

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: February 25, 2015 Budget and Finance Committee Meeting

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Item 2 File 15-0158	Department: Department of Public Health (DPH)
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would (1) authorize the Department of Public Health (DPH) to accept and expend a \$57,375,000 cash gift from the San Francisco General Hospital Foundation (SFGH Foundation) for furniture, fixtures, equipment (FF&E) and information technology for the new San Francisco General Hospital (SFGH); and (2) approve a gift agreement with the SFGH Foundation, including naming the new San Francisco General Hospital the Priscilla and Mark Zuckerberg San Francisco General Hospital and Trauma Center, which shall remain in place for 50 years. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In November 2008, San Francisco voters approved \$887,400,000 of General Obligation bonds to finance the construction of a new acute care and trauma building at SFGH. These General Obligation bond proceeds cannot be used to pay for furniture, fixtures, equipment or information technology for equip the new SFGH building. Rather, other funding sources are required to pay for such costs. • The proposed resolution would authorize the City to accept and expend \$57,375,000 in gift funds from the SFGH Foundation for furniture, fixtures and equipment for the new SFGH and approve a \$93,375,000 gift agreement from the SFGH Foundation. The additional \$36,000,000 in gift funds will be subject to future approval by the Board of Supervisors through separate gift acceptance resolutions. • In recognition of the Zuckerberg’s gift, the new San Francisco General Hospital will be named “Priscilla and Mark Zuckerberg San Francisco General Hospital and Trauma Center”. The donors’ names will also be added to the Main Lobby Atrium of the new SFGH building to read “Priscilla and Mark Zuckerberg Family Atrium”. Such naming shall remain in place for a 50-year term. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The total estimated minimum cost for furniture, fixtures and equipment for the new SFGH is \$170,487,470. To date, the Board of Supervisors has appropriated \$105,000,000 from the City’s General Fund revenues. The proposed resolution would authorize the City to accept \$57,375,000 of gift funds from the SFGH Foundation, leaving a remaining shortfall of \$8,112,470 for furniture, fixture and equipment for the new SFGH. • The shortfall of \$8,112,470 will be secured through private philanthropy efforts by the SFGH Foundation. If such additional funds are not received, DPH will reduce their budget for purchases or delay purchases until funds are received. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

City Administrative Code Section 10.100-305 requires the acceptance or expenditure of any gift of cash or goods greater than \$10,000, for the benefit of a designated City department as may be specified by the donors, to be approved by resolution of the Board of Supervisors.

BACKGROUND

In November 2008, San Francisco voters approved \$887,400,000 of General Obligation bonds (Proposition A, San Francisco General Hospital and Trauma Center Earthquake Safety Bonds), to finance the construction of a new acute care and trauma building at San Francisco General Hospital (SFGH). These General Obligation bond proceeds cannot be used to pay for furniture, fixtures and equipment, including information technology, needed to equip the new building. Rather, other City funding sources and/or private philanthropy are required to pay for such costs. The new SFGH building is expected to be completed by December 2015.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would (1) authorize the Department of Public Health (DPH) to accept and expend a \$57,375,000 cash gift from the SFGH Foundation for furniture, fixtures, equipment (FF&E) and information technology for the new San Francisco General Hospital; and (2) approve a gift agreement with the San Francisco General Hospital (SFGH Foundation), for a total amount of \$93,375,000, as shown in Table 1 below. This gift agreement includes naming the new San Francisco General Hospital the Priscilla and Mark Zuckerberg San Francisco General Hospital and Trauma Center, which shall remain in place for 50 years. The SFGH Foundation is a 501(c)3 non-profit organization established to support fundraising for SFGH.

Table 1: Proposed Gift to DPH from SFGH Foundation

Specified Use of Funds	Source of Funds	Amount
Furniture, Fixtures and Equipment	Private Philanthropy	\$25,000,000
Furniture, Fixtures and Equipment	Zuckerberg Gift	32,375,000
Subtotal FF&E		\$57,375,000
Patient Care and Quality Improvement Fund ¹	Zuckerberg Gift	\$28,000,000
Public Health/Community Outreach Campaign ²	Zuckerberg Gift	8,000,000
Gift Total		\$93,375,000

According to Mr. Greg Wagner, Chief Financial Officer at DPH, the \$28 million for Patient Care and Quality Improvement Fund and \$8 million for Public Health/Community Outreach

¹ The SFGH Foundation's Patient Care and Quality Improvement Fund will pay for future FF&E and capital needs throughout the SFGH Campus.

