan does not specifically address the additional DPH health centers, neighborhood fire stations or homeless shelters and services.

⁵ The total issuance of \$77.7 million includes a debt service reserve fund of \$7.1 million and capitalized interest of \$15.1 million, such that the net debt service costs deduct the debt service reserve and capitalized interest expense.

Rather, the Ten Year Capital Plan generally addresses the City's existing Earthquake Safety and Emergency Response Bond (ESER) Program, previously funded with a (a) \$412.3 million voter-approved 2010 GO Bond, which included \$65 million to improve 23 neighborhood fire stations, and (b) an additional \$400 million voter-approved 2014 GO Bond, which included another \$85 million for 21 neighborhood fire stations. Together, these two prior ESER GO Bonds funded \$150 million to improve neighborhood fire stations. Mr. Charles Higuera, Program Manager for ESER advises that recent assessments reflect a \$580 million cost to address the remaining needs at City fire stations. As noted above, the proposed GO bond would fund an additional \$14 million for neighborhood fire stations.

In addition, one of the emerging needs identified in the Ten Year Capital Plan is the Department of Public Health's (DPH) clinic expansion. However, the Plan does not identify any specific details or costs. The Ten Year Capital Plan does not address or specify any homeless shelter or services capital projects.

In total, \$54 million of the total \$350 million GO bond are not project specific nor identified in the City's Ten Year Capital Plan.

RECOMMENDATIONS

- Amend the proposed ordinance and resolution to add, "On January 26, 2016, the Planning Department determined that the Bond funding program for the improvement of high demand community health centers across the City and the expansion of access to mental health, urgent care, substance abuse, dental and social services was statutorily exempt from environmental review under CEQA Guidelines, Section 15273(a)(4)-establishment of rates, tolls, fares, and charges for the purpose of obtaining funds for capital projects necessary to maintain service within existing service areas."
- Approval of the proposed ordinance and resolution, as amended, to submit a \$350 million General Obligation bond to San Francisco voters for the June 2016 ballot is a policy decision for the Board of Supervisors.



- 1 Maxine Hall Health Center
1301 Pierce Street
- 2 Chinatown Public Health Center
1490 Mason Street
- 3 Curry Senior Center
333 Turk Street
- 4 Tom Waddell Urban Health
50 Tom Waddell
- 5 Potrero Hill Health Center
1050 Wisconsin Street
- 6 Silver Avenue Family Health Center
1525 Silver Avenue
- 7 Southeast Health Center
2401 Keith Street
- 8 Castro Mission Health Center
3850 17th Street
- 9 Ocean Park Health Center*
1351 24th Ave.
- 10 Sunset Mental Health*
1990 41st Ave

*Recent renovation projects integrating Behavioral Health with Primary Care services. At Sunset Mental Health, Primary Care services were integrated with existing Mental Health services and at Ocean Park, Mental Health services were integrated with existing Primary Care Services.

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| Item 3 File 15-1278 <i>(Continued from January 27, 2016)</i> | Department: Department of Technology (DT) |
| EXECUTIVE SUMMARY | |
| <p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance retroactively authorizes the Department of Technology (DT) to enter into the third amendment to the master contract with AT&T to purchase telecommunications services to (1) extend the term of the contract by five years from January 1, 2016 through December 31, 2020; and (2) increase the master contract not-to-exceed amount by \$24,457,857 from \$97,953,700 to \$122,429,557. The proposed ordinance also allows certain non-profit agencies in the City to purchase telecommunications services directly from AT&T at the preferred pricing available to the City. <p>Key Points</p> <ul style="list-style-type: none"> • DT entered into the original master contract with AT&T in 2010 to consolidate citywide purchases of telecommunications services under one contract. The master contract has been amended twice since 2010. • The second amendment to the master contract was approved by the Board of Supervisors in March 2015 to allow the City to purchase telecommunications services from AT&T using the State’s Calnet 3 rates. Based on the recommendation of the Budget and Legislative Analyst, the Board requested the City Administrator and City Services Auditor to evaluate the best possible Calnet 3 rates by type of service. According to the City Services Auditor’s report, AT&T’s Calnet 3 rates were generally competitive with other Calnet 3 providers. <p>Fiscal Impact</p> <ul style="list-style-type: none"> • According to the budget submitted by DT, the total master contract not-to-exceed amount under the proposed third amendment will increase for the initial four-year term from January 1, 2016 to December 31, 2019 by \$24,475,857, from \$97,953,700 to \$122,429,557. <p>Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed ordinance. | |

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of \$10 million or more, or (3) requires a modification of more than \$500,000 is subject to Board of Supervisors approval.

