

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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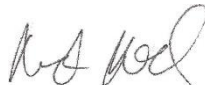
TO: Budget and Finance Committee
FROM: Budget and Legislative Analyst 
SUBJECT: March 13, 2024 Budget and Finance Committee Meeting

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<p>Item 1 File 24-0156</p>	<p>Department: Human Services Agency (HSA)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would approve a third amendment to the grant agreement with Self-Help for the Elderly (Self-Help), increasing the not to exceed amount by \$1,980,663, from \$9,534,742 to \$11,515,405. There is no change to the grant’s term. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • Self-Help for the Elderly, a non-profit, was one of seven home-delivered meal service providers that were awarded grant agreements in 2021 following a competitive solicitation. Services also include nutrition education and nutrition risk screening. The proposed amendment increases the number of meals and clients served in FY 2023-24 and in FY 2024-25. Most of the funding is focused on increasing services in FY 2023-24. • The Department conducted program monitoring site visits in May and June 2023. The FY 2022-23 program monitoring report indicates that the grantee nearly met or met all performance measures. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed amendment would add \$1.2 million of new funding to FY 2023-24 and FY 2024-25 and documents \$0.6 million in spending in FY 2022-23 – FY 2024-25 that was funded by the contract’s contingency spending authority. The grant is funded by the General Fund (77 percent), federal funds (21 percent), and state funds (2 percent). • In addition to HSA’s grant, Self-Help for the Elderly anticipates that it will provide approximately \$2,035,828 in program funding through fundraising and project income in FY 2023-24 and FY 2024-25, which would subsidize costs by approximately \$4.80 per meal. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • According to the FY 2022-23 program monitoring report, Self-Help provided 246,833 meals in FY 2022-23. The proposed amendment’s budget provides for 228,652 meals in FY 2023-24 and 196,851 meals in FY 2024-25. According to Department staff, the decrease in meals is due to funding availability, not a decrease in projected need. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

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

The Home-Delivered Meal Nutrition Services for Older Adults is a program administered by the Human Services Agency and Department of Disability and Aging Services (DAS) that provides home-delivered meals to elderly residents. Home-delivered meal clients are asked to make a voluntary contribution to the meals, but no client is denied service if they do not contribute. In March 2021, the Human Service Agency issued a Request for Proposals (RFP) to identify vendors for five programs: (1) Congregate Nutrition Services for Older Adults and Adults with Disabilities, (2) Home Delivered Nutrition Services for Older Adults and Adults with Disabilities, (3) Emergency Home-Delivered Nutrition Services, (4) Home-Delivered Meals Initial and Annual Assessments for Adults with Disabilities, and (5) Home Delivered Groceries – Supplement to Congregate Nutrition Services and Home-Delivered Nutrition Services. The RFP states that grants will have a four-year term from July 1, 2021 to June 30, 2025.

As shown in Exhibit 1 below, the Human Services Agency received seven responses for the Home Delivered Meal Program in the 2021 RFP, which were scored by an evaluation panel based on program approach, organizational capacity, and fiscal capacity.¹ Self-Help for the Elderly² received the highest score of 85.7 out of 100. Consequently, in July 2021, Self-Help for the Elderly was awarded a contract for \$4,870,322 with a four-year term from July 1, 2021, through June 30, 2025. The Human Services Agency modified the contract two times.³ The original agreement and subsequent modifications did not require Board of Supervisors approval because the total contract amount did not exceed \$10 million, and the term was less than ten years.

In addition to Self-Help for the Elderly, all other proposers for the home-delivered meal service program were awarded contracts from the 2021 RFP. Citywide, the Home-Delivered Meal providers are contracted to serve 2,372,952 meals in FY 2023-24 and 2,339,103 meals in FY 2024-25 (including pending contract modifications).

¹ The panel consisted of a senior nutritionist that works in Alameda County, a retired constituent on the Board of Directors of a non-profit, and a nutrition consultant that works in Solano and Contra Costa Counties.

² Self-Help for the Elderly is a nonprofit organization founded in San Francisco in 1966. The organization provides services to older adults and operates in San Francisco, San Mateo, Santa Clara Alameda, and Contra Costa counties.

³ In April 2022, the Department of Disability and Aging Services Commission approved the first amendment to increase the grant amount by \$2,498,868 for a revised not to exceed amount of \$7,369,190 during the period of July 1, 2021, through June 30, 2025. In December 2022, the Department of Disability and Aging Services Commission approved the second amendment to increase the grant amount by \$2,165,552 for a revised not to exceed amount of \$9,534,742. The grant period did not change.

Exhibit 1: RFP Results for Home-Delivered Meal Nutrition Services for Older Adults

Proposer	Score
Self-Help for the Elderly	85.7
Meals on Wheels	81.7
Kimochi Inc	81.3
On Lok Day Services	79.7
Jewish Family Children’s Services	78.3
Centro Latino de SF	75.0
Russian American Community Services	72.7

Source: Human Services Agency

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a third amendment to the grant agreement with Self-Help for the Elderly (Self-Help), increasing the not to exceed amount by \$1,980,663, from \$9,534,742 to \$11,515,405. There is no change to the grant’s term.

Services Provided

Self-Help has been contracted to provide home-delivered meals and other nutrition services, such as nutrition education and nutrition risk screening, to elderly residents of San Francisco.

To qualify for services, an individual must meet one of the following criteria: (1) A person who is 60 years of age or older (older adult) living in San Francisco who is homebound because of disability or illness; (2) The spouse or domestic partner of an older adult enrolled in the program if assessment staff determine that it is in the best interest of the enrolled older adult; or (3) A person with a disability, under the age of 60 who resides at home with an enrolled older adult if assessment staff determine that it is in the best interest of the enrolled older adult.

The program serves all populations and ethnicities; however, priority is given to individuals who are low-income, with limited or no English-speaking proficiency, socially isolated, from communities of color, LGBTQ+, or at risk of institutionalization.

Change In Contracted Level of Service

As shown below, the proposed amendment increases the number of meals and clients served in FY 2023-24 and in FY 2024-25. Most of the funding is focused on increasing services in FY 2023-24.

Exhibit 2: Proposed Increase in Services

Clients	FY 2023-24	FY 2024-25
Current	753	753
Proposed	920	790
Change	167	37
Meals	FY 2023-24	FY 2024-25
Current	171,499	171,499
Proposed	228,652	196,851
Change	57,153	25,352

Source: Appendix A-3 of Proposed Amendment

Performance Monitoring

The Department conducted program monitoring site visits in May and June 2023. The FY 2022-23 program monitoring report indicates that the grantee nearly met or met all performance measures.

Consumer Survey Results

Under the grant agreement, Self-Help for the Elderly is required to administer an annual consumer survey by March 15 or a mutually agreed upon time with a sample size of at least 40 percent of unduplicated consumers. The survey outcome objectives are the following: (1) 75 percent of consumers report increased consumption of fruits, vegetables, and/or whole grains, (2) 85 percent of consumers feel less worried about getting enough food to meet their needs, and (3) 85 percent of consumers to rate the quality of meals they received as excellent or good.

A summary of the FY 2022-23 survey results, as well as the number of clients and meals served, is provided in Exhibit 3 below.

Exhibit 3: FY 2022-23 Performance Results

Survey Results	Objective	Actual
Unduplicated Clients Served	1,052	1,114
Meals Served	246,864	246,833
Target consumer survey sample size equal to or greater than 40 percent of unduplicated clients served.	421	599
Increased consumption of fruits, vegetables, and/or whole grains	75%	84%
Feel less worried about getting enough food to meet their needs	85%	87%
Rate quality of meal as excellent or good	85%	86%

Source: Human Services Agency

As shown above, Self Help for the Elderly generally achieved or exceeded the five performance objectives specified in the grant agreement.