² The SFGH Foundation's outreach campaign's goal is to attract new patients to the San Francisco Health Network.

Campaign, as shown in Table 1 above, will be subject to future approval by the Board of Supervisors through separate gift acceptance resolutions, which are anticipated to occur over the next 1-2 years. Future gifts will also include any interest income earned while held by the SFGH Foundation. The SFGH Foundation will provide written fundraising progress reports that describe the SFGH Foundation’s progress in raising funds to support additional purchases of furniture, fixtures, and equipment.

Donor Recognition

In recognition of the Zuckerberg’s gift, the San Francisco General Hospital shall be named “Priscilla and Mark Zuckerberg San Francisco General Hospital and Trauma Center”. This recognition will be highly visible wherever the hospital’s formal name is displayed, including existing and future buildings at SFGH. The donors’ names will also be added to the Main Lobby Atrium of the new SFGH building to read “Priscilla and Mark Zuckerberg Family Atrium”.

The naming of SFGH as “Priscilla and Mark Zuckerberg San Francisco General Hospital and Trauma Center” shall remain in place for a 50-year term. Upon expiration of this 50-year term, the donors may negotiate an additional grant agreement with the City, and the SFGH Foundation, which will provide the opportunity to extend this naming of SFGH according to terms of such potential agreement.

The SFGH Foundation will assume the cost of placing and maintaining the naming arrangements.

FISCAL IMPACT

The total estimated minimum cost for furniture, fixtures, and equipment for the new SFGH is \$170,487,470, as shown in Table 2 below.

Table 2: Estimated minimum cost of SFGH Furniture, Fixtures & Equipment

Category	Amount
Data Equipment	\$612,776
Furniture	4,090,995
Information Technology	56,676,552
Kitchen	8,964
Medical Equipment	108,858,343
Operational	18,593
Tele-Communications	221,247
Total	\$170,487,470

According to Mr. Wagner, the Board of Supervisors has appropriated a total of \$105,000,000 to date from the City’s General Fund revenues to support the furniture, fixtures and equipment needs for the new SFGH. An additional \$65,487,470 (\$170,487,470 total estimated cost less

\$105,000,000 appropriated to date) is to be raised from private philanthropy. The proposed resolution would authorize the City to accept a total of \$57,375,000 of gift funds from the SFGH Foundation to support the furniture, fixtures and equipment costs for the new SFGH.

Table 3 below summarizes the sources of funds for furniture, fixtures and equipment for the new SFGH and identifies an estimated remaining shortfall of \$8,112,470 that will be required.

Table 3: Source of Funds for Furniture, Fixtures and Equipment

Source of Funds	Amount
City General Fund revenues	\$105,000,000
Private Philanthropy (subject of this resolution)	57,375,000
Subtotal	\$162,375,000
Remaining Goal To Be Raised	8,112,470
Total Estimated Funding Sources	\$170,487,470

Mr. Wagner anticipates that the remaining \$8,112,470 balance would be secured through private philanthropy efforts by the SFGH Foundation. If such additional funds are not received, DPH will reduce their budget for purchases or delay purchases until the funds are received, without requiring additional contributions from the City. Mr. Wagner further advises that any funds raised above and beyond the \$8,112,470 would be used to fund future needs at the new SFGH and campus.

RECOMMENDATION

Approve the proposed resolution.

<p>Item 4 File 15-0067</p>	<p>Department: General Services Agency - Department of Public Works (DPW)</p>
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EXECUTIVE SUMMARY

Legislative Objectives

The proposed resolution would approve four emergency public works contracts under Administrative Code, Section 6.60 to construct a temporary modular fire station on Treasure Island for a total amount not to exceed \$2,500,000 for the four contracts collectively.