BACKGROUND

In May 2010, the Board of Supervisors authorized a not-to-exceed \$75,000,000 master contract between the Department of Technology (DT) and AT&T from March 1, 2010 to August 31, 2014 for the purchase of telecommunications services (File 10-0251). The master contract combined all existing and proposed AT&T services under one citywide master contract as part of DT's effort to consolidate information technology procurement and contracting on a citywide basis. The master contract allowed the City to purchase telecommunications services from AT&T under the best pricing provided by AT&T to other public entities, including (1) the State of California's Integrated Information Network agreement (Calnet 2), (2) the Western States Contracting Alliance agreement, (3) the San Francisco Airport Sonet agreement, and (4) the Merced County agreement.

In March 2015, the Board of Supervisors authorized an amendment to the original master contract with AT&T (File 14-1208) to allow the City to purchase service from AT&T using the State of California's Integrated Information Network agreement (Calnet 3), a competitively bid rate agreement for telecommunications services. Calnet 3 prices for services are less expensive than Calnet 2 because AT&T now competes with other telecommunication providers to offer services.

In addition, based on the Budget and Legislative Analyst's recommendation, the ordinance to amend the master contract with AT&T was amended to (1) shorten the end date from March 1, 2016 to December 31, 2015; (2) decrease the not-to-exceed amount from \$101,433,700 to \$97,953,700; and (3) request the City Administrator and City Services Auditor to evaluate the best possible Calnet 3 rates and providers by type of service, and report back to the Board of Supervisors prior to October 15, 2015 on recommended telecommunications service providers by type of service. A subsequent analysis by the City Services Auditor concluded that AT&T's Calnet 3 rates were generally competitive with other Calnet 3 providers. The report also noted that Calnet 3 rates represent price ceilings for telecommunications services and the City may negotiate even lower rates for these services. If the proposed ordinance is approved, DT expects to use Calnet 3 rates for most purchases of telecommunications services from AT&T; DT negotiated a rate for long-distance calling that was lower than the published Calnet 3 rate for that service.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance retroactively authorizes DT to enter into the third amendment to the master contract with AT&T to purchase telecommunications services to (1) extend the term of

the master contract by five years from January 1, 2016 through December 31, 2020;¹ and (2) increase the master contract not-to-exceed amount by \$24,475,857 from \$97,953,700 to \$122,429,557. The proposed ordinance also allows certain non-profit agencies in the City to purchase telecommunications services directly from AT&T at the preferred pricing available to the City.

The proposed third amendment to the master contract between DT and AT&T:

- Extends the term of the master contract by four years from January 1, 2016 to December 31, 2019 with an optional one-year extension to December 31, 2020; and
- Increases the not-to-exceed amount of the master contract by \$24,475,857 from \$97,953,700 to \$122,429,557.

FISCAL IMPACT

According to the budget submitted by DT, the total master contract not-to-exceed amount under the proposed third amendment will increase for the initial four years, not including the one-year option to extend, by \$24,475,857, from \$97,953,700 to \$122,429,557, as shown in Table 1 below.

Table 1: Increase in the Master Contract's Not-to-Exceed Amount from January 1, 2016 to December 31, 2019

| Department | Existing Master Contract Not-to-Exceed Amount | Reallocation of Remaining Spending Authority | Needed Additional Contract Amount | Total Master Contract Not-to-Exceed Amount |
|------------------------------------|---|--|-----------------------------------|--|
| Department of Technology | \$64,391,821 | \$2,562,131 | \$22,441,741 | \$89,395,693 |
| Airport | 21,206,149 | (2,562,131) | 292,200 | 18,936,218 |
| Public Health | 10,457,002 | 0 | 147,499 | 10,604,501 |
| Public Library | 420,974 | 0 | 378,739 | 799,713 |
| Police | 1,388,535 | 0 | 835,678 | 2,224,213 |
| Children, Youth and Their Families | 27,051 | 0 | 30,000 | 57,051 |
| Emergency Management | 50,000 | 0 | 350,000 | 400,000 |
| Public Utilities Commission | 12,168 | 0 | 0 | 12,168 |
| Total | \$97,953,700 | \$0 | \$24,475,857 | \$122,429,557 |

Source: Department of Technology

RECOMMENDATIONS

Approve the proposed ordinance.

