CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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May 19, 2023

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: May 24, 2023 Budget and Finance Committee Meeting

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EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would authorize a new professional services agreement between SFPUC and AECOM Technical Services, Inc. (AECOM) to provide program management consulting services. The contract has an initial 10-year term with a five-year option to extend and a not to exceed amount of $90,000,000.

Key Points

- The Wastewater Enterprise 10-Year Capital Improvement Plan (2024-2033) is $4.9 billion and includes the following three programs: Sewer System Improvement Program (SSIP), Renewal and Replacement Program (R&R), and Facilities and Infrastructure Program (F&I).
- In June 2022, SFPUC issued a Request for Proposals (RFP) PRO.0179 for program management consulting services for the Wastewater Enterprise Capital Improvement Plan. AECOM Technical Services, Inc. (AECOM) achieved the highest-ranking score.
- Under the proposed contract, AECOM will provide the following services: (1) Program Administration; (2) Strategic Capital Planning; (3) Program Delivery; and (4) Project Technical Support.
- The contract also includes a $900,000 Social Impact Partnership Commitment.

Fiscal Impact

- The proposed contract budget amount of $90,000,000 was based on an assessment of the existing contract's hours and projected needs. Costs are funded by Wastewater rate payers.

Policy Consideration

- The Wastewater Enterprise has not completed annual performance evaluations of its existing contract with AECOM since 2018, despite the Department's policy for annual contractor performance evaluations. Similarly, in our report on the Wastewater Enterprise's design contract for the Biosolids Digester Facility (22-0791), we noted that staff had not evaluated contractor performance since 2016, but began doing so at the recommendation of the Budget & Legislative Analyst. The lack of annual contractor performance evaluations appears to be a division-wide phenomenon for the Wastewater Enterprise.

Recommendations

- Request PUC update the proposed contract to state that the contractor will be subject to annual performance evaluations.
- 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

Wastewater Enterprise Capital Improvement Plan

The San Francisco Public Utilities Commission (SFPUC) Wastewater Enterprise is responsible for managing the collection, treatment, and disposal of San Francisco's wastewater. The Wastewater Enterprise 10-Year Capital Improvement Plan (2024-2033) is $4.9 billion and includes the following three programs:

- **Sewer System Improvement Program (SSIP):** consists of multiple projects that include addressing aging infrastructure and existing wastewater collection system and treatment facilities and seismic deficiencies, managing stormwater in the City's eight urban watersheds, and upgrading the existing wastewater system. SSIP Phase 1 includes 70 projects and Other SSIP includes 43 projects ($2.9 billion).
- **Renewal and Replacement Program (R&R)**: This program addresses (1) deficiencies in the sewer collection system to ensure they continue to function at proper capacity and meet regulatory standards, and (2) the extension of the useful life of treatment facilities throughout the City by helping to maintain their treatment capacity and performance and maintain regulatory compliance ($1.6 billion).
- **Facilities and Infrastructure Program (F&I)**: consists of capital projects intended to provide for necessary upgrades to aging facilities not included in the SSIP and RRP. These projects include the Southeast Outfall Condition Assessment & Rehabilitation, New Treasure Island Wastewater Treatment Plant, Ocean Beach Climate Change Adaptation Project, Collection Division Consolidation (WWE Facilities Plan), Southeast Community Center at 1550 Evans, Southeast Bay Outfall Islais Creek Crossing Replacement, and Southwest Ocean Outfall (SWOO) ($330 million).

Status of Wastewater Enterprise Capital Improvement Program Projects

According to the most recent March 2023 Wastewater Enterprise Capital Improvement Program Quarterly Report for the second quarter of FY 2022-23 (October 1, 2022, to December 31, 2022), the SSIP Phase 1 is 52.6 percent complete with a current approved budget of $4,402.6 million, a forecast cost of $4,409.6 million and a forecast completion of June 2032. The 'Other SSIP' projects have a current approved budget of $1,570.9 million, a forecast cost of $1,613.1 million, and is expected to be finished in June 2033. The current approved budget for the F&I Program is $677.8 million, and the current forecast cost at completion is $648.6 million, with a forecast completion of January 2032. The total approved budget and the current forecasted cost at completion for the Renewal and Replacement Program are approximately $1.2 billion. The overall R&R Program is currently forecasted to be completed in March 2024 but, by its nature, will be ongoing beyond this date.