Key Points

- During an inspection on March 2014, mold was discovered in Fire Station 48 on Treasure Island. In consultation with a mold consultant, the Department of Public Works (DPW) declared the facility unusable, and temporarily moved the fire operations to the nearby San Francisco Fire Department (SFFD) training facility on Treasure Island.
- Construction of a new permanent fire station is planned as part of the Treasure Island redevelopment. However, it will not be constructed for approximately eight years, or until 2023. Therefore, SFFD needs a temporary fire station in the interim.
- In October 2014, the DPW Director declared an emergency situation and awarded four construction contracts to build a temporary fire station. The construction is currently underway, and SFFD expects to move into the temporary fire station by April 2015.

Fiscal Impact

- The total project cost for the temporary fire station on Treasure Island is \$3,000,000, of which \$2,500,000 is for the four contracts, and \$500,000 is for DPW costs and reserves. Of the \$3,000,000, \$1,500,000 was previously appropriated in SFFD’s FY 2014-15 budget, and the \$1,500,000 comes from Earthquake Safety and Emergency Response (ESER) bonds.

Policy Consideration

- The Budget and Legislative Analyst does not consider the construction of a temporary fire station on Treasure Island to be an emergency as defined by Administrative Code Section 6.60. Mold was discovered in Treasure Island Fire Station 48 in March of 2014, which is almost one year ago.
- ESER General Obligation Bonds are intended for long-term seismic and safety improvements to neighborhood fire stations, and DPW is now recommending use of ESER bond proceeds to fund a temporary, modular fire station on Treasure Island.

Recommendations

- Request the City Attorney to report back to the Board of Supervisors about options to amend the Administrative Code for the purposes of limiting the ability of City Departments to award emergency contracts that authorize the waiver of the City’s normally required competitive bidding procedures.
- Approval of the proposed resolution is a policy matter because (1) the resolution waives the competitive bid process for four contracts under Administrative Code Section 6.60 although these contracts could have been awarded through the City’s normally required competitive bid procedures; and (2) the construction of the temporary modular fire station on Treasure Island will be partially funded by ESER bond proceeds, which are intended for long-term seismic and safety improvements to the neighborhood fire stations.

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

Administrative Code Section 6.60(D) states that contracts entered into for emergency work in the amount of \$250,000 or more are subject to Board of Supervisors approval. Section 6.60(D) also states that if the emergency work must be accomplished prior to obtaining Board of Supervisors approval, department heads may enter into the necessary contract, notify the Controller and Board of Supervisors, and seek Board of Supervisors approval as soon as conditions permit.

The Administrative Code defines an “actual emergency” as a sudden, unforeseeable and unexpected occurrence involving a clear and imminent danger, demanding immediate action to prevent or mitigate loss of or damage to life, health, property or essential public services. An actual emergency also means the discovery of any condition involving a clear and imminent danger to public health or safety, and demanding immediate action.

Background

Since the U.S. Navy closed operations on Treasure Island and Yerba Buena Island in 1997, the San Francisco Fire Department (SFFD) has provided emergency services for both islands operating out of Fire Station 48, a former Navy fire station located at 849 Avenue D on Treasure Island.

During an inspection by Pro Tech Consulting and Engineering on March 6, 2014, mold was discovered in Fire Station 48. Immediately upon learning this, SFFD moved firefighters and operations from the station to the nearby SFFD training facility located at 649 Avenue N on Treasure Island. SFFD converted classrooms into living quarters and created a temporary fire station at their training facility.

On March 28, 2014, the Department of Public Works (DPW), along with a mold consultant, released a rapid assessment report of Fire Station 48 stating the mold abatement costs would be approximately \$4,000,000. This cost does not include other building conditions that are not currently in compliance with the code and would need to be addressed, including a separate men’s and women’s bathroom and full Americans with Disabilities Act (ADA) accessibility. Given the circumstances, the report recommended that SFFD not rehabilitate the property.

