

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

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September 17, 2021

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst



SUBJECT: September 22, 2021 Budget and Finance Committee Meeting

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<p>Item 2 File 21-0909</p>	<p>Department: San Francisco International Airport (Airport)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve the Curbside Management Program contract between San Francisco International Airport (Airport) and SP Plus Corporation for a term of three years from November 2021 through October 2024 and an amount not to exceed \$20,700,000, with one 2-year option to extend through October 2026. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In 1999, the Airport established the Curbside Management Program to consolidate the management and monitoring of the Airport’s ground transportation services and increase the utilization of ground transportation through improved customer service. In January 2021, the Airport issued a Request for Proposals (RFP) to award a new contract for the Curbside Management Program. SP Plus was determined to be the highest scoring responsive and responsible proposer and was awarded a contract. In July 2021, the Airport Commission approved the contract with SP Plus. • The scope of work for the proposed contract includes management of the staging lots used by commercial ground transportation operators, taxi dispatching, taxi Smart A-Card management that enables revenue collection of taxi trip fees, TaxiQ app management to allow taxi drivers making short trips to have expedited access upon return, cashier services, and customer service. • The proposed contract includes funding for approximately 55 full-time equivalent (FTE) employees at the beginning of the contract, ramping up to approximately 88 FTE employees by the end of the three-year contract term. The staffing plan is based on models of Airport recovery from the COVID-19 pandemic and may change depending on actual passenger enplanements. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The contract not-to-exceed amount of \$20,700,000 includes funding for projected expenditures in November 2024, which is beyond the three-year term of the contract that expires October 31, 2024. The Budget and Legislative Analyst recommends reducing the not-to-exceed amount of the contract by \$600,000, for a total not to exceed \$20,100,000. The contract is funded by fees charged to ground transportation providers. <p style="text-align: center;">Recommendations</p> <ul style="list-style-type: none"> • Amend the proposed resolution to reduce the not-to-exceed amount of the contract by \$600,000, for a total not to exceed \$20,100,000. • Approve the resolution as amended. 	

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 1999, San Francisco International Airport (Airport) established the Curbside Management Program to consolidate the management and monitoring of the Airport’s ground transportation services and increase the utilization of ground transportation through improved customer service.

The Airport’s existing Curbside Management contract with FSP PPM Management, LLC will expire on October 31, 2021. In November 2020, the Airport Commission authorized Airport staff to issue a Request for Proposals (RFP) for a new Curbside Management contract. In April 2021, the Airport received five proposals and determined that four proposers met the minimum qualifications. A three-member evaluation reviewed the four proposals and scored them.¹ The two highest scoring proposers were invited to an interview, which was also scored by the evaluation panel. The proposers and scores are shown in Exhibit 1 below.

Exhibit 1: Proposers and Scores from RFP

Proposer	Written Score	Interview Score	Total Score
SP Plus Corporation	662.09	296.00	958.09
FSP PPM Management, LLC	647.37	280.00	927.37
Safer Taxi San Jose, Inc.	564.00	-	-
LAZ Parking California, LLC	534.69	-	-

Source: Airport

SP Plus Corporation was deemed the highest scoring responsive and responsible proposer and was awarded a contract.² In July 2021, the Airport Commission approved a contract with SP Plus.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a Curbside Management contract between the Airport and SP Plus for a term of three years from November 2021 through October 2024 and an amount not to exceed \$20,700,000, with a one 2-year option to extend through October 2026.

¹ The evaluation panel consisted of an Operations Manager from the Port of Oakland, an Airport Operations Manager from San Jose International Airport, and a Senior Transportation Planner of Landside Operations from SFO.

² FSP PPM Management, LLC issued a protest to the award, expressing concern about the range of scores from one panelist. The City Attorney’s Office reviewed the protest and determined that it was without merit because each panelist scores the proposals independently, using their own judgement, and therefore the variation in scores is typical and not cause for concern.