Existing CS-165 Contract with AECOM

On July 26, 2011, the Board of Supervisors authorized the General Manager of the SFPUC to execute a new agreement, CS-165 Program Management Support Services – Sewer System Improvement Program, with AECOM-Parsons Joint Venture (AECOM-Parsons) in an amount not to exceed $150,000,000 for a term of up to 15 years, from August 30, 2011 through September 25, 2026 (File 11-0586). According to SFPUC staff, the contract has expended approximately $149.9 million through April 2023. SFPUC staff state that inadequate long-term planning and management of task order costs and resources over the contract duration, combined with additional efforts to initiate the program beyond what was expected, led to contract funds being exhausted three years earlier than anticipated.

While the CS-165 contract was focused solely on providing services as part of the SSIP, the new proposed contract will support the entire Wastewater Enterprise (WWE) 10-Year Capital Improvement Plan, including SSIP, the F&I Program, R&R, and any new projects initiated as part of the Wastewater Capital Plan.

Competitive Process for New Contract

Consequently, in June 2022, SFPUC issued a Request for Proposals (RFP) PRO.0179 for specialized program management consulting services for the Wastewater Enterprise Capital Improvement Plan for an amount not to exceed $90,000,000 for a project term of up to 10 years. The RFP sought proposals to provide services that include but are not limited to the following: program administration, strategic capital planning, program delivery, and project technical support for all three Capital Improvement Plan program areas: SSIP, F&I Program, and the R&R Program. AECOM Technical Services, Inc. (AECOM), Greeley and Hansen LLC, and Parsons Water & Infrastructure, Inc. were the three respondents to the RFP. A four-member selection panel reviewed the proposals and scored them, as shown in Exhibit 1 below.[1]

Exhibit 1: Proposers and Scores from RFP

Proposer	Average Score (out of 1000)
AECOM Technical Services, Inc. (AECOM)	858.12
Greeley and Hansen LLC	828.10
Parsons Water & Infrastructure Inc.	825.09

Source: SFPUC

AECOM achieved the highest-ranking score. The losing bidders protested the award, however the PUC and City Attorney determined the protests were without merit.

[1] The panel consisted of an Assistant General Manager from the SFPUC Wastewater Enterprise, a Manager from the SFPUC Project Management Bureau, a Chief Development Officer from SFO, and an Assistant General Manager from BART.

Subcontractors

AECOM's proposal exceeded the 15 percent Micro/Small-Local Business Enterprise (LBE) subconsultant participation requirement by including a total LBE participation rate of 20.25 percent. The subconsultants and the LBE-credited participation percentages are shown in Exhibit 2 below.

Exhibit 2: Subcontractors

Firm	Service	Local Business Enterprise Participation
Chaves & Associates	Records Management – Document Control	1.00%
Coord, LLC	Urban & Regional Planning – Strategic Capital Planning	10.00%
Davis & Associates Communications, Inc.	Community Relations/Public Affairs – Communications	1.00%
Effective Management Services, LLC	Construction Management – Construction Planning Support	1.00%
Incommon LLC	Urban & Regional Planning – Urban Planning	0.75%
M. Lee Corporation	Construction Management – Cost Estimating	2.25%
Pathways Climate Institute	Environmental Advisory Services, Urban and Regional Planning – Climate Change Support	0.75%
Sustainable Watershed Designs Inc. DBA Lotus Water	Water Resources Civil Engineering Watershed Assessment, Stormwater, Green Infrastructure	2.00%
Yolanda's Construction Administration and Traffic Control Inc.	Administrative Services – Program Contract Management/Administration	1.50%
HDR Engineering, Inc.	Program Management/Engineering Design and Support	0%
V&A Consulting Engineers, Inc.	Condition Assessment	0%
	Total LBE Participation:	**20.25%**

Source: Contract Monitoring Division, Office of the City Administrator

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize a new professional services agreement between SFPUC and AECOM Technical Services, Inc. (AECOM) to provide program management consulting services. The contract has an initial 10-year term with a five-year option to extend and a not to exceed amount of $90,000,000.