Fiscal and Compliance Monitoring

Self-Help for the Elderly was assessed in April 2023 as part of the Citywide Fiscal and Compliance Monitoring program. The agency was also in conformance with all financial and governance best practices.

FISCAL IMPACT

The projected uses of funds over the four-year term of the grant agreement are shown in Exhibit 4 below. According to Department staff, actual spending as of January 6, 2024 is \$6,819,883. The proposed amendment would add \$1.2 million of new funding to FY 2023-24 and FY 2024-25 and documents \$0.6 million in spending in FY 2022-23 – FY 2024-25 that was funded by the contract's contingency spending authority.

Exhibit 4: Projected Uses of Funds for Grant Agreement

Uses	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Total
Salaries & Benefits	\$583,185	\$618,869	\$663,909	\$608,438	\$2,474,401
Operating Expenses	1,026,628	1,568,817	1,489,209	1,245,538	5,330,192
Indirect Cost	160,981	218,768	215,311	185,397	780,457
Capital/Subcontractor Expenditures	456,528	353,300	0	0	809,828
NCQA Expenditures ⁴	246,177	288,859	288,345	250,291	1,073,672
Subtotal, Expenditures	\$2,473,499	\$3,048,613	\$2,656,774	\$2,289,664	\$10,468,550
Contingency (10%)					1,046,855
Not to Exceed					\$11,515,405

Source: Appendix B-3 of Proposed Third Amendment

The proposed expenditures will be used to fund 10.37 full-time equivalent (FTE) employees, which is 0.28 FTE less than the original budget (10.65). The average cost per meal during the entire term of the grant agreement is \$15.56; City funding provides \$11.80 per meal.

Funding Sources

For the four-year term of the grant agreement, expenditures are paid for by 77 percent in General Fund monies, 2 percent in state funds, and 21 percent in federal funds. According to HSA, the funding sources for the \$1.8 million increase are savings through San Francisco's Dignity Fund⁵ and additional state and federal funding sources.

In addition to HSA's grant, Self-Help for the Elderly anticipates that it will provide approximately \$2,035,828 in program funding through fundraising and project income in FY 2023-24 and FY 2024-25, which would subsidize costs by approximately \$4.80 per meal. However, Department

⁴ Nutrition Compliance and Quality Assurance (NCQA) include monitoring food quality, compliance with program rules, and nutrition counseling for clients.

⁵ The Dignity Fund was established by a voter-approved Charter amendment in 2016, which requires a baseline contribution from the General Fund.

staff noted that the provider may not meet fundraising goals this year and the organization has been operating at a loss for nutrition services since the pandemic.⁶ According to Department staff, the provider is determining ways to reduce program costs to lower the need for fundraising such as fewer deliveries with more frozen meals and educating clients about voluntary contributions. If fundraising goals are not met, the provider may also reduce staffing hours. Department staff stated that they will monitor the provider's fundraising progress and work with them to reduce costs if needed.

POLICY CONSIDERATION

According to the FY 2022-23 program monitoring report, Self-Help provided 246,833 meals in FY 2022-23. The proposed amendment's budget provides for 228,652 meals in FY 2023-24 and 196,851 meals in FY 2024-25. According to Department staff, the decrease in meals is due to funding availability, not a decrease in projected need.

RECOMMENDATION

Approve the proposed resolution.

⁶ According to the Department, this is because the share of costs for Self-Help's nutrition services for congregate meals and home delivered meals have outpaced fundraising and client contributions have declined.

Item 2 File 24-0139	Department: Controller’s Office of Public Finance
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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the Infrastructure Financing Plan for the Enhanced Infrastructure Financing District No. 1 (Power Station), including allocation of incremental property tax revenues, and an Acquisition and Financing Agreement to facilitate delivery of public infrastructure and housing for the Power Station Project.

Key Points

- The Power Station Project is the first of several projects expected to be funded by the Enhanced Infrastructure Financing District (EIFD) tool to address a shortfall in financing. The Board of Supervisors passed an ordinance to establish the EIFD Public Financing Authority No. 1 as the governing body of the EIFD for the Power Station Project in April 2023.
- The Power Station Project will redevelop the site of a former power station into a mixed-use development, including 2,315 housing units (1,877 market rate units and 438 affordable housing units), 1.9 million square feet of commercial space, parking, community facilities, and 6.9 acres of open space. The Board of Supervisors previously approved a development agreement between the City and California Barrel Company LLC, the Master Developer.
- The proposed Infrastructure Financing Plan documents how incremental property tax revenue generated within the EIFD will be used to reimburse eligible costs, including public facilities (such as roads, utilities, and shoreline improvements) and privately-owned facilities (such as affordable housing and parks). The financing plan is consistent with City guidelines for infrastructure financing districts, which limits the City’s contribution of tax increment to 50 percent of the City’s share.

Policy Consideration

- Because the City may contribute up to 100 percent of the cost of infrastructure and public benefits, which were previously assumed to be the developer’s responsibility under the Development Agreement, the improvements will benefit the private development without the developer sharing any infrastructure costs, and this is the first time the City is utilizing EIFD financing, approval of the proposed resolution is a policy matter for the Board of Supervisors. OEWD has not provided any documentation to verify the project is not financially feasible without the proposed public financing.

Fiscal Impact

- The proposed resolution would allocate 58.3 percent of incremental property tax revenues within the EIFD to eligible costs up to a maximum of \$3.29 billion over the term of the district. The remaining 41.7 percent of the City’s share of tax increment would be allocated as a “conditional increment” to provide additional debt service if needed, up to a maximum of \$2.36 billion. Any conditional increment used would be repaid to the General Fund.

Recommendation

- Approval of the proposed resolution is a policy matter for the Board of Supervisors

MANDATE STATEMENT

California Government Code Section 53398.50 et seq. authorizes the Board of Supervisors to establish an enhanced infrastructure financing district (EIFD) and approve an infrastructure financing plan that allocates tax revenues to the EIFD.

BACKGROUND

Tax Increment Financing Districts to Advance Housing Production

Prior to the dissolution of Redevelopment Agencies in 2012, redevelopment tax increment financing provided most local funding for the development of affordable housing, according to the February 2024 Affordable Housing Funding and Financing Recommendations Report, a component of the City’s implementation plan for the 2022 Housing Element Update.¹ After the dissolution of redevelopment agencies, the State created other tax increment financing tools, such as Infrastructure and Revitalization Financing Districts (IRFDs) and Enhanced Infrastructure Financing Districts (EIFDs). The report recommends creating infrastructure financing districts for large projects to fund infrastructure and make progress on housing production, including affordable housing production. In addition, the Mayor’s Housing for All Executive Directive, released February 7, 2023, directed OEWD and the Controller’s Office to create new funding mechanisms for pipeline projects that have stalled due funding availability by advancing legislation that enables new infrastructure financing districts.

According to OEWD staff, the Power Station Project is the first of several projects expected to be funded by the EIFD tool to advance housing production during otherwise challenging economic conditions. EIFDs allocate incremental property tax revenues within a specified area to fund public capital facilities. While the Board of Supervisors directly serves as the governing body for the City’s IFDs and IRFDs, under state law, the Board of Supervisors must establish a public financing authority to act as legislative body of EIFDs.