¹ The proposed ordinance approves the third amendment to the master contract for five years, including the initial four year extension from January 1, 2016 through December 31, 2019, and the one-year option from January 1, 2020 through December 31, 2020.

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| Item 5 File 15-1259 | Department: Department of Technology (DT) |
| EXECUTIVE SUMMARY | |
| <p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance would require DT to: (1) accumulate information on all City-owned fiber-optic facilities, including fiber-optic strands, cables, conduit, connectors/splitters, and all associated transmitters and receivers and (2) by December 31, 2016, develop and then regularly update a digital map, list, and catalogue of all City-owned fiber-optic facilities that are accessible to City Departments. In addition, City Departments that need fiber-optic facilities will be required to contact DT to determine whether any existing City-owned fiber-optic facilities are available to serve Departments' needs. The ordinance notes that these requirements are subject to "funding by the Board of Supervisors." The proposed ordinance would also require that the San Francisco Public Utilities Commission (SFPUC) review and approve any future expansion of City-owned fiber-optic facilities. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The Budget and Legislative Analyst's December 3, 2015 report, "Fiber Network Asset Management," recommended that the Board of Supervisors develop legislation or a policy to consolidate and standardize data regarding City-owned network assets under a single department or official. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • According to the Mr. Joseph John, Director of Public Safety Operations at the Department of Technology, the total estimated cost to accumulate the needed information related to City-owned fiber-optic facilities would be \$498,854 in the first year, and \$393,854 in estimated ongoing annual costs. • According to Mr. Carlos Jacobo, SFPUC Budget Manager, SFPUC does not have an estimate at this time of the SFPUC's costs to review and approve any future expansion of City-owned fiber-optic facilities. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed ordinance. | |

MANDATE STATEMENT

According to Charter Section 2.105, the Board of Supervisors shall act by written ordinance or resolution.

BACKGROUND

The Budget and Legislative Analyst's December 3, 2015 report, "Fiber Network Asset Management," found that information on City-owned fiber-optic facilities is scattered among the Department of Technology (DT), Public Utilities Commission (PUC), Municipal Transportation Agency (MTA), and the Airport.¹ In addition, the report noted that, contrary to industry best practices, the City lacked detailed, centralized electronically accessible summary and geospatial information about all City network assets and recommended that the Board of Supervisors develop legislation or a policy to consolidate and standardize data regarding City-owned network assets under a single department or official.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would require DT to: (1) accumulate information on all City-owned fiber-optic facilities, including fiber-optic strands, cables, conduit, connectors/splitters, and all associated transmitters and receivers and (2) by December 31, 2016, develop and then regularly update a digital map, list, and catalogue that are accessible to City Departments of all City-owned fiber-optic facilities. In addition, City Departments that need fiber-optic facilities will be required to contact DT to determine whether any existing City-owned fiber-optic facilities are available to serve Departments' needs. The ordinance notes that these requirements are subject to "funding by the Board of Supervisors."

The proposed ordinance would also require that the San Francisco Public Utilities Commission (SFPUC) review and approve any future expansion of City-owned fiber-optic facilities.

FISCAL IMPACT

According to the Mr. Joseph John, Director of Public Safety Operations at the Department of Technology, the total estimated cost to accumulate the needed information related to City-owned fiber-optic facilities would be \$498,854 in the first year, and \$393,854 in estimated ongoing annual costs as shown in Table 1 below.

¹ "Fiber Network Asset Management", Budget and Legislative Analyst, December 3, 2015.
<http://www.sfbos.org/Modules/ShowDocument.aspx?documentid=54416>

Table 1: Estimated Costs to Gather and Maintain Data on Fiber-Optic Facilities

| Item | Year 1 Cost | Ongoing Annual Cost |
|----------------------------------|------------------|---------------------|
| 1 Senior Clerk (1406) | \$87,594 | \$87,594 |
| 2 Electrical Line Workers (7338) | \$286,260 | \$286,260 |
| Related Costs (described below) | \$125,000 | \$20,000 |
| Total | \$498,854 | \$393,854 |

Source: Department of Technology

Note: Salary costs include fringe benefits. Ongoing annual salary costs do not take into account increases in base salaries from step adjustment, labor negotiations, or other changes.

According to Mr. John, DT would need to hire one Senior Clerk for data entry and two Electrical Line Workers to conduct inspections of City-owned fiber-optic facilities, collect data, and conduct complex data analysis. In addition, Mr. John estimates that \$125,000 in the first year would be required to purchase relevant software licenses to support the proposed database as well as \$20,000 for ongoing annual costs such as hardened notebooks, laser measuring devices, compressors to assess conduit continuity, equipment necessary to lift and close manholes, and staff safety and protection devices.