The scope of work for the SP Plus contract includes management of the staging lots used by commercial ground transportation operators, taxi dispatching, taxi Smart A-Card management that enables revenue collection of taxi trip fees, TaxiQ app management to allow taxi drivers making short trips to have expedited access upon return, cashier services, and customer service.

The proposed SP Plus contract includes funding for approximately 55 full-time equivalent (FTE) employees at the beginning of the contract, ramping up to approximately 88 FTE employees by the end of the three-year contract term.³ According to Daniel Wu, Airport Senior Transportation Planner, the staffing plan is based on models of Airport recovery from the COVID-19 pandemic and may change depending on actual passenger enplanements. Airport staff approval is required for SP Plus to increase its staffing levels. Consistent with the Airport’s employee retention policy, existing and previously laid off FSP PPM employees would be offered employment under the new contract.⁴ Projected passenger enplanements and staffing levels throughout the contract term are shown in Exhibit 2 below.

Exhibit 2: Projected SP Plus Staffing Levels, Based on Airport Enplanements⁵

Months	Projected Average Daily Enplanements	Projected FTE Employees
November 2021 – May 2022	29,174	55
June 2022 – October 2022	40,513	64
November 2022 – May 2023	42,840	67
June 2023 – October 2023	59,490	73
November 2023 – May 2024	54,625	73
June 2024 – October 2024	75,854	88

Source: Airport

Under the proposed contract, the Airport will pay SP Plus an initial monthly management fee of \$21,417. The RFP requested that respondents propose a monthly management fee based on a baseline of 7,392 monthly staffing hours, or approximately 42 FTE employees, which was the approximate staffing level under the existing FSP PPM contract at the time the RFP was released. The management fee is then adjusted if the staffing levels increase or decrease more than 10 percent for two consecutive months. For example, the contract is expected to commence in

³ The initial staffing plan includes one General Manager, one Assistant General Manager, five Curbside Shift Managers, two Administrative Assistants, one Shared Ride Van/Limo Supervisor, six Taxi/Transportation Network Company (TNC) Supervisors, and 39 Taxi/TNC Supervisors.

⁴ According to Airport Senior Transportation Planner Wu, FSP PPM’s staffing levels were reduced from approximately 90 FTE employees to approximately 44 FTE employees due to the COVID-19 pandemic’s impact on air travel. Staffing has since increased to approximately 49 FTE employees. Previously laid off employees are eligible for re-hire under the Airport’s employee retention policy.

⁵ The projected average daily enplanements shown in Exhibit 2 are estimates for the first month of each period. Enplanements fluctuate throughout the year, with peaks typically occurring in the summer months and winter holiday season. The staffing levels are projected to remain constant within each time period shown in Exhibit 2.

November 2021 with 9,680 staffing hours (55 FTE employees), which is a 31 percent increase from the baseline level of 7,392 hours specified in the RFP. On January 1, 2022, two months after this anticipated staffing increase, the monthly management fee would be increased by 31 percent to \$28,046. The management fee would continue to increase two months after each staffing level increase.

Under the proposed contract, SP Plus would be required to provide written reports as requested by the Airport for various contract related functions, including operations, safety, operator compliance, and staff management. SP Plus would also provide quarterly performance reports on performance measures and standards. The performance measures include safety, customer service, employee training, and fiscal management.

FISCAL IMPACT

The not-to-exceed amount of the contract would be \$20,700,000 over the three-year term. Estimated expenditures by year are shown in Exhibit 3 below.

Exhibit 3: Projected Contract Expenditures by Year

Costs	Year 1	Year 2	Year 3	Total
Labor Costs ⁶	\$5,129,203	\$6,090,671	\$7,019,753	\$18,239,626
Management Fee ⁷	337,058	416,095	469,637	1,222,790
Other Direct Costs ⁸	115,009	115,009	115,009	345,026
<i>Subtotal</i>	<i>\$5,581,269</i>	<i>\$6,621,775</i>	<i>\$7,604,398</i>	<i>\$19,807,442</i>
Task Order				200,000
Total				\$20,007,442

Source: Airport

The contract not-to-exceed amount of \$20,700,000 includes funding for projected expenditures in November 2024, which is beyond the three-year term of the contract that expires October 31, 2024. The Budget and Legislative Analyst recommends reducing the not-to-exceed amount of the contract by \$600,000, for a total not to exceed \$20,100,000. This provides sufficient contract expenditure authority for the three-year term of the contract, including a task order amount of \$200,000 and additional buffer of approximately \$92,558 for unanticipated expenses. The task order amount is included for unanticipated reimbursable expenses outside of the budget for the monthly management fee and other direct costs.