Potrero Power Station

The Potrero Power Station Project (the Project) is a project to redevelop the site of a former power station into a mixed-use development. The site includes 29 acres of privately owned land and 2.75 acres of City-owned and Port land and is in the City’s Central Waterfront Area, between Illinois Street, 22nd Street, and 23rd Street. According to the draft infrastructure financing plan, the project will include 2,315 housing units (including 1,877 market rate units and 438 affordable housing units), 1.9 million square feet of commercial space, parking, community facilities, and 6.9 acres of open space accessible to the public.

¹ The report was jointly prepared by the Mayor’s Office of Housing and Community Development, the Planning Department, and Enterprise Community Partners.

Development Agreement & Housing Plan

In April 2020, the Board of Supervisors approved: (a) a development agreement between the City and California Barrel Company LLC (Associate Capital), the Master Developer for the Potrero Power Station Project (File 20-0040); (b) a ground lease between the City and Master Developer for 1.6 acres of Port property (File 20-0217); and (c) changes to the zoning of the area and amendments to the Planning Code (Files 20-0174 and 20-0039). Under the Development Agreement, the Master Developer must provide public benefits, including affordable housing and 6.9 acres of publicly accessible open space.

Under the Housing Plan of the Development Agreement, 30 percent of residential units must be affordable housing units. The Developer can satisfy this requirement by building inclusionary units within market-rate projects, conveying parcels to an affordable housing developer at no cost to construct 100 percent affordable projects, or by paying an in-lieu fee for up to 258 units (or 33 percent of affordable units). The Developer currently plans to meet this requirement through 438 on-site affordable units (including 260 inclusionary units and 178 units in 100 percent affordable projects) and payment of a fee in lieu of providing an additional 258 on-site affordable units according to the Draft Infrastructure Financing Plan.

Enhanced Infrastructure Financing District No. 1

In March 2023, the Board of Supervisors declared by resolution that the Board of Supervisors intended to provide for the establishment of an enhanced infrastructure district, Enhanced Infrastructure Financing District No. 1 (Power Station), to finance public capital facilities (File 23-0168). The resolution also declared that if the EIFD is established and the infrastructure financing plan is subsequently approved by the Board of Supervisors, incremental property tax revenue may be used to finance public facilities and projects of communitywide significance. The Board of Supervisors passed an ordinance to establish the EIFD Public Financing Authority No. 1 as the governing body of the proposed EIFD (File 23-0160) in April 2023 and approved the appointments in June 2023 (File 23-0698, 23-0699, 23-0700). The public financing authority consists of three members of the Board of Supervisors (plus an alternate member of the Board of Supervisors that can serve in place of one of the three members) and two members of the public to be nominated by the President of the Board of Supervisors and appointed by the Board of Supervisors.

Special Taxes

The Board of Supervisors previously established a special tax district to permit the use of special taxes to finance the project as permitted under the Mello-Roos Community Facilities Act (File 22-0087). The Board of Supervisors also passed a resolution of intention to incur bonded indebtedness for the special tax district in an amount not to exceed \$863.0 million (File 21-1307). According to Office of Public Finance staff, special tax bonds may not be issued until at least one of the commercial or residential buildings receives a temporary certificate of occupancy.

Project Status

The Project is currently in Phase 1, which includes the development of Blocks 2, 7, 8, 11, 12, and 15, the surrounding streets and sidewalks, and park area and open space within the Phase 1 area. According to OEWD staff, construction of Phase 1 street improvements began in the second

quarter of 2023 and is expected to be completed in the third quarter of 2025. The power station building, including the boiler and control building, is undergoing demolition. Vertical construction of the Sophie Maxwell Building (Building 7B), a 100 percent affordable moderate-income project, is expected to begin in the second quarter of 2024 and to be completed in the third quarter of 2025.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the Infrastructure Financing Plan for the Enhanced Infrastructure Financing District No. 1 (Power Station), including allocation of incremental property tax revenues, an Acquisition and Financing Agreement, and related documents and actions to facilitate the delivery of public infrastructure for the Power Station Project and advance housing production.

The goal of the EIFD is to address a shortfall in the Project Sponsor’s financing for the project. According to OEWD staff, the City and Project Sponsor evaluated the rate of return for the project under current economic conditions and determined that the project would not be able to move forward despite the significant investment that had already been made. However, OEWD provided no documentation to support this assertion.

City Guidelines for Infrastructure Financing Districts

In February 2011, the Board of Supervisors adopted guidelines for the establishment of and use of infrastructure financing districts in the City to establish minimum criteria and strategic criteria for the City to consider prior to the formation of an infrastructure financing district (File 11-0036). In February 2023, the Capital Planning Committee adopted a supplement to the guidelines to provide additional guidance to City staff. According to the proposed resolution, the proposed financing plan is consistent with these guidelines.

In particular, the guidelines (a) restrict the use of infrastructure financing districts to large projects with significant re-zoning (either under an Area Plan or development agreement) that would not otherwise be financially feasible and (b) limit the amount of allocated incremental property tax revenue to no more than 50 percent of the City share and require that the district have a projected positive net fiscal benefit to the General Fund after subtracting allocated tax revenue. Total projected annual debt payments across all infrastructure financing districts may not exceed five percent of annual property tax revenue. Further, the guidelines require that there be an option to terminate the allocation of tax increment if the development does not meet minimum performance standards.

Infrastructure Financing Plan

The proposed Infrastructure Financing Plan stipulates how incremental property tax revenue generated by project areas within the EIFD will be used to reimburse eligible project costs, including public facilities (such as roads, utilities, and shoreline improvements) and privately-owned facilities (such as affordable housing and parks). Each project area within the EIFD can have a different start date and extend for 45 years from the start date. Each project area can generate property tax increment and debt can be issued against the property tax increment at

different times. Initially, there will be nine project areas within the EIFD, but after certain properties are subdivided, there will be 13 project areas. The Plan anticipates that incremental property tax revenue would begin accruing to the project in FY 2026-27.

The City's share of the 1.0 percent property tax rate is 0.646.² According to the Infrastructure Financing Plan, 58.3 percent³ of the City's share of tax increment, or 0.376, is allocated to the EIFD to pay for EIFD improvements, and the remaining 41.7 percent of the City's share of tax increment, or 0.270, is allocated as "conditional increment" to provide additional debt service coverage and to pay debt service on the bonds if allocated tax increment is not available. The EIFD must repay any conditional tax revenue used for debt service from allocated tax increment in future years. Conditional increment will accrue to the City's General Fund if not required for debt service.

Anticipated Development

Exhibit 1 below shows the anticipated development for the Project provided in the Draft Infrastructure Financing Plan, including facilities funded by the EIFD and facilities that will be privately funded.

² The approximate 0.354 remaining share of tax increment would accrue to other taxing entities, such as the State Education Revenue Augmentation Fund and the San Francisco Unified School District.

³ Consistent with City IFD Guidelines, the City will be allocating 50% of total incremental property tax revenues, including 50% of property tax in lieu of vehicle license fee (VLF) revenues. However, the City is not allocating any VLF revenues to the EIFD and will instead allocate 58.3% of the City's share of tax increment which is equal to 50% of the City's share of increment plus an additional 8.3% which is estimated to equal 50% of property tax in lieu of vehicle license fee (VLF) revenues. All VLF revenues will accrue to the City's General Fund.