Services

Under the proposed contract, AECOM will provide the following services:

1. **Task 1: Program Administration:** includes program contract management and developing a Program Management Plan that will serve as a roadmap for the vendor working on the

Capital Improvement Plan. The contractor would also update and refine the existing SSIP Quality Management Plan using industry best practices and perform Quality Assurance services on deliverables.

2. **Task 2: Strategic Capital Planning:** includes recommending updates to the Wastewater Capital Improvement Plan, such as developing cost and schedule estimates for projects. The contractor would also support SFPUC staff in providing analysis related to air, biosolids, and wastewater regulatory requirements.
3. **Task 3: Program Delivery**: includes evaluating health and safety plans for the Capital Improvement Plan, providing risk and regulatory compliance assessments and inspections and a risk management plan, and preparing a facilities integration plan for the Capital Improvement Plan. The contractor would also provide a lead cost estimator for the program, support communications for the Capital Improvement Plan, and develop cost control procedures.
4. **Task 4: Project Technical Support:** includes leading the needs assessment for projects, supporting PUC Infrastructure Engineering Management Bureau and Wastewater Enterprise in evaluating asset-specific seismic risks, providing specialized hydraulic modeling expertise, including treatment plan and water quality modeling, and evaluating climate change impacts to the wastewater infrastructure. The contractor will also develop and deliver training programs and curriculums, investigate new technologies for possible inclusion in Capital Improvement Plan projects, and provide Building Information Modeling and asset digitization services to Infrastructure and Wastewater Enterprise.

According to SFPUC staff, during execution of the CS-165 contract with AECOM/Parsons JV, SFPUC evaluated which services could be performed in-house. The scope of work for "program controls" and "pre-construction management and planning" were transitioned to SFPUC staff and were not performed under the CS-165 contract, and these items are not included as part of the proposed PRO.0179 contract. SFPUC staff state that improved processes will be in place during the implementation of the proposed contract to evaluate the skillset and availability of City staff resources prior to engaging the contractor's team, such as assessing if the communications support function could be provided by City staff instead. SFPUC staff also state that some of the "Strategic Capital Planning" scope of services will be evaluated over several budget cycles to assess a potential transition to SFPUC staff over time as capacity and capital planning processes are strengthened internally.

Social Impact Partnership Commitments

Under the proposed PRO.0179 contract, AECOM commits to providing $900,000 in direct financial contributions comprising a mix of direct financial contributions in the areas of workforce development for local residents and youth, education, and environment and community health as part of the Social Impact Partnership program. Exhibit 3 below shows the beneficiary organizations.

Exhibit 3: Social Impact Partnership Beneficiary Organizations

Category	Beneficiary	Timetable	Amount
Job Exposure, Training & Internships	Old Skool Café	Contribute toward two training programs per year for 10 years	$120,000
Education	SF Ed Fund - Maisin Scholar Award Program	5 annual college scholarships for 10 years	$600,000
Environment & Community Health	Mycelium Youth Network (MYN)	Contribute $18,000 to support climate resilience programming for 10 years	$180,000
		Total	**$900,000**

Source: PUC

Performance Monitoring

Existing Contract

According to SFPUC staff, the most recent performance evaluation for the existing AECOM contract was from September 28, 2018 for the evaluation period of August 12, 2017 through June 31, 2018. Although the Department's SFPUC's Infrastructure Division Procedures Manual (last revised in 2019) requires contractor performance evaluations be completed on an annual basis, using a Consultant Performance Evaluation Form, SFPUC staff stated that no performance evaluations were conducted after 2018 due to lack of clarity in the procedure, including frequency and responsibility, and changing staff and leadership managing the contract. SFPUC staff state that a CS-165 contract closeout evaluation is scheduled for June 2023 and will include meeting with the contractors to assess performance and confirm if contractual obligations, such as receipt of task order deliverables, were met.