The contract is funded by fees charged to ground transportation providers. According to Airport Senior Transportation Planner Wu, estimated ground transportation and vehicle registration fee revenues from FY 2021-22 through FY 2023-24 are approximately \$97,376,000.

⁶ Labor costs include salaries, benefits, and payroll taxes.
⁷ The monthly management fee includes profit and all administrative and overhead costs not included under the "other direct costs" category.
⁸ Other direct costs include employee badges, radios, uniforms, phones, the Mystery Shopper Program, paper tickets for taxis to access the International Terminal, vehicle costs, cleaning supplies, and operational equipment. The Mystery Shopper Program hires neutral third-party contractors to pose as airport travelers to assess customer service.

If the two-year option to extend is exercised, the amount would be negotiated at that time. An increase of more than \$500,000 in the contract amount on exercise of the option would require Board of Supervisors approval. According to Airport Senior Transportation Planner Wu, recovery from the COVID-19 pandemic and future enplanement projections are highly uncertain at this time.

From May through July 2021, the three most recently invoiced months, average monthly costs under the existing FSP PPM contract were \$316,007. Under the proposed contract, initial monthly costs would be \$431,364, which is \$115,357 or 36.5 percent more than current Curbside Management monthly costs.

RECOMMENDATIONS

1. Amend the proposed resolution to reduce the not-to-exceed amount of the contract by \$600,000, for a total not to exceed \$20,100,000.
2. Approve the resolution as amended.

Item 10 File 21-0945	Department: Controller Office
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution sets the property tax rate for FY 2021-22 for taxing entities within San Francisco including (a) the City; (b) the San Francisco Unified School District; (c) the San Francisco County Office of Education; (d) the San Francisco Community College District; (e) BART; and (f) the Bay Area Air Quality Management District (BAAQMD). <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The Board of Supervisors annually sets the combined property tax rate that provides revenues for: (1) general operations, (2) specific Charter-required activities for the City such as services for children, acquiring open space, or constructing, maintaining and operating the public library; and (3) paying debt service on voter-approved General Obligation bonds that were issued by the City, the San Francisco Unified School District (SFUSD), the San Francisco Community College District (SFCCD), and the Bay Area Rapid Transit District (BART). • The proposed resolution also would set the property tax pass-through rate that landlords can pass through to tenants in FY 2021-22, as allowed under the Administrative Code. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed resolution would set the combined property tax rate (comprised of the property tax rates levied for all of the taxing jurisdictions within the City) for FY 2021-22 at approximately \$1.183 per \$100 of assessed value. The FY 2021-22 property tax rate of approximately \$1.183 is \$0.016, or 1.3 percent less than the FY 2020-21 property tax rate of approximately \$1.199 per \$100 of assessed value. • The proposed FY 2021-22 property tax rate of \$1.183 would decrease property taxes by \$22 on a single-family residence with an assessed value of \$634,788 in FY 2021-22. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

California Revenue and Taxation Code Section 2151 requires the Board of Supervisors to fix the rates of county and district property taxes and to levy the property taxes for the County and Districts.

San Francisco Administrative Code Section 3.3(m) requires the Board of Supervisors to adopt the property tax rate for the City and County of San Francisco by September 30.

City Charter Section 16.107-109 requires that portions of the City's annual property tax levy be set aside for specific uses including \$0.0250 for the Library Preservation Fund; \$0.0400 for the Children's Fund; and \$0.0250 for the Open Space Acquisition Fund per \$100 of assessed value.