Exhibit 1: Anticipated Development in EIFD

Use	Area/Units	Construction Period
<u>Commercial</u>	<u>1,941,138 sf</u>	<u>2024 - 2037</u>
Office	453,967 sf	2030 - 2032
Life Sciences	1,045,999 sf	2024 - 2035
Retail	108,028 sf	2025 - 2036
Production, Distribution & Repair	133,144 sf	2027 - 2029
Hotel	200,000 sf 200 rooms	2033 - 2037
Community Facilities	33,645 sf	2026 - 2037
Parking	854,724 sf 2,332 spaces	
<u>Residential</u>	<u>2,315 units</u>	<u>2024 - 2038</u>
Market Rate For Sale	551 units	2029 - 2034
Market Rate Rental	1,326 units	2024 - 2038
Affordable Rental, Inclusionary Units	260 units	2024 - 2038
Affordable Rental, Units in 100% Affordable Project	178 units	2024 - 2028

Source: Draft Infrastructure Financing Plan

Maximum Tax Increment Allocated to EIFD

The Financing Plan projects allocated tax revenue to be approximately \$1.64 billion across all project areas and conditional tax revenue to be approximately \$1.18 billion. The plan provides for a limit on total dollars allocated to the EIFD equal to 100 percent above projected costs for allocated and conditional tax increment. The allocated tax revenue may not exceed \$3.29 billion, and the conditional tax revenue may not exceed \$2.36 billion.

Acquisition and Financing Agreement

The EIFD would fund “acquisition facilities” (i.e., public facilities that would be acquired by the City or other governmental entity) and privately-owned facilities that have “community-wide significance,” including affordable housing and parks. The EIFD will reimburse the developer for actual costs to construct the acquisition facilities (shoreline, utilities, and streets) and the privately-owned facilities (affordable housing and parks). The proposed Acquisition and Financing Agreement provides the terms for the City to acquire the EIFD-funded acquisition facilities and the terms for reimbursement to the Developer for construction of privately-owned facilities.

EIFD Eligible Costs

Exhibit A of the Draft Acquisition and Financing Agreement describes the EIFD-funded improvements. The EIFD can finance all or a portion of the costs to construct, improve, rehabilitate, purchase, or maintain the public capital facilities or privately-owned facilities of “community-wide significance” that are permitted under EIFD law and the Development Agreement. EIFD-funded facilities may be located within the EIFD or outside the boundaries of

the EIFD if there is a “tangible connection” to the EIFD. Some of the EIFD eligible costs may also be eligible to be funded by the special tax district, previously approved by the Board of Supervisors, and the developer may use either or both funding sources for these costs. Issuance of EIFD bonds to fund eligible costs will be subject to the Public Financing Authority and Board of Supervisors’ approval.

The EIFD could fund the following facilities:

- Infrastructure, parks and open space, public improvements, privately-owned community investments
- Affordable housing (including inclusionary units, units in 100% affordable projects, and the in-lieu fee)
- Transportation demand management measures defined in the Development Agreement
- Improvements to Port property defined in the Ground Lease between the City and the developer
- Craig Lane, which is partially within the Power Station property and property within the Pier 70 project, which is owned by the Port
- Partial demolition, rehabilitation and/or abatement of existing structures
- Developer’s contribution to costs of constructing an enlarged pump station at Pier 70 that would also serve the Potrero Power Station Project and the associated SFPUC sewer connection
- Developer's contribution to tenant improvements in YMCA (located at Pier 70) or other community facilities in the surrounding area or within the EIFD.

EIFD Estimated Costs

The Developer estimates that the total cost of the Potrero Power Station Project is \$3.9 billion, including \$3.35 billion to develop the private elements of the project and \$0.55 billion (14 percent) to be financed by the EIFD.

Exhibit 2 below shows the estimated improvement costs of public facilities funded by the EIFD.

Exhibit 2: Estimated Improvement Costs of Public Facilities Funded by EIFD

Public Facility	Estimated Improvement Costs (\$ Millions)	Estimated Percent of Costs	Estimated Timeline
Affordable Housing ^a	\$258.14	47.1%	2023 - 2038
Parks, Open Spaces ^a	111.58	20.4%	2023 - 2033
Site Work, Shoreline ^b	89.49	16.3%	2023 - 2028
Utilities ^b	46.83	8.5%	2023 - 2028
Streets ^b	42.18	7.7%	2023 - 2028
Total	\$548.22	100.0%	2023 - 2033

Source: Draft Infrastructure Financing Plan

^a Facilities owned by the developer

^b Facilities to be acquired by the City

According to OEWD staff, the estimated costs above reflect the total cost to develop the potential facilities that can be funded by EIFD proceeds based on estimates from the construction scope of work. The EIFD will fund these facilities provided there is tax increment available and within the overall funding limit and term of the district.

Net Fiscal Benefit

State law requires an infrastructure financing plan to include a fiscal impact analysis that shows the projected fiscal impact of the district and related development on each taxing entity and the cost to the city or county of providing services to the area. According to the revised February 8, 2024 Fiscal Impact Analysis prepared by Economic & Planning Systems, Inc. for the draft infrastructure financing plan, the project will generate an annual net fiscal benefit of over \$15 million (in 2023 dollars) to the General Fund and \$1.5 million to the MTA Fund at project buildout, as shown in Exhibit 3 below.

Exhibit 3: Annual Fiscal Impact of EIFD (2023 \$)

Revenue or Expense	At Project Buildout
<u>General Fund</u>	
General Fund Revenues	\$42,486,000
Less General Fund Baseline Requirements	<u>12,081,000</u>
General Fund Revenues After Baseline Funding	30,405,000
Less General Fund Expenditures	<u>15,263,000</u>
Net Impact on General Fund	\$15,142,000
<u>MTA Fund</u>	
MTA General Fund Baseline Funding	3,905,000
Less MTA Expenses	<u>2,371,000</u>
Net Impact on the MTA Fund	\$1,534,000
Total Estimated Fiscal Benefit	\$16,676,000

Source: Economic & Planning Systems, Inc.

The report also states that the consultant conducted a peer-reviewed sensitivity analysis, at the request of the Controller’s Office, to assess the net benefits when valuation assumptions (including market-rate assessed values, real estate lease rate levels, hotel room rate, parking revenues, and gross receipts tax per employee) are reduced by 50 percent. Reducing these valuations still results in a “slight positive fiscal impact” according to the report.

FISCAL IMPACT

The proposed resolution would allocate 58.3 percent of incremental property tax revenues within the EIFD to eligible costs up to a maximum of \$3.29 billion over the term of the district. The remaining 41.7 percent of the City’s share of tax increment would be allocated as “conditional increment” to provide additional debt service if needed up to a maximum of \$2.36 billion. Any conditional increment used would be repaid to the General Fund with interest. The

City would therefore retain 41.7 percent of the property tax increment revenue generated within the EIFD over the anticipated 57-year term of the EIFD.

Because the EIFD diverts property tax revenues that would otherwise accrue to the General Fund, if the project costs that are proposed to be funded by the EIFD were funded by another financing source, the project would provide additional income to the General Fund.

POLICY CONSIDERATION

City Funding for Public Benefits

The Development Agreement between the City and the developer (California Barrel Company) grants the master developer entitlement to develop the project in exchange for providing public benefits that exceed those required under existing City policies and regulations, consistent with Chapter 56 of the City’s Administrative Code. The Board of Supervisors approved zoning and planning code amendments to facilitate the project and approved a Development Agreement that contemplated the developer funding and delivering public infrastructure, including affordable housing, transportation, open space, and renovation of historic buildings. Because the project is no longer financially feasible, the developer is now requesting City funding. The public benefits, including the number of affordable housing units delivered by the project, will exceed City requirements, but the City could contribute up to 100 percent of the developer’s costs to deliver the benefits through the proposed use of property tax increment, provided the costs are eligible uses under State EIFD law and sufficient tax increment is available. If the development does not proceed, the area will likely remain an underused and underdeveloped industrial area.