According to Mr. Leo Levenson, DT Chief Financial Officer, although DT has sufficient funding in its current budget for fiber and conduit planning to cover the costs of complying with this ordinance through FY 2015-16, additional funding may be necessary for maintaining data on an ongoing basis. Any request for new funds in the Department's FY 2016-17 budget would be evaluated by the Budget and Legislative Analyst's Office in a future report to the Board of Supervisors' Budget and Finance Committee.

According to Mr. Carlos Jacobo, SFPUC Budget Manager, SFPUC does not have an estimate at this time of the SFPUC's costs to review and approve any future expansion of City-owned fiber-optic facilities.

RECOMMENDATION

Approve the proposed ordinance.

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| Item 7 File 15-1145 <i>(Continued from January 20, 2016)</i> | Department: Mayor Board of Supervisors |
| EXECUTIVE SUMMARY | |
| <p>Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution adopts a two-year fixed budget for multiple City departments for FY 2016-17 and FY 2017-18, including: (1) Academy of Sciences; (2) Adult Probation; (3) Airport; (4) Arts Commission; (5) Asian Art Museum; (6) Assessor-Recorder; (7) Board of Appeals; (8) Building Inspection; (9) Child Support Services; (10) Children and Families Commission; (11) City Attorney; (12) City Planning; (13) Civil Service; (14) Controller; (15) County Education; (16) District Attorney; (17) Economic and Workforce Development; (18) Elections; (19) Retirement System; (20) Environment; (21) Ethics; (22) Fine Arts Museums; (23) Administrative Services; (24) Technology; (25) Health Service System; (26) Human Resources; (27) Human Rights; (28) Juvenile Probation; (29) Law Library; (30) Mayor; (31) Port; (32) Public Library; (33) Public Utilities Commission; (34) Rent Arbitration; (35) Status of Women; (36) Treasurer-Tax Collector; (37) Superior Court; and, (38) War Memorial. <p>Key Points</p> <ul style="list-style-type: none"> • Under City Charter Section 9.101, the Mayor and Board of Supervisors are authorized to determine in an even-numbered fiscal year that the upcoming budget for some or all City departments should be a fixed two-year budget. The Board of Supervisors only reviews the budget in the second year if there are significant changes in revenues or expenditures. <p>Policy Consideration</p> <ul style="list-style-type: none"> • According to several reports reviewed by the Budget and Legislative Analyst, there are advantages and disadvantages to two-year fixed budgets, but one of the main disadvantages is that it reduces the Board of Supervisors appropriation authority. <p>Recommendation</p> <ul style="list-style-type: none"> • In general, the Budget and Legislative Analyst does not recommend removing any budgetary appropriation authority away from the Board of Supervisors. | |

MANDATE STATEMENT

City Charter Section 9.101 states that no later than February 1 of any even-numbered fiscal year, the Mayor and the Board of Supervisors by resolution may determine that the upcoming budgetary cycle or cycles for some or all City departments and offices shall be a fixed budgetary cycle or cycles in which the biennial budget will remain in effect for two fiscal years.

BACKGROUND

In November 2009, the voters passed Proposition A, which, among other changes to the budget process, amended the City Charter to adopt rolling two-year budget cycles and allow for the Mayor and the Board of Supervisors to establish fixed two-year budget cycles for some or all departments. Previous to the passage of Proposition A, the City adopted one-year budgets for all departments, except for the Municipal Transportation Agency (MTA).

As shown in Table 1 below, the MTA was the first City department to implement a two-year fixed budget. Following the passage of Proposition A in 2009, the City implemented fixed two-year budget cycles for three enterprise departments: the Airport, Port, and Public Utilities Commission in FY 2012-13 and FY 2013-14. The City subsequently implemented a two-year fixed budget cycle for Child Support Services, the Public Library, and the Retirement System in FY 2014-15 and FY 2015-16.