San Francisco Administrative Code Section 37.3(a)(6)(A-D), the Residential Rent Stabilization and Arbitration Ordinance allows landlords to pass through to tenants a portion of property tax increases that result from certain voter-approved General Obligation bonds.

BACKGROUND

The Board of Supervisors annually sets the combined property tax rate that provides revenues for affected taxing entities': (1) General Operations, (2) specific Charter-required activities for the City and County of San Francisco such as services for children, acquiring open space, or constructing, maintaining and operating the public library; and (3) paying debt service on voter-approved General Obligation bonds that were issued by the City, the San Francisco Unified School District (SFUSD), the San Francisco Community College District (SFCCD), and the Bay Area Rapid Transit District (BART).

Under the California Constitution Article XIII(A), the base property tax rate that the City can levy on property owners is one percent and can be used for general purposes. Any amount over the base one percent is used to pay for debt service on voter-approved General Obligation bonds.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution sets the property tax rate for FY 2021-22 for taxing entities¹ within the City and County of San Francisco including (a) the City; (b) the San Francisco Unified School District; (c) the San Francisco County Office of Education; (d) the San Francisco Community College District; (e) BART; and (f) the Bay Area Air Quality Management District (BAAQMD).

The proposed resolution would also set the property tax pass-through rate that landlords can pass-through to tenants in FY 2021-22, as allowed in Chapter 37.3 of the City Administrative Code. The pass through to tenants may only be imposed on a tenant's anniversary date and does

¹ Taxing entities are agencies or organizations located within the City and County of San Francisco that have taxing authority but may not be part of the City government. The General City Operations tax rate factor of \$0.80918319 includes \$0.25330113 to be shifted to the Educational Revenue Augmentation Fund for the benefit of San Francisco Unified School District, the County Office of Education, and the San Francisco Community College District.

not become part of a tenant's base rent. The allowable tenant pass-through rate is based on the portion of the landlord's property tax liability that comes from General Obligation bond debt service for certain periods and is comprised of three factors as outlined in Chapter 37.3 of the Administrative Code, as shown in Exhibit 1 below.

Exhibit 1: Percent of Property Tax Increases for General Obligation Bond Debt Service Allowed for Pass-Through to Tenants

Entity	Date of GO Bond Approval	Pass-Through Rate
City and County of San Francisco	November 1, 1996- November 30, 1998	100%
City and County of San Francisco	November 14, 2002-Present	50%
San Francisco Unified School District San Francisco Community College District	November 1, 2006-Present	50%

Source: Administrative Code Section 37.3(6)

FISCAL IMPACT

The proposed resolution would set the combined property tax rate for FY 2021-22 at \$1.18248499 per \$100 of assessed value. The FY 2021-22 property tax rate of \$1.18248499 is 0.01597869, or 1.33 percent less than the FY 2020-21 property tax rate of \$1.19846368 per \$100 of assessed value. See Exhibit 2 for the proposed tax rates for all taxing jurisdictions in the City, as determined by the Controller.

Exhibit 2. Current and Proposed Tax Rates per \$100 of Assessed Property Value

Tax / Entity	FY 2020-21	FY 2021-22	Change
City & County of San Francisco			
General Fund	\$0.80918319	\$0.80918319	No Change
Library Preservation Fund	\$0.02500000	\$0.02500000	No Change
Children's Fund	\$0.04000000	\$0.04000000	No Change
Open Space Fund	\$0.02500000	\$0.02500000	No Change
GO Bond Fund	\$0.11972733	\$0.11463663	(\$0.00509070)
City Subtotal	\$1.01891052	\$1.01381982	(\$0.00509070)
San Francisco Unified School District			
General Operations	\$0.07698857	\$0.07698857	No Change
General Obligation Bond Debt Service	\$0.04510041	\$0.04503343	(\$0.00006698)
SFUSD Subtotal	\$0.12208898	\$0.12202200	(\$0.00006698)
County Office of Education			
General Operations	\$0.00097335	\$0.00097335	No Change
County Office of Education Subtotal	\$0.00097335	\$0.00097335	No Change
San Francisco Community College District			
General Operations	\$0.01444422	\$0.01444422	No Change
General Obligation Bond Debt Service	\$0.01973594	\$0.01681493	(\$0.00292101)
SFCCD Subtotal	\$0.03418016	\$0.03125915	(\$0.00292101)
Bay Area Rapid Transit			
General Operations	\$0.00632528	\$0.00632528	No Change
General Obligation Bond Debt Service	\$0.01390000	\$0.00600000	(\$0.00790000)
BART Subtotal	\$0.02022528	\$0.01232528	(\$0.00790000)
Bay Area Air Quality Management District Operations			
	\$0.00208539	\$0.00208539	No Change
Total Property Tax Rate	\$1.19846368	\$1.18248499	(\$0.01597869)