The shoreline improvements, parks, roads and utilities will benefit the affordable housing residents and neighboring communities, as well as the market rate housing residents and commercial tenants, increasing the property values and rents of the privately-owned parcels. Because the City may contribute up to 100 percent of the cost of infrastructure and public benefits, which were previously assumed to be the developer’s responsibility under the Development Agreement, the improvements will benefit the private development without the developer sharing any infrastructure costs, and this is the first time the City is utilizing EIFD financing, approval of the proposed resolution is a policy matter for the Board of Supervisors. In addition, as noted above, OEWD has not provided any documentation to verify the project is not financially feasible without the proposed public financing.

Level of City Contribution

According to OEWD staff, the level of City contribution to the Potrero Power Station Project is based on the February 2023 Capital Planning Committee’s supplement to the 2011 Board of Supervisors’ guidelines for establishing Infrastructure Financing Districts. The supplement was adopted in light of the City’s initiative to use tax increment financing to advance housing production and limits the City’s contribution of tax increment to 50 percent of the City’s share. The supplement further limits the City’s contribution across all projects that leverage tax increment financing as total annual debt payments across all infrastructure financing districts may not exceed five percent of annual property tax revenue. The Board of Supervisors could

consider amending the guidelines to further limit the City's subsidy to private development projects. Reducing the use of tax increment financing would limit the amount of housing delivered using this tool.

RECOMMENDATION

Approval is a policy matter for the Board of Supervisors.

Item 4 File 24-0127	Department: Emergency Management (DEM)
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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the first amendment to the Department of Emergency Management’s (DEM) agreement with Motorola Solutions, Inc. to extend the term by 11 years, from November 30, 2027 to November 30, 2038 and increase the not to exceed amount from \$9.6 million to \$44.8 million.

Key Points

- DEM utilizes a Computer Aided Dispatch (CAD) System to track, manage, and dispatch responders to 9-1-1 calls. According to DEM, the City’s CAD system is beyond its useful life and utilizes obsolete technology.
- In 2021, DEM issued a Request for Proposals (RFP) for a new CAD System, and Motorola Solutions was the highest-scoring responsive bid. Following the RFP and an 11-month negotiation process, on December 22, 2023 DEM entered into an agreement with Motorola Solutions. The agreement has a term of December 22, 2023 through November 30, 2027 and a not to exceed amount of \$9.6 million, just under the threshold for Board of Supervisors’ approval. The current Motorola agreement documents the CAD system requirements, implementation procedures, and cost of implementation, including Motorola staff time as well as hardware and software purchases.
- The proposed amendment includes optional one-time implementation costs as well as ongoing annual maintenance costs.

Fiscal Impact

- The proposed amendment would increase the not to exceed amount of the agreement by \$35.2 million, from \$9.6 million to \$44.8 million. Of this amount, \$22.2 million are one-time purchase costs and \$22.6 million are ongoing annual maintenance costs for the 11-year system maintenance term. The \$1.8 million annual maintenance cost for the new Motorola CAD System is \$1.4 million more expensive than the annual maintenance costs for the City’s current CAD System, which is beyond its useful life.
- According to DEM, replacing the CAD System has additional costs outside of this contract with Motorola, including \$8.3 million in salaries and benefits for City staff, \$1.2 million in additional consulting, \$1.5 million in additional network upgrades, and \$8.5 million in additional mobile computing hardware. With the proposed Motorola contract, total implementation costs are estimated at \$47.1 million between FY 2024-25 and FY 2026-27. All costs are funded by the General Fund.

Recommendation

- Approve the proposed resolution.

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

The City and County of San Francisco’s Department of Emergency Management (DEM) operates its 9-1-1 call center at 1011 Turk Street. The 9-1-1 call center receives emergency calls to 9-1-1 and dispatches them to the appropriate emergency response unit(s), including Police, Fire, Emergency Medical Services, and/or Street Crisis. According to DEM, San Francisco receives 1.3 million 9-1-1 calls annually.

DEM utilizes a Computer Aided Dispatch (CAD) System to track, manage, and dispatch responders to 9-1-1 calls. The CAD System connects 9-1-1 call-takers and dispatchers at 1011 Turk Street with the City’s Police, Fire, EMS, and Street Crisis units across the City. The CAD System also records call data.

According to DEM staff, the City’s CAD system is beyond its useful life and utilizes obsolete technology.

Current CAD System Vendor

DEM purchased its CAD system software from Tiburon, Inc. in 1999 through competitive procurement. As the sole provider of the software, the Department continued to contract with Tiburon to maintain and upgrade the CAD system. However, in 2022 Tiburon, Inc. was dissolved and its assets acquired by CentralSquare Technologies, and the City entered into a novation agreement with CentralSquare on December 12, 2022.

According to DEM, CentralSquare Technologies is discontinuing the CAD System product that DEM originally purchased from Tiburon, Inc. in 1999. CentralSquare will no longer provide upgrades or support for the version of the CAD system that the City currently uses.

Solicitation and Procurement of New CAD System

DEM, through the Office of Contract Administration, issued a Request for Proposals (RFP) for a new CAD System on December 14, 2021. DEM also utilized a consultant, Deltawrx Management Consultants, to help draft and manage the RFP process for the new CAD System.¹ Deltawrx is a

¹ Deltawrx was procured using a competitive RFP process and the contract between DEM and Deltawrx was executed on December 2, 2019, with a term of December 2, 2019 to June 30, 2026 and a not to exceed amount of \$1 million.

public safety communications consulting firm that brought subject matter expertise to the process of drafting all of the CAD System requirements for the CAD System Replacement RFP.

DEM received four submissions to the RFP and all four were deemed responsive: CentralSquare Technologies, Hexagon, Motorola Solutions, and Versaterm.

DEM used a multi-phase approach to evaluate the proposals, and it was determined that the top two scoring proposers from the first phase would be invited to the second phase. During the first phase, the proposals were evaluated on: experience and maintenance (250 points), implementation (150 points), and functionality (500 points). In Phase One, Round One, evaluators scored the proposals based on their initial review of the Technical Proposals. In Phase One, Round Two, evaluators again scored the Technical Proposals but this time factored in feedback from subject matter experts from other stakeholder departments, including Fire, Police, Sheriff, and the Municipal Transportation Agency. All proposers were invited to demonstrate their products to the evaluation panel and other City staff. Then, in Phase One, Rounds Three and Four, evaluators scored the proposals based on observations from the demonstrations and including feedback from the subject matter experts. Exhibit 1, below, shows the Phase One scores after all four rounds.

Exhibit 1: Phase One Final Scores (900 Possible Points)

Vendor	Score
Motorola Solutions	749
Versaterm	661
CentralSquare	656
Hexagon	579

Source: DEM

Exhibit 1 shows that, at the end of the four Phase One rounds, the two highest scoring proposers were Motorola Solutions and Versaterm. Motorola and Versaterm were then invited to Phase Two of scoring.

In Phase Two, the evaluation panel scored the proposers using the same evaluation criteria in Phase One but also including cost proposals (100 points) as well as site visits and reference checks. The final Phase Two scores were inclusive of all information learned about the two proposers throughout the entire evaluation process, including in Phase One. Exhibit 2 shows the final scores from Phase Two, below.