Table 1: Implementation of Fixed Two-Year Budget Cycles

| Department | 1st Two-Year Fixed Budget |
|---------------------------------|---|
| Municipal Transportation Agency | FY 2008-09 & 2009-10 |
| Airport | FY 2012-13 & 2013-14 |
| Port | FY 2012-13 & 2013-14 |
| Public Utilities Commission | FY 2012-13 & 2013-14 |
| Child Support Services | FY 2014-15 & 2015-16 |
| Public Library | FY 2014-15 & 2015-16 |
| Retirement System | FY 2014-15 & 2015-16 |

DETAILS OF PROPOSED LEGISLATION

The proposed resolution expands the two-year fixed budget cycle from seven departments to 39, including 25 departments that receive General Fund support as shown in Table 2 below. In all, the resolution would place \$377.6 million in General Fund support and \$2.4 billion in overall funds into a fixed two-year budget cycle.

**Table 2: FY 2016-17 General Fund Support in New Departments
Proposed for Two-Year Fixed Budget**

| Department | FY 2016-17 General Fund Support |
|----------------------------------|--|
| District Attorney | \$46,779,572 |
| GSA- City Administrator | 43,183,060 |
| Juvenile Probation | 35,368,183 |
| Superior Court | 31,232,757 |
| Economic & Workforce Development | 25,973,700 |
| Treasurer/Tax Collector | 24,431,883 |
| Assessor/Recorder | 19,028,332 |
| Mayor | 19,269,306 |
| Adult Probation | 17,549,597 |
| Fine Arts Museum | 15,560,242 |
| Human Resources | 14,887,246 |
| Elections | 13,206,118 |
| City Attorney | 12,905,153 |
| Controller | 10,929,462 |
| Asian Art Museum | 9,617,919 |
| Arts Commission | 9,721,933 |
| Status of Women | 6,415,560 |
| Academy of Sciences | 5,408,021 |
| Ethics Commission | 4,640,260 |
| GSA- Technology | 3,766,057 |
| Human Rights Commission | 2,509,244 |
| City Planning | 2,603,268 |
| Law Library | 1,642,927 |
| Civil Service Commission | 832,490 |
| County Education Office | 116,000 |
| Environment | 0 |
| Board of Appeals | 0 |
| Building Inspection | 0 |
| Children & Families Commission | 0 |
| Health Service System | 0 |
| Rent Arbitration Board | 0 |
| War Memorial | 0 |
| Total | \$377,578,290 |

Source: FY 2015-16 and FY 2016-17 Annual Appropriation Ordinance

According to the proposed resolution, the budgets of the departments on the two-year fixed budget may be adjusted for the following significant increases or decreases in revenues and expenditures:

- More than 5 percent revenue increase or decrease in the budgets of the Airport, Building Inspection, Child Support Services, Children and Families Commission, Environment, Public Library, Port, Public Utilities Commission, Rent Arbitration Board, Retirement, and War Memorial;
- More than 2.5 percent revenue increase or decrease in the General Fund; and
- Increase or decrease in expenditures due to the revenue increases or decreases noted above.

The proposed resolution requires (a) the Controller to submit a report on significant increases or decreases in revenues or expenditures to the Board of Supervisors by May 1, 2017; and (b) the Mayor to submit proposed budget amendments responding to the Controller's report to the Board of Supervisors by June 1, 2017. The proposed budget amendments are subject to Board of Supervisors appropriation approval.

POLICY CONSIDERATION

Comparison of Two-Year Fixed and Two-Year Rolling Budgets

Except for the seven City departments shown in Table 1 above that have fixed two-year budgets, City departments have two-year rolling budgets. Under two-year rolling budgets, the Board of Supervisors has annual appropriation authority. The Board of Supervisors has appropriation authority over each year of the two-year rolling budget in the first fiscal year, and retains appropriation authority over the second year of the two-year rolling budget in the following fiscal year.¹ Under two-year fixed budgets, the Board of Supervisors only has appropriation authority every other year.

According to several reports reviewed by the Budget and Legislative Analyst, there are advantages and disadvantages to two-year fixed budgets, but one of the main disadvantages is that it reduces the Board of Supervisors appropriation authority. The budget approval process is one of the Board of Supervisors main tools under the Charter to set City policy.²

RECOMMENDATION

In general, the Budget and Legislative Analyst does not recommend removing any budgetary appropriation authority away from the Board of Supervisors.

¹ For example, for City departments with two-year rolling budgets the Board of Supervisors reviewed the FY 2015-16 and FY 2016-17 budgets in June 2015 and the Board of Supervisors will review the FY 2016-17 and FY 2017-18 budgets in June 2016.

² According to the Government Finance Officers Association report, "An Elected Official's Guide to Multi-Year Budgeting", November 2006, legislative bodies may perceive a loss of budgetary control and oversight when two-year budgets are implemented.