Source: Proposed Resolution

Tenant Pass-Through Tax Rate

The proposed resolution would set the allowable property tax rate that landlords can pass through to tenants at \$0.0754 per \$100 of assessed value (or 7.54 cents per \$100 of assessed value). The FY 2021-22 pass-through rate² is \$0.0002 less than the FY 2020-21 rate of \$0.0756. Residential tenants may file a financial hardship application with the Rent Board to request a portion of the FY 2021-22 pass-through be waived under Section 37.3(a)(6)(E) of the Administrative Code. In such cases, the Rent Board may waive the pass-through amount up to \$0.0183 per \$100 of assessed value, or 1.83 cents per \$100 of assessed value.

² The pass-through rate is comprised of 3 factors as outlined in Chapter 37.3 of the San Francisco Administrative Code: 1) 100% of the City's general obligation bonds approved by voters between November 1, 1996 and November 30, 1998; 2) 50% of the City's general obligation bonds approved by voters after November 14, 2002; and 3) 50% of the San Francisco Unified School District or San Francisco Community College District's general obligation bonds approved by voters after November 1, 2006.

Impact of the Combined Property Tax Rate and Allowable Pass-Through

Under Proposition 13, the City may annually increase the assessed value of a property by a State-determined inflation factor of 2.00 percent or less. For FY 2021-22, the California Consumer Price Index (CCPI) adjustment authorized by the State Board of Equalization is 1.036 percent.³ The median assessed value of a single-family residence increased from \$628,279 in FY 2020-21 to \$634,788 in FY 2021-22, as shown in Exhibit 3 below; the taxable assessed value with the homeowner's exemption would be \$627,788 in FY 2021-22.

Exhibit 3: Estimated Property Tax for Single Family Residence with Median Assessed Value

	Single Family Residence	Allowable Tenant Pass- Through
Fiscal Year 2020-21		
Assessed Value	\$628,279	\$628,279
Less Homeowner's Exemption	\$7,000	\$0
Total Taxable Assessed Value	\$621,279	\$628,279
Rate per \$100 of Assessed Value	1.19846368	0.0756
Property Taxes Payable in 2020-21	\$7,446	\$475
Proposed FY 2021-22		
Prior Year Assessed Value	\$628,279	\$628,279
Assessed Value + California Consumer Price Index Increase (1.036%)	\$6,509	\$6,509
Subtotal	\$634,788	\$634,788
Less Homeowner's Exemption	\$7,000	\$0
Total Taxable Assessed Value	\$627,788	\$634,788
Tax Rate per \$100 of assessed value	1.18248499	0.0754
Property Taxes Payable in 2021-22	\$7,423	\$479
Total Increase (Decrease) in Property Taxes Payable in FY 2021-22 versus FY 2020-21	(\$22)	\$4

Source: Controller's Office

Note: Total may not add up due to rounding.

As shown above, the proposed FY 2021-22 property tax rate of \$1.18248499 would decrease property taxes by \$22 on a single-family residence with an assessed value of \$634,788 in FY 2021-22 and increase the allowable pass-through to tenants by \$4.

RECOMMENDATION

Approve the proposed resolution.

³ The allowable inflation factor is based on the California Consumer Price Index, which uses a population weighted average equation that combines Los Angeles, San Francisco, San Diego, and Riverside Metropolitan Statistical Areas' consumer price index values.