Exhibit 2: Phase 2 Final Scores (1,000 Possible Points)

Vendor	Score
Motorola Solutions	844
Versaterm	739

Source: DEM

Exhibit 2 shows that Motorola Solutions scored the highest out of the two finalists. Motorola Solutions was invited to negotiate with DEM for the CAD System and CAD Mobile Computing System agreement.

Current Agreement

Following the RFP and an 11-month negotiation process, on December 22, 2023 DEM entered into an agreement with Motorola Solutions. The agreement has a term of December 22, 2023 through November 30, 2027 and a not to exceed amount of \$9.6 million, just under the threshold for Board of Supervisors’ approval. The current Motorola agreement documents the CAD system requirements, implementation procedures, and cost of implementation, including Motorola staff time (at \$269/hour) as well as hardware and software purchases. According to DEM staff, this contract was executed so that DEM could lock in rates being offered by Motorola, which expired December 31, 2023, for the duration of the agreement.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the first amendment to DEM’s agreement with Motorola Solutions, Inc. to extend the term by 11 years, from November 30, 2027 to November 30, 2038 and increase the not to exceed amount from \$9.6 million to \$44.8 million.

Implementation

The proposed amendment includes one-time purchase costs for new CAD System hardware and software as well as ongoing annual maintenance costs. Exhibit 3 below breaks down the one-time purchase costs that Motorola Solutions would provide under the proposed amendment and the associated costs. The proposed amendment adds \$12.5 million in “scope items,” or optional system components, that may be added during the initial implementation of the new CAD system or during the maintenance phase.

Motorola will work with the DEM and other City stakeholders to implement the new CAD system during CY 2024 through the first half of CY 2026.

Exhibit 3: Motorola CAD System Proposed One-Time Purchase Costs

	Costs
Hardware	\$1,204,043
System Software	\$245,492
CAD Application Software	\$1,571,335
CAD Mobile Application	\$1,229,964
Interface	\$28,500
Other Module/Components	\$455,640
System Implementation	\$6,275,664
Discount	(\$1,061,037)
<i>Subtotal, System Purchase Costs</i>	<i>\$9,685,716</i>
Scope Items (optional, to be exercised at DEM's discretion)	\$12,543,971
Total System Purchase Budget	\$22,229,687

Source: DEM

The hardware costs do not include certain pieces of hardware that DEM plans to purchase from a company other than Motorola, including mobile devices for Police, Fire, and civilian street response teams. According to DEM staff, it was preferable to be able to customize hardware to the specific needs of DEM's 9-1-1 dispatchers.

Scope Items

Scope items that are included in the budget are optional. These include trainings on the new CAD System and additional applications such as Citrix or CommandCentral Aware.

Maintenance

The proposed amendment includes spending authority for annual maintenance of the CAD System and CAD Mobile Computing System. The budget includes a baseline cost for maintenance after the first year of the CAD System's life and uses a three percent escalation factor in the subsequent 11 years. Exhibit 4 below outlines the annual maintenance costs included in the contract budget.

Exhibit 4: Proposed Annual Maintenance Costs

	Baseline Maintenance Cost	Total Cost (11 years at 3% escalation)
Hardware	\$38,000	\$486,696
System Software	\$19,263	\$246,720
CAD Application Software, Mobile, and Other Software	\$804,828	\$10,308,078
Other Maintenance	\$599,057	\$8,854,670
Discount		(\$1,200,000)
<i>Subtotal, Recurring Costs</i>	<i>\$1,461,148</i>	<i>\$18,696,164</i>
Scope Recurring Costs (optional, to be exercised at DEM’s discretion)	\$306,000	\$3,919,185
Total System Maintenance Budget	\$1,767,148	\$22,615,349

Source: DEM

The total maintenance costs shown in Exhibit 4 include the costs of two major system upgrades that are scheduled for Years 5 and 10 of the CAD System’s life, including hardware refresh. The costs of these two upgrades are spread throughout the agreement. The maintenance costs include 24/7 monitoring of the CAD System.

The proposed amendment also included a \$1.2 million discount on maintenance costs if the new agreement is executed by April 30, 2024.

Performance Management

According to DEM staff, DEM will manage Motorola Solutions' performance through several methods. First, Appendix B of the proposed contract includes milestone-based implementation payments during the implementation period. In addition, Article 7.6 of the proposed contract allows the City to pursue liquidated damages of \$2,000 per day up to \$200,000 if implementation milestones are not achieved.

Appendix E to the proposed agreement includes performance scorecards to utilize during the maintenance period. If Motorola’s scorecard is below satisfactory, DEM can withhold payment.

Additionally, Appendix D of the contract includes a provision requiring Motorola to continue providing enhancements, updates, and support to the product throughout the entire 11 years of maintenance.

FISCAL IMPACT

The proposed amendment would increase the not to exceed amount of the agreement by \$35.2 million, from \$9.6 million to \$44.8 million. Exhibit 5 shows the fiscal impact of the proposed amendment.

Exhibit 5: Motorola Contract Budget

	Costs
Implementation (Current Agreement)	\$9,685,716
Maintenance	\$18,696,164
<i>Subtotal</i>	<i>\$28,381,880</i>
Optional Implementation	\$12,543,971
Optional Maintenance	\$3,919,185
<i>Subtotal, Optional Components</i>	<i>\$16,463,156</i>
Total Budget	\$44,845,036

Source: DEM

The current agreement includes the budget for the one-time costs for purchasing and implementing the CAD System. The \$968,572 spending to date is consistent with the milestone payment schedule included in the contract. Additional implementation milestone payments are due at 50 percent, 75 percent, and 100 percent implementation.

The proposed amendment would increase the not to exceed amount of the contract to include the scope items (optional system components and associated maintenance) and the 11-year maintenance costs.

According to DEM staff, all contract costs will be funded by the General Fund.

Increase in Maintenance Costs

The annual maintenance costs of \$1.8 million for the new Motorola CAD System is \$1.4 million more expensive than the annual maintenance costs for the current outdated CentralSquare system, for which DEM is requesting a three-year extension in light of the current Motorola implementation schedule (File 24-0128). The FY 2022-23 – FY 2023-24 budget included a programmatic budget to implement the CAD system that is sufficient to cover the Motorola contract’s initial implementation costs and DEM staffing during those years, however DEM will need to fund the increase in maintenance costs starting in FY 2026-27 either through decreases in its operating budget or by obtaining additional funding.

Additional Implementation Costs

According to DEM, there are additional costs associated with upgrading the CAD System beyond the Motorola contract. The additional costs associated with implementation in FY 2024-25, FY 2025-26, and FY 2026-27 include: \$8.3 million in salaries and benefits for City staff, \$1.3 million in additional consulting, \$1.5 million in additional network upgrades, and \$8.5 million in additional mobile computing hardware. With the proposed Motorola contract, total implementation costs are estimated at \$47.1 million between FY 2024-25 and FY 2026-27.

RECOMMENDATION

Approve the proposed resolution.

Item 5 File 24-0128	Department: Emergency Management (DEM)
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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the second amendment to the agreement between the Department of Emergency Management (DEM) and CentralSquare, extending the term by three years from November 30, 2024 to November 30, 2027 and increasing the not to exceed amount by \$1.2 million, from \$7.1 million to \$8.3 million.