Controller's Audit of Existing AECOM Contract

In February 2023, the Office of the Controller audited the existing SSIP Program Management Services Contract (CS-165), a joint-venture with AECOM and the Parsons Corporation. SFPUC concurred with all audit findings and 15 recommendations on contract management and oversight and is in the process of implementing all recommendations by June 30, 2023 for the proposed contract, with the exception of one for performance evaluation which is required by December 31, 2023.

Proposed Contract Performance Management

The proposed contract does not define specific performance measures, performance evaluations, or reporting requirements but stipulates that "SFPUC may or may not, at its sole discretion, conduct evaluations of contractor's performance." However, SFPUC staff state that annual evaluations, as recommended by the recent audit, will be required and that relevant SFPUC Infrastructure Division reporting procedures will be evaluated and updated to clarify reporting requirements and frequency. SFPUC plans to meet the audit recommendation implementation date of December 31, 2023, to coincide with the end of year annual evaluation requirement.

In addition, SFPUC staff state that they will incorporate the audit requirement in the existing contract management procedure to clearly define the elements that should be included in progress reports, establish a set format for reporting, and use information provided to better inform oversight with an implementation date of June 30, 2023.

FISCAL IMPACT

Estimated Not to Exceed Amount

According to SFPUC staff, the proposed estimated budget amount of $90,000,000 was determined by three approaches: (1) a top-down analysis of the projects and functions in the Wastewater Capital Improvement Plan,[2] (2) a bottom-up analysis based on FTE staff to deliver the scope of work,[3] and (3) a comparison of efforts on the previous CS-165 contract with AECOM.[4] The three approaches resulted in a range of costs, and SFPUC staff took the average amount of $93,000,000 and rounded down to $90,000,000 to determine the proposed total amount for the contract.

Exhibit 4 below shows the estimated uses of funds by task for the proposed contract amount of $90,000,000, as developed by SFPUC staff.

[2] According to SFPUC, this is based on an assumed level of effort depending on the project lifecycle stage (i.e. if the project has not yet started, the program effort will be higher than compared to a project currently in planning/design) and may have a high level approximation.

[3] According to SFPUC, this is based on an assumption of three tiers of staff (top/mid/low) and estimated FTE by subtask by year and may have a low approximation because missing effort results in zero hours.

[4] According to SFPUC, this is based on actual expenditures of the CS-165 contract over the contract term, by comparable subtask where possible. It could be assumed this average expenditure over the contract term to be high because there was additional effort/costs in the first half of the contract.