Under the Disposition and Development Agreement between the Treasure Island Development Authority (TIDA) and the master developer, Treasure Island Community Development, the master developer will be required to construct a new joint-use police and fire station on Treasure Island, in approximately 2023 or eight years. SFFD is unable to use the existing Fire Station 48 because of the mold condition which is a danger to firefighters in the facility. Since construction of a new station is not planned for approximately eight years, SFFD wants to construct a temporary fire station on Treasure Island. SFFD does not consider long term use of

the training facility as a fire station to be feasible because the training facility does not provide covered space for fire apparatus, and the facility is needed for fire academies.¹

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve four emergency public works contracts under Administrative Code, Section 6.60 with (1) Design Space Modular Buildings, Inc. (two separate contracts), (2) McGuire and Hester, and (3) Albert Electric to expedite procurement and installation of temporary modular structures and related infrastructure to serve as a temporary fire station on Treasure Island including: water, sewer, electrical design, emergency alarms, telecom/data and public address systems to house fire operations on Treasure Island for a total amount not to exceed \$2,500,000 for the four contracts collectively.

SFFD requested funding from the Director of Capital Planning in April 2014 to construct a temporary fire station on Treasure Island. The SFFD FY 2014-15 budget as previously appropriated by the Board of Supervisors included \$1.5 million to construct a temporary fire station on Treasure Island.

SFFD provided information and specifications of the modular structures and infrastructure to the Office of Contract Administration (OCA) in July 2014 with the intention that the project would go out to bid in August 2014. However, upon reviewing the materials, the City Administrator recommended that the project be reassigned to DPW. In a September 22, 2014 letter to DPW, the Fire Chief requested that DPW expedite the construction of a temporary fire station on Treasure Island until the new permanent fire station is constructed in 2023. At the request of the TIDA Director, the Director of DPW declared an emergency on October 7, 2014 due to the lack of adequate fire facilities on Treasure Island, and awarded the four contracts to construct the temporary facility without conducting a competitive bid (see Policy Consideration Section below).

FISCAL IMPACT

The total estimated project costs for the temporary fire station on Treasure Island is \$3,000,000, of which \$2,500,000 is for the four emergency contracts noted above and \$500,000 is for DPW in-house design and project management and project contingencies. \$1,500,000 was previously appropriated by the Board of Supervisors in SFFD's FY 2014-15 budget, and the balance of \$1,500,000 will come from Earthquake Safety and Emergency Response (ESER) General Obligation Bond proceeds, previously appropriated by the Board of Supervisors for neighborhood fire station improvements.

Interim Fire Station 48 Construction Costs

DPW determined that in order to build the temporary fire station, DPW needed to procure services to construct:

¹ According to Assistant Deputy Chief Ken Lombardi, SFFD conducted academy classes in March 2014 and during the Fall of 2014 at a smaller training facility at Folsom Street & 19th Street.

1. A modular structure for barracks and operations;
2. A temporary garage structure;
3. Underground utilities infrastructure including water and sewer; and
4. Electrical and lighting infrastructure including emergency alarms, telecom/data, and public address systems.

DPW selected three contractors: Design Space Modular Buildings, McGuire & Hester, and Albert Electric to complete the four tasks necessary to build the interim fire station. Due to the emergency nature of the work, the contractors were not procured through the City’s normally required competitive bid process. Such waivers to the City’s normally required competitive bid process are authorized for emergency contracts in accordance with Administrative Code 6.60. According to Mr. Charles Higuera, DPW Project Manager, the contractors were selected based on their readiness to respond, as well as their prior history working with the City. Details of the four contracts which collectively total \$2,500,000 are provided in Table 1 below.

Table 1: Interim Fire Station 48 Emergency Construction Contract Details

Contractor	Item	Estimated Cost
Design Space Modular Buildings	108’ x 60’ modular office complex to serve as barracks and operation center	\$1,021,739
Design Space Modular Buildings	60’ x 75’ temporary garage structure	\$276,732
McGuire & Hester	Preparatory infrastructure work related to underground utilities	\$259,892
Albert Electric (LBE)	Electrical and lighting infrastructure for temporary structures	\$367,000
	Subtotal	\$1,925,363
	30% Contingency*	\$574,637
	Total Emergency Contracts Request	\$2,500,000

According to DPW, conventionally delivered projects generally include a design contingency of 20-25%. Given the emergency nature of this contract, a larger contingency was included by DPW to account for unforeseen expenses related to design and construction including possible special hazardous material construction protocols and hazardous material remediation.

According to Mr. Higuera, the prices quoted by the three contractors are reasonable based on DPW’s prior experience.

To date, DPW has expended \$286,361, and encumbered \$1,817,230 of the total \$3,000,000 project budget as shown in Table 2 below.

Table 2: Amount of Funding Expended, Encumbered & Remaining to Date

	DPW In-House Design & Project Management	Construction Contracts and Contingency	Project Reserve	Total
<u>Actual Expenditures</u>				
FY 2014-15 Budget	\$47,292	\$79,246		\$126,538
ESER 2014 Bond	19,273	140,550		159,823
Subtotal	66,565	219,796	0	286,361
<u>Encumbered</u>				
FY 2014-15 Budget		1,343,887		1,343,887
ESER 2014 Bond		473,344		473,344
Subtotal	0	1,817,231	0	1,817,231
<u>Balance</u>				
FY 2014-15 Budget	10,836	18,740		29,576
ESER 2014 Bond	247,185	488,349	131,299	866,833
Subtotal	258,021	507,089	131,299	896,409
Total	\$324,586	\$2,544,116	\$131,299	\$3,000,000

Source: DPW

Project Timeline

Construction on the interim Fire Station 48 commenced in December 2014 and is expected to be complete by March 2015. Currently, installation of site utilities at the location is underway and construction of the modular fire station is taking place off-site. SFFD is expected to move in to the interim facilities by April 2015.

POLICY CONSIDERATIONEmergency Contracts

The Budget and Legislative Analyst does not consider the construction of a temporary fire station on Treasure Island to be an emergency as defined by Administrative Code Section 6.60. Mold was discovered in Treasure Island Fire Station 48 in March of 2014, which is almost one year ago. During the planning process for the temporary facility that occurred over the last year, there were several points during which the respective City departments could have moved forward with the City's normally required competitive bid process to accomplish the work needed for construction of the temporary fire station on Treasure Island.

According to Mr. Higuera, DPW Project Manager, terminating the four existing contracts and conducting a competitive process for new contractors is not feasible at this time because construction began in December 2014 and is scheduled for completion in April 2015.

The City Attorney should be requested to report back to the Board of Supervisors about options to amend the Administrative Code for the purposes of limiting the ability of City Departments to award emergency contracts that authorize the waiver of the City's competitive bidding process.

ESER Bonds

As discussed above, DPW intends to use \$1,500,000 in Earthquake Safety and Emergency Response (ESER) General Obligation Bond proceeds to partially fund DPW and contractor costs to construct the temporary fire station. Initial planning for use of the ESER bonds for the neighborhood fire stations did not include the permanent fire station on Treasure Island, which will be constructed by the developer in 2023 as part of the redevelopment of Treasure Island. Also, the ESER bonds are intended for long-term seismic and safety improvements to the neighborhood fire stations, but DPW is now recommending use of ESER bond proceeds to fund a temporary, modular fire station on Treasure Island prior to construction of the permanent fire station by the developer. Both the City Attorney's Office and the Office of Public Finance have determined that this is an allowable use of bond funds.

RECOMMENDATIONS

1. Request the City Attorney to report back to the Board of Supervisors about options to amend the Administrative Code for the purposes of limiting the ability of City Departments to award emergency contracts that authorize the waiver of the City's normally required competitive bidding procedures.
2. Approval of the proposed resolution is a policy matter for the Board of Supervisors because (1) the resolution waives the competitive bid process for four contracts under Administrative Code Section 6.60 although these contracts could have been awarded through the City's normally required competitive bid procedures; and (2) the construction of the temporary modular fire station on Treasure Island will be partially funded by Earthquake Safety and Emergency Response (ESER) bond proceeds, which are intended for long-term seismic and safety improvements to the neighborhood fire stations.

<p>Item 5 File 15-0069</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 Foreign Currency Exchange Service Lease between Travelex Currency Services, Inc. (Travelex) and the San Francisco International Airport (Airport). <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In 2000, the Airport awarded a lease, based on a competitive process, to Travelex to perform foreign currency exchange services. Base rent through the lease was to be the greater of MAG \$4,127,500 or percentage rent calculated at \$.88 multiplied by the total number of enplanements. • In October 2014, the Airport Commission approved a new lease to Travelex to continue to provide foreign currency exchange services. The lease was approved based on a competitive process in which Travelex was the sole bidder to the Request for Proposals (RFP). • The lease is for five years from 2015 to 2019, with three one-year options to extend through 2022. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Under the new lease, Travelex pays the greater of the MAG of \$5,400,000 with annual Consumer Price Index (CPI) increase, or percentage rent based revenues, a similar structure as other Airport concessions leases. • The Airport expects to receive \$5,401,821 in revenues in the first year of the lease with Travelex, which include MAG rent of \$5,400,000 and Initial Promotional Charges of \$1,821. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

City Charter Section 9.118(c) states that any lease of real property for a period of ten years or more or that has revenue to the City of \$1 million or more is subject to Board of Supervisors approval.

BACKGROUND

In 2000, the Board of Supervisors approved a lease, based on a competitive process, to Travelex Currency Services, Inc. (Travelex) to provide foreign currency exchange services at the San Francisco International Airport (Airport). These services include exchange and sale of all major world currencies, sale of pre-paid debit cards and travel insurance, check cashing, notary public services, and cash advances. Base rent for the lease was to be the greater of Minimum Annual Guarantee (MAG) rent of \$4,127,500 or percentage rent calculated at \$.88 multiplied by the total number of enplanements¹. The initial term of the lease was for five years, ending in 2005, with two two-year options to extend the term.

In 2002, the Board of Supervisors approved the Airport's Concession Support Program in response to the terrorist attacks of September 11, 2001, which reduced Airport tenants' revenues. Through the Concessions Support Program, the Airport suspended the MAG for its tenants, including Travelex, from October 2002 until January 2004, and provided an additional five-year option to extend the lease at the discretion of Travelex.

In 2005, the Airport exercised the first two-year option under the original lease to extend the lease through 2007. In 2007, Travelex exercised its option under the additional five-year extension granted through the Concession Support Program, to end in 2012. In 2012, the Airport exercised the second two-year option under the original lease to extend the lease through 2014.

Under the existing lease, Travelex paid to the Airport the MAG in 2009, 2010, and 2011 and paid percentage rent in 2012 and 2013, as shown in Table 1 below.

Table 1: Annual Rent Paid to Airport by Travelex

Year	Amount Paid	Rent Type
2009	\$4,127,500	MAG
2010	\$4,127,500	MAG
2011	\$4,127,500	MAG
2012	\$4,259,613	Percentage Rent
2013	\$4,356,461	Percentage Rent

In October 2014, the Airport Commission approved a new five-year lease with three one-year options for Travelex to continue to provide foreign currency exchange services. The lease was approved based on a competitive process in which Travelex was the sole respondent to the Request for Proposals (RFP).

¹ An enplanement is defined as a passenger boarding an airline carrier.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a new Foreign Currency Exchange Services Lease between Travelex and the Airport for Travelex to provide services including exchange and sale of all major world currencies, sale of pre-paid debit cards and travel insurance, check cashing, notary public services, and cash advances. Minimum Annual Guarantee rent is \$5,400,000 for the first year of the lease for a five-year term ending in 2019, with three one-year options to extend the lease through 2023. A summary of the key lease provisions is shown in Table 2 below.

Table 2: Key Lease Terms of Foreign Exchange Services Lease

Lease term	Five years from 2015 through 2019
Options to extend	Three one-year options through 2022
Premises	11 In-Line Facilities (eight in the International Terminal and one in Terminals 1, 2 and 3) – 1,821 sq. ft. Three Mobile Units - 48 sq. ft. Two Administrative Spaces – 462 sq. ft. <i>Total – 2,331 sq. ft.</i>
Base rent	<u>Greater of:</u> Minimum Annual Guarantee rent (\$5,400,000 per year) <i>or</i> Percentage rent (calculated as 70% of gross revenues from US currency ATM transactions and 10% of gross revenues from foreign currency ATM transactions and other sales)
Adjustments to MAG	Adjusted annually based on the Consumer Price Index
Minimum Investment Amount	\$350 per square foot for in-line 1,821 sq. ft. of in-line facilities. (\$637,350)
Fees	Initial Promotional Charge - \$1 per sq. ft. of in-line facilities. (\$1,821 per year)

Calculating Percentage Rent

Under the original lease, percentage rent paid by Travelex to the Airport was calculated as \$.88 of all enplanements. Under the proposed lease, percentage rent is calculated as 70% of gross revenues for all US currency ATM transactions and 10% of gross revenues for all international currency ATM transactions and other sales. According Ms. Gigi Ricasa, Senior Principal Property Manager at the Airport, the decision to change the percentage rent calculation was made to be consistent with other Airport concession leases which use a similar percentage rent of sale transactions.

Rent Comparisons to other Airports

Airport staff conducted a survey² of rent structures for currency exchange services based on seven different airports from around the country. According to the survey, MAG rent charged by the airports ranged from \$2,400,000 to \$6,498,333, with an average MAG of \$3,894,175. The proposed MAG of \$5,400,000 to be paid by Travelex to the Airport would be the second highest of any airport included in the survey. Percentage rent structures varied significantly among the cities surveyed and were calculated based either on overall sales or on specific transactions of goods and services. According to Ms. Ricasa, the percentage rent structure in the proposed lease between Travelex and the Airport is comparable to the other cities surveyed.

FISCAL IMPACT

Rent paid by Travelex to the Airport will be MAG rent or percentage rent, whichever is greater. MAG rent will be \$5,400,000 in the first year of operations, increased annually based on the Consumer Price Index. The Airport will also receive revenues from the Initial Promotional Charges totaling \$1,821 per year. Based on the first year MAG rent and Initial Promotional Charges, total estimated revenues payable by Travelex to the Airport for the first year of the lease are \$5,401,821, as shown in Table 3 below. Over the initial five year term of the lease, based on the MAG and the Initial Promotional Charge, Travelex would pay to the Airport at least \$27,009,105.

Table 3: Estimated Revenues Payable to Airport under First Year of Proposed Lease

Revenue Source	Amount
MAG	\$5,400,000
Initial Promotional Charges	\$1,821
Total	\$5,401,821

The Airport makes an Annual Service Payment to the City’s General Fund consisting of 15 percent of revenues received from the Airport’s concessions leases, which include foreign currency exchange services. Mr. Bruce Robertson, Budget Director for the Airport, reports that in FY 2014-15 the Airport estimates providing an Annual Service Payment of approximately \$38,400,000 to the City’s General Fund based on 15 percent of the Airport’s total concessions revenue.

RECOMMENDATION

Approve the proposed resolution.

² Airports in the survey included Washington Dulles, Miami, Los Angeles, Atlanta Hartsfield-Jackson, JFK, and Seattle. These cities were selected due to their similar size and passenger volume compared to San Francisco.

Item 6 File 14-1301	Department: Controller's Office Mayor's Office
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objective</p> <ul style="list-style-type: none"> • Ordinance appropriating \$3,400,000 from the General Fund Reserve to General City Responsibility to fund nonprofit organizations that contract with the City and County of San Francisco. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The FY 2014-15 City and County of San Francisco budget included \$6.75 million of General Fund revenues under General City Responsibility to provide an approximate 1.5% increase for nonprofit organizations. • The FY 2014-15 budget also included a 3.0% wage increase for all City and County employees to take effect on October 1, 2014, reflecting an actual 2.25% increase for FY 2014-15. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • Total General Fund payments to nonprofit organizations by the City and County of San Francisco were budgeted at approximately \$461 million in FY 2014-15, based on ten General Fund supported departments. • Based on the budgeted \$461 million in FY 2014-15, the proposed \$3,400,000 would provide an approximate 0.75% increase for nonprofit organizations that contract with the City and County of San Francisco. • The 1.5% increase (\$6,750,000) already approved in the FY 2014-15 budget and the proposed 0.75% increase (\$3,400,000) would together provide a total increase of approximately 2.25% (\$10,150,000) for nonprofit organizations that contract with the City and County of San Francisco for FY 2014-15. • The FY 2014-15 budget appropriated a General Fund Reserve of \$58,020,643. The current balance in the General Fund Reserve is \$55,591,443. If the proposed \$3,400,000 supplemental appropriation is approved, the General Fund Reserve will be reduced to \$52,191,443. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approval of the proposed ordinance is a policy decision for the Board of Supervisors. 	