Key Points

- The City and County of San Francisco’s Department of Emergency Management (DEM) operates its 9-1-1 call center at 1011 Turk Street, which receives emergency calls to 9-1-1 and dispatches them to the appropriate emergency response unit(s). DEM utilizes a Computer Aided Dispatch (CAD) System to track, manage, and dispatch responders to 9-1-1 calls.
- DEM purchased its CAD system software from Tiburon, Inc. in 1999 through competitive procurement. Most recently, the Board of Supervisors approved an amendment to an agreement with Tiburon, Inc. to extend the contract’s term to November 30, 2024 and increase the not to exceed amount by \$1.9 million to \$7.1 million (File 19-0981). In 2022, Tiburon, Inc. was dissolved and its assets were acquired by CentralSquare Technologies.
- According to DEM, CentralSquare Technologies is discontinuing the CAD System product that DEM originally purchased from Tiburon, Inc. in 1999, and DEM is in the process of purchasing a new CAD System from Motorola Solutions (File 24-0127).
- However, DEM estimates that the new CAD System will not be ready to go live until May 2026, so it is necessary to extend the contract with CentralSquare to continue providing maintenance and technical support for the current system until then. CentralSquare provides a 24/7 helpdesk and immediate technical support for issues that DEM staff encounter with the CentralSquare CAD System.

Fiscal Impact

- The proposed second amendment would increase the not to exceed amount of the contract by \$1,211,501 for a new not to exceed amount of \$8,364,557. Costs are funded by the General Fund.

Recommendation

- Approve the proposed resolution.

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) or any such contracts that require a modification of more than \$500,000 is subject to Board of Supervisors approval.

BACKGROUND

The City and County of San Francisco’s Department of Emergency Management (DEM) operates its 9-1-1 call center at 1011 Turk Street. The 9-1-1 call center receives emergency calls to 9-1-1 and dispatches them to the appropriate emergency response unit(s), including Police, Fire, Emergency Medical Services, and/or Street Crisis. According to DEM, San Francisco receives 1.3 million 9-1-1 calls annually.

DEM utilizes a Computer Aided Dispatch (CAD) System to track, manage, and dispatch responders to 9-1-1 calls. The CAD System connects 9-1-1 call-takers and dispatchers at 1011 Turk Street with the City’s Police, Fire, EMS, and Street Crisis units across the City. The CAD System also records call data.

Procurement and Contract History

DEM purchased its CAD system software from Tiburon, Inc. in 1999 through a competitive procurement. As the sole provider of the software, the Department continued to contract with Tiburon to maintain the CAD system, under a sole source procurement authority. Most recently, the Board of Supervisors approved an amendment to an agreement with Tiburon, Inc. to extend the contract’s term to November 30, 2024 and increase the not to exceed amount by \$1.9 million to \$7.1 million (File 19-0981). The purpose of the agreement was to upgrade and maintain the existing CAD system.

However, in 2022 Tiburon, Inc. was dissolved and its assets were acquired by CentralSquare Technologies, and the City entered into a novation agreement with CentralSquare on December 12, 2022. According to DEM, CentralSquare Technologies is discontinuing the CAD System product that DEM originally purchased from Tiburon, Inc. in 1999. CentralSquare will no longer be providing upgrades or intensive support on the product. DEM staff stated that a newer CAD System that is capable of upgrades is needed and DEM is planning to replace its CAD System through a contract with Motorola Solutions (File 24-0127). However, DEM estimates that the new CAD System will not be ready to go live until May 2026, so it is necessary to extend the contract with CentralSquare to continue providing maintenance and technical support for the current system until then.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the second amendment to the agreement between DEM and CentralSquare, extending the term by three years from November 30, 2024 to November 30, 2027 and increasing the not to exceed amount by \$1.2 million, from \$7.1 million to \$8.3 million.

Services Provided

Under the proposed amendment, CentralSquare would continue providing maintenance and support to the CAD System. CentralSquare provides a 24/7 helpdesk and immediate technical support for issues that DEM staff encounter with the CentralSquare CAD System. They are responsible for responding to helpdesk tickets and service requests.

Performance Monitoring

DEM staff reported that they do not have any formal performance monitoring reports about CentralSquare’s performance under the current agreement. The current agreement requires CentralSquare to begin responding to system malfunctions within one hour or one day, depending on severity. However, neither the vendor nor the Department actively monitors system “uptime” (the extent to which the system is usable) or system efficiency, as neither is required by the contract.

DEM staff also reported that the City requires a CAD System that is capable of future upgrades and capable of interfacing with more systems than the current CAD System is currently capable of, because CentralSquare is no longer investing in upgrades to the City’s CAD System product. Therefore, DEM is seeking to replace the current CAD System with a new one from Motorola Solutions, Inc., a new vendor (File 24-0127). However, because that system will not be ready until mid-2026 at the earliest, it is necessary to extend the agreement with CentralSquare so that they can continue to provide maintenance and service on the existing CAD System.

FISCAL IMPACT

The proposed second amendment would increase the not to exceed amount of the contract by \$1,211,501 for a new not to exceed amount of \$8,364,557. DEM reports that spending to date under the current agreement is \$6,326,263. Exhibit 1 below shows the fiscal impact of the proposed amendment.

Exhibit 1: Current Agreement and Proposed Amendment

Current Agreement	\$7,153,056
Proposed Amendment Years:	
November 1, 2024 – October 31, 2025	\$391,957
November 1, 2025 – October 31, 2026	\$403,716
November 1, 2026 – October 31, 2027	\$415,827
Proposed Amendment	\$1,211,500
Proposed Not To Exceed Amount	\$8,364,557

Source: Proposed Second Amendment

Exhibit 1 shows that maintenance costs each year are escalated by 3 percent. Additionally, DEM staff stated that, if the new CAD System is ready before the planned go-live date of May 2026, then the City has the option of terminating the contract with CentralSquare early.

The increased amount of the contract in the proposed second amendment covers the budgeted costs for the additional three years of maintenance that the vendor will be providing. The funding source for this is general fund.

RECOMMENDATION

Approve the proposed resolution.

Item 6 File 24-0168	Department: Port
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EXECUTIVE SUMMARY

Legislative Objectives

- The requested release of reserves authorizes the spending of \$10,000,000 in Economic Recovery Project funds placed on Budget & Finance Committee Reserve in FY 2020-21.

Key Points

- The Port’s operating revenues in FY 2019-20, FY 2020-21, and FY2021-22 were below its operating revenue in FY 2018-19, while FY 2022-23 revenue was higher than FY 2018-19 revenue. While operating revenues now exceed pre-pandemic levels, Port staff report that revenue recovery is inconsistent in different areas of the waterfront.
- The Port’s operating budget in FY 2020-21 included \$10,000,000 in Economic Recovery Project funds to help the Port recover from the economic impact of the pandemic. In August 2020, at the recommendation of the Budget and Legislative Analyst, the Budget & Appropriations Committee placed the funds on reserve pending a detailed expenditure plan. The Port Commission approved the recovery plan in January 2024.
- The Port’s expenditure plan proposes using the funding for projects to attract visitors and businesses to the waterfront, invest in parks and open spaces, and improve internal operations.

Fiscal Impact

- The Port proposes spending \$7.3 million on Fisherman’s Wharf, \$1.7 million on parks and open spaces, and \$1 million on internal operations, for a total of \$10 million.

Recommendation

- Approve the requested release of reserved funds.

MANDATE STATEMENT

City Administrative Code Section 3.3(j) states that the Budget and Finance Committee of the Board of Supervisors has jurisdiction over the City’s budget and may reserve proposed expenditures to be released at a later date subject to Board of Supervisors approval. The practice of the Board of Supervisors is for the Budget and Finance Committee to approve release of funds placed on reserve by the Committee, without further Board of Supervisors approval.