Exhibit 4: Estimated Uses of Funds for Proposed Contract

Task and Subtasks	Other Direct Costs (ODC) Allowance	Labor Cost Estimate	Total (ODC and Labor)
Task 1: Program Administration	*$500,000*	*$5,700,000*	*$6,200,000*
Program Contract Management	$500,000	$ 3,600,000	$ 4,100,000
Program Management Plan	-	$ 900,000	$ 900,000
Document Management	-	$ 600,000	$ 600,000
Quality Management	-	$ 600,000	$ 600,000
Task 2: Strategic Capital Planning	-	*$26,000,000*	*$26,000,000*
Program Review	-	$ 2,700,000	$ 2,700,000
Long-Range Capital Planning	-	$ 3,100,000	$ 3,100,000
Adaptive Management Process	-	$ 4,800,000	$ 4,800,000
Asset Management Integration	-	$ 9,600,000	$ 9,600,000
Triple Bottom Line	-	$ 3,700,000	$ 3,700,000
Operational Permit Support	-	$ 2,100,000	$ 2,100,000
Task 3: Program Delivery	*$500,000*	*$19,200,000*	*$19,700,000*
Program Safety	-	$ 2,100,000	$ 2,100,000
Risk Management	-	$ 2,500,000	$ 2,500,000
Facilities Integration Plan	-	$ 1,000,000	$ 1,000,000
Project Labor Agreement Support	-	$ 500,000	$ 500,000
Diversity, Equity and Inclusion Support	-	$ 800,000	$ 800,000
Quality Control (Design)	-	$ 2,000,000	$ 2,000,000
Communications and Reporting Support	$500,000	$ 3,200,000	$ 3,700,000
Cost Estimating	-	$ 5,600,000	$ 5,600,000
Change Management	-	$ 1,500,000	$ 1,500,000
Task 4: Project Technical Support	*$2,505,000*	*$35,595,000*	*$38,100,000*
Preliminary Project Scoping and Development	$ 1,500,000	$ 4,100,000	$ 5,600,000
Project Alternatives Analysis Support		$ 15,400,000	$ 15,400,000
Seismic Evaluation/Standards		$ 900,000	$ 900,000
Hydraulic Modeling/Systems Engineering	$ 500,000	$ 1,400,000	$ 1,900,000
Hydraulic and Hydrologic Model Refinement and Modeling Support		$ 600,000	$ 600,000
Watershed Assessments	$ 400,000	$ 4,100,000	$ 4,500,000
Evaluation of Climate Change Drivers to the System and Revisions to Adaptation Plans	$ 5,000	$ 1,295,000	$ 1,300,000
Design Standards Review and Recommendations		$ 1,500,000	$ 1,500,000
Staff Training	$ 100,000	$ 1,100,000	$ 1,200,000
Condition Assessment Support		$ 2,500,000	$ 2,500,000
Emerging Technologies Review and Utility Expertise		$ 900,000	$ 900,000
Value Engineering		$ 1,000,000	$ 1,000,000
Independent Technical Reviews and Input		$ 800,000	$ 800,000
Total	**$3,505,000**	**$86,495,000**	**$90,000,000**

Source: SFPUC

Billing Rates

According to SFPUC staff, costs for the tasks noted in Exhibit 4 above are based on the estimated hours for each task and the billing rates for AECOM and their subcontractors, which range from $107.65 to $300 per hour. Under the proposed PRO.0179 contract and detailed in an addendum to the RFP, the maximum billing rate for key/lead staff and any Technical Advisory Panel members is $300/hour, for all other staff the maximum billing rate is $270/hour. The average hourly billing rate for AECOM and their subcontractors is $250.17. Under the proposed agreement, the contractor will only be allowed to escalate its 2022 billing rates based on the annual percentage change of the Consumer Price Index (CPI) for the San Francisco Bay Area for Urban Wage Earners and Clerical Workers. Under the proposed contract and detailed in an addendum to the RFP, the Effective Overhead and Profit Rate (EOPR) for the proposed contract is 3.1997.[5]

Under the proposed contract, the following items will be eligible for reimbursement as Other Direct Costs ODCs: travel, specialty printing, task-related permit fees, expedited courier services, and task-specific safety equipment.

Impact on Ratepayers

Contract costs, as well as capital plan costs, are recovered from Wastewater Enterprise ratepayers. The 2023 Water and Wastewater Rate Study (conducted by an independent consultant) will be used to set rates for FY 2023-24 through FY 2025-26 and will be considered at the May 23, 2023 SFPUC Commission meeting. According to the report, a proposed nine percent increase in Wastewater Enterprise revenue adjustments is proposed annually from FY 2023-24 to FY 2025-26.

Industry Average

According to the Office of the Controller's audit of the existing contract, "an industry study led by the Construction Management Association of America in 2014, found that the proportion of CS-165 consultant fees to SSIP program costs was lower than industry averages, which were an approximate average of 5.6 percent of a capital improvement program's total budget." The proposed contract is 1.8% of the Wastewater Enterprise's 10-year capital plan. SFPUC staff state that the proposed contract amount is also under this industry average, likely due to the programs primarily being managed and delivered by City staff and supplemented by the contractor when needed for times during high demand or specialist expertise.

[5] The EOPR or Individual Firm Overhead and Profit Rate will apply to the billing rate of all individuals not listed in Appendix B-1. The EOPR will also apply to all amendments to the Agreement. If a new subcontractor is added during the duration of the Agreement, the new individual firm multiplier can be no more than the EOPR.

POLICY CONSIDERATION

Performance Monitoring

As previously mentioned, the most recent performance evaluation for the existing AECOM SSIP management contract was 2018. Similarly, in our report on the Wastewater Enterprise's design contract for the Biosolids Digester Facility (22-0791), we noted that staff had not evaluated contractor performance since 2016, but began doing so at the recommendation of the Budget & Legislative Analyst. The lack of annual contractor performance evaluations appears to be a division-wide phenomenon for the Wastewater Enterprise. We recommend the Wastewater Enterprise evaluate this proposed contract as well as all of their contractors' performance annually, as required by PUC policy.

In addition, the proposed contract does not define specific performance measures, performance evaluations, or reporting requirements but states that "SFPUC may or may not, at its sole discretion, conduct evaluations of contractor's performance." However, SFPUC staff state that annual evaluations, as recommended by the Controller's audit, will be required and that relevant SFPUC Infrastructure Division reporting procedures will be evaluated and updated to clarify reporting requirements and frequency.

We recommend that PUC update the proposed contract to state that the contractor will be subject to annual performance evaluations, consistent with the Department's Infrastructure Construction Management Procedures.

RECOMMENDATIONS

1. Request PUC update the proposed contract to state that the contractor will be subject to annual performance evaluations.
2. Approve the proposed resolution.

Item 4 **File 23-0551**	**Department:** Public Utilities Commission (PUC)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed hearing would release $6,877,765 from Budget and Finance Committee reserve for the San Francisco Public Utilities Commission (SFPUC) Transmission Lines 7/8 Upgrades project.

Key Points

- In January 2013, the Board of Supervisors passed an Ordinance (File No. 12-1007, Ordinance 4-13) that authorized the SFPUC to enter into mitigation agreements for projects that impact SFPUC power assets. The Ordinance requires that any funds resulting from the mitigation agreements that exceed $100,000 must be placed on Budget and Finance Committee Reserve.
- As of April 20, 2023, SFPUC has completed 15 mitigation agreements for a total of $29.1 million, with five mitigation agreements still being negotiated totaling approximately $4 million. The Board has previously approved the release of $21.47 million. The remaining mitigation payments and accrued interest available on reserve total $6,877,765.
- Mitigation payments are used to offset the cost of a $38 million capital project to upgrade Transmission Lines 7 and 8 Upgrade that connect Warnerville and Standiford substations.

Fiscal Impact

- The proposed release of reserved funds will reduce use of Hetch Hetchy capital funds for the Transmission Lines 7 & 8 Upgrade project.

Recommendation

- Approve the release of $6,877,765.24 in reserves, consistent with the available reserve balance for the Transmission Lines 7/8 Upgrades project.

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

The San Francisco Public Utilities Commission (SFPUC) electric transmission Lines 7/8 conveys power from Warnerville Substation to Modesto Irrigation District's Standiford Substation. SFPUC's Hetch Hetchy Water Division manages and operates the transmission lines.

There are hundreds of proposed electric generating projects seeking to interconnect with the electric transmission system controlled by the California Independent System Operator (CAISO).[1] As part of the CAISO transmission interconnection process, renewable energy project developers submit applications to the CAISO. Projects are managed by CAISO through a cluster analysis to identify aggregate impacts to the state's electric grid. San Francisco Public Utilities Commission (SFPUC) owns transmission facilities in the Central Valley that can be affected by these proposed projects.

Projects that impact the grid are required to pay the owner of the affected facilities (in this case SFPUC) to reimburse for the expenditures required to mitigate the impacts. SFPUC identified three project clusters that would affect SFPUC's Transmission Lines 7/8, resulting in 21 projects that could result in mitigation payments to SFPUC.

Authorization for SFPUC to Enter Mitigation Agreements

In January 2013, the Board of Supervisors passed an Ordinance (File No. 12-1007, Ordinance 4-13) that authorized the SFPUC to enter into mitigation agreements for projects that impact SFPUC power assets. The Ordinance requires that any funds resulting from the mitigation agreements that exceed $100,000 must be placed on Budget and Finance Committee Reserve.

Mitigation Payments for SFPUC Lines 7 and 8

As of April 20, 2023, SFPUC has completed 15 mitigation agreements for a total of $29.1 million, with five mitigation agreements still being negotiated. Of the $29.1 million in signed agreements, the SFPUC has received $27.43 million in payments and $1.7 million in Letters of Credit. In September 2020, the Budget and Finance Committee approved the release of $9.47 million in mitigation payments and accrued interest to the SFPUC for the Transmission Lines 7/8 Project (File No. 20-1020), and in July of 2022 the Budget and Finance committee approved the release of $12 million in mitigation payments and accrued interest (File 22-0807). The remaining mitigation payments and accrued interest available on reserve total $6,877,765.

[1] CAISO is a nonprofit public benefit organization that manages the flow of electricity across the high voltage, long-distance power lines for the grid serving 80 percent of California and a small part of Nevada.

Additionally, the SFPUC has appropriated $16 million in Capital Program funding for this project. As mitigation funding becomes available for release, it is used to reimburse the Capital Program funds.

Project Overview

SFPUC's Transmission Lines 7/8 span approximately 12.5 miles from the Warnerville Substation in Oakdale, CA to the Modesto Irrigation District Standiford Substation in Modesto, CA. The lines consist of two separate systems: the structural support system comprised of towers and foundations, and the wire system comprised of conductors, insulators, and hardware.

SFPUC has identified three project clusters that would affect Transmission Lines 7/8. The objective of this project is to upgrade the existing conductors along the Lines to accommodate the additional transmission power flows caused by the interconnection of electric generating projects to the electric grid. Exhibit A shows the location of Transmission Lines 7/8 and Exhibit B shows a project detail map for the upgrades.

Project Timeline

The project began on January 1, 2020 and is expected to be closed out by December 31, 2024. The planning, design, and environmental review phases have been completed, and the project is currently in construction. Funding for the initial portion of the project was covered by the Hetch Hetchy Water and Power Capital Program ($16 million appropriated to date). As mitigation funding becomes available, it is used to reimburse the Capital Program funds.

On February 11, 2022, the SFPUC advertised the contract for the project construction work and received three responsive bids. Wilson Utility Construction Company (Wilson) was the lowest responsive bidder.

On June 28, 2022, the SFPUC Commission approved the award of the contract (No. HH-1007) to Wilson Utility Construction Company for a total amount of $23,980,141. Wilson met the 10 percent Local Business Enterprise (LBE) subcontracting participation requirement for this contract.

Construction began on September 28, 2022 and is expected to be completed by July 2024.

DETAILS OF PROPOSED LEGISLATION

The proposed hearing would release $6,877,765 from Budget and Finance Committee reserve for the San Francisco Public Utilities Commission (SFPUC) Transmission Lines 7/8 Upgrades project.

This amount is consistent with the available project reserve balance (including accrued interest) provided by SFPUC to our office.

The funds will be used to reconductor transmission lines and modify existing towers along Transmission Lines 7/8 from Warnerville to Standiford substations to accommodate the additional transmission power flows caused by the interconnection of electric generating projects to the electric grid.

FISCAL IMPACT

SFPUC anticipates that the total cost of the Transmission Lines 7/8 Upgrades project is approximately $37,969,000. The project is funded by Hetch Hetchy Power Capital Program bond funding and mitigation payments from renewable generation developers. The sources and uses of funds for the project are shown in Table 1 below.

Table 1. SFPUC Transmission Lines 7/8 Upgrade Project Budget

Sources	Amount
Mitigation Payments	$33,300,000
Hetch Hetchy Power Capital Program	$4,669,000[a]
Total Sources	**$37,969,000**

Uses	Amount
Planning	$802,000
Design	$4,056,000
Environmental Review	$222,000
Pre-Construction Subtotal	*$5,080,000*
Construction	$28,173,000
Construction Management	$4,716,000
Construction Subtotal	*$32,889,000*
Total Uses	**$37,969,000**

Source: SFPUC