MANDATE STATEMENT & BACKGROUND

Mandate Statement

According to Charter Section 9.105, amendments to the annual appropriations ordinance, as finally adopted, may be initiated by a member of the Board of Supervisors and adopted in the same manner as other ordinances.

Background

As of July 2013, there were 6,005 nonprofits in San Francisco. A total of 1,425 nonprofits, or 23.7 percent of all nonprofit organizations in San Francisco, were reported as having contracts with the City and County of San Francisco in FY 2013-14 and/or one or more of the prior two fiscal years. The Controller's Office reports that total General Fund supported payments by the City and County of San Francisco to nonprofit organizations having contracts with the City were budgeted at approximately \$461 million in FY 2014-15.

The FY 2014-15 City and County of San Francisco budget included an additional \$6.75 million of General Fund revenues under General City Responsibility to provide an approximate 1.5% increase to nonprofit organizations.

The FY 2014-15 budget also included a 3.0% wage increase for all City and County employees, to take effect on October 1, 2014, reflecting an actual 2.25% increase for FY 2014-15. This employee wage increase for FY 2014-15 was funded with both General Fund and non-General Fund sources.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would appropriate \$3,400,000 from the General Fund Reserve to General City Responsibility to be allocated to nonprofit organizations that contract with the City and County of San Francisco.

According to the office of the sponsor of the proposed ordinance, the initial \$6.75 million previously appropriated during the FY 2014-15 budget for nonprofit organizations was intended to provide wage increases for nonprofit employees. The office of the sponsor of the proposed ordinance advises that the proposed additional \$3,400,000 appropriation is intended to provide increases for nonprofit organizations overall operations and support in FY 2014-15.

FISCAL IMPACT

According to Ms. Michelle Allersma, Budget and Analysis Division Director in the Controller's Office, the approximately \$461 million total General Fund budget allocated to nonprofit organizations having contracts with the City is based on the total cost of the nonprofit contracts included in the following ten General Fund supported departments in FY 2014-15.

1. **General Services Agency- City Administration**
2. **Arts Commission**
3. **Children Youth & their Families**
4. **District Attorney**
5. **Public Health**
6. **Human Services**
7. **Economic and Workforce Development**
8. **Mayor's Office of Housing**
9. **Sheriff**
10. **Department of Status of Women**

Based on the budgeted \$461 million in General Fund supported payments to nonprofit organizations in FY 2014-15, the proposed \$3,400,000 General Fund supplemental appropriation would provide an approximate 0.75% increase for overall operations and support for nonprofit organizations that contract with the City and County of San Francisco.

The 1.5% increase (\$6,750,000) already approved in the FY 2014-15 budget and the proposed 0.75% increase (\$3,400,000) would together provide an approximate total increase of 2.25% (\$10,150,000) for nonprofit organizations that contract with the City and County of San Francisco for FY 2014-15, as summarized in the Table below.

	Amount	Percent of \$461 Million Total
FY 2014-15 Budget	\$6,750,000	1.50%
Proposed Supplemental	3,400,000	0.75%
Total	\$10,150,000	2.25%

The City's FY 2014-15 budget included an initial General Fund Reserve of \$58,020,643. The current balance in the General Fund Reserve is \$55,591,443. If the proposed \$3,400,000 supplemental appropriation is approved, the General Fund Reserve will be reduced to a balance of \$52,191,443.

RECOMMENDATION

Approval of the proposed ordinance is a policy decision for the Board of Supervisors.