BACKGROUND

Economic Recovery Project Funds Reserved

The Port of San Francisco is requesting a release of \$10,000,000 in Economic Recovery Project funds that were put in reserve in FY 2020-21 (File 20-0567). The Port’s FY 2020-21 operating budget included a \$10,000,000 million Economic Recovery Project to help the Port generate revenue and improve operations to help offset the impact of the COVID-19 pandemic on tourism at the Port. At the recommendation of the Budget and Legislative Analyst, in August 2020 the Budget & Appropriations Committee placed the funds on reserve pending a detailed expenditure plan. The Port is now requesting the release of those funds alongside a detailed expenditure plan. The Port Commission approved the Economic Recovery Project expenditure plan at its January 23, 2024 meeting.

Port Finances

The majority of the Port’s operating revenues are rents from Port tenants. As shown below in Exhibit 1, operating revenues in FY 2019-20, FY 2020-21, and FY 2021-22 were below FY 2018-19 levels. Net operating income was negative in FY 2019-20 and FY 2020-21 but offset in FY 2021-22 and FY 2022-23 by state COVID relief funding. Operating revenues in FY 2022-23 were five percent higher than in FY 2018-19. According to Port staff, revenue recovery has been inconsistent in different areas of the waterfront, particularly in Fisherman’s Wharf, where revenues are still below pre-pandemic levels. The Economic Recovery Project monies will fund projects to attract visitors and businesses to the waterfront, invest in parks and open spaces, and improve internal operations.

Exhibit 1: Port Operating Revenues and Expenditures (\$ thousands)

	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Operating Revenue	122,033	108,863	94,330	120,951	128,667
Operating Expenses	112,108	118,278	138,297	105,250	123,184
Operating Net Income	9,925	(9,415)	(43,967)	15,701	5,483

Source: Port Audited Financial Statements

The Economic Recovery Projects are part of the Port’s larger \$64.4 million plan for economic recovery and growth. In addition to the proposed \$10 million in Economy Recovery Projects, the other \$54.4 million will come from different sources, including \$10.4 million from the Tenant

Attraction & Retention fund (funded by state funds), \$8 million from the Southern Waterfront Beautification Fund¹ to improve the Southern Waterfront, and \$36 million from state and federal infrastructure grants and Port matching funds.

DETAILS OF PROPOSED LEGISLATION

The requested release of the \$10,000,000 fund comes with a detailed spending plan for projects that support the Port's strategic objectives, with a focus on attracting and retaining businesses, visitors, and commercial fishing; improving parks and open spaces; and increasing organizational efficiency and employee engagement. The proposed projects fall into three categories detailed below.

Fisherman's Wharf (\$7.3 million)

The Port proposes to invest in Fisherman's Wharf by supporting local commercial fishing, increasing accessibility to the lagoons, and improving vacant facilities and public spaces for leasing and use. According to Port staff, the fishing community suffered financial losses during the pandemic. While the fishing facilities do not generate significant revenue for the Port, they are an economic driver for attracting visitors to San Francisco, according to Port staff. Of the \$7.3 million for Fisherman's Wharf, **\$3.3 million** would be used to improve old infrastructure used by commercial fishers. This includes replacing an old ice machine and repairing the aging Pier 45 west apron. A proposed **\$3 million** would be spent on the installation of a new Outer Lagoon Gangway and Float at Wharf J-9 for public access to lagoons for off-the-boat fish sales. This work is also the start of a larger resilience project to make a seismic improvement to the seawall.² A proposed **\$1 million** would be spent on improving vacant spaces for leasing and public use, as the closure of several restaurants in recent years has left many vacancies in Fisherman's Wharf. Facility improvements to vacant spaces would include roof and flooring repair, updates to utilities, and painting to prepare spaces for new tenants.

Parks & Open Space (\$1.7 million)

The Port proposes to invest in its parks and open spaces by improving wayfinding along the Waterfront Walk. Of the \$1.7 million allocated to parks and open spaces, the Port proposes **\$1.5 million** be spent on improvements to the Waterfront Walk. This includes wayfinding signage, art, and activation of public spaces through lighting, seating, and landscaping. This money would also be invested in improving the Port's website, specifically adding GIS mapping information for Port destinations, including but not limited to parks, playgrounds, restrooms, restaurants, museums,

¹ The Southern Waterfront Beautification Fund sets aside a portion of rents from Port property along the Southern Waterfront (Mariposa Street to India Basin) for community benefits and beautification in the area.

² The gangway and float project may be funded by stimulus funds instead of the Economic Recovery Project, in which case this allocation of funds would shift to support Vacant Space Leasing and Activation activities to support the leasing of Castagnola's, Tarantino's and Fisherman's Grotto #9 in Fisherman's Wharf.

and MUNI/BART stops. A proposed **\$0.2 million** would be spent on wayfinding and beautification improvements along the Southern Waterfront.

Enterprise Economic Recovery (\$1.0 million)

With the remaining \$1 million, the Port proposes to fund internal projects. The Port proposes **\$0.7 million** be allocated across three internal operational efficiency projects: 1) utility mapping, to reduce staff time and effort in responding to 811 (dig alert) requests; 2) an assessment of the Port’s Real Estate Division’s property management system (PropWorks) for an upgrade, and 3) installation of a new digital filing system to streamline access to shared files to improve employee performance. A proposed **\$0.2 million** would be spent on conducting economic impact studies that look at revenue-generating initiatives such as deepwater berthing at Pier 68. A proposed **\$0.1 million** would be spent on staff educational activities to build community and increase employee engagement.

Performance Monitoring

Port staff have developed economic recovery metrics to understand the impact of its investments in the projects detailed in the expenditure plan. The metrics include tracking project spending progress, project deliverable progress, revenue from leased facilities on Port property, Fisherman’s Wharf visitor trends, SkyStar Wheel ridership rates, the effect of illegal vending enforcement on Port tenants and visitor experience, the impact of car break-ins on Port tenants and visitor experience, hotel occupancy rates citywide as an indicator of Port visitor trends, and office vacancy rates on Port property as compared with citywide trends. According to Port Economic Recovery Manager Meghan Wallace, Port staff will monitor and provide regular updates to the Port Commission every six months on the metrics.

FISCAL IMPACT

The Port requests the release of \$10,000,000 in Economic Recovery Project funds to invest in projects in Fisherman’s Wharf, parks and open spaces, and enterprise economic recovery. Fisherman's Wharf is receiving the largest investment (\$7.3 million) of the requested release of reserved funds.

The full expenditure breakdown is shown in Exhibit 2 below.

Exhibit 2: Proposed Economic Recovery Project Funding Costs

	Amount	Percent of Total
Fisherman's Wharf		
Commercial Fishing Facilities	\$3,300,000	33%
New Outer Lagoon Gangway & Float	\$3,000,000	30%
Vacant Space Leasing and Activation	\$1,000,000	10%
Subtotal	\$7,300,000	73%
Parks & Open Space		
Portwide Waterfront Walk	\$1,500,000	15%
Southern Waterfront Improvements	\$200,000	2%
Subtotal	\$1,700,000	17%
Enterprise Economic Recovery		
Internal Operational Efficiencies	\$700,000	7%
Revenue Initiatives	\$200,000	2%
Employee Engagement & Support	\$100,000	1%
Subtotal	\$1,000,000	10%
Total	\$10,000,000	100%

Source: Port Economic Recovery Project Expenditure Plan.

The \$10,000,000 for the Economic Recovery Project will be funded by the Port Harbor Fund, as appropriated in FY 2021-22.

RECOMMENDATION

Approve the requested release of reserved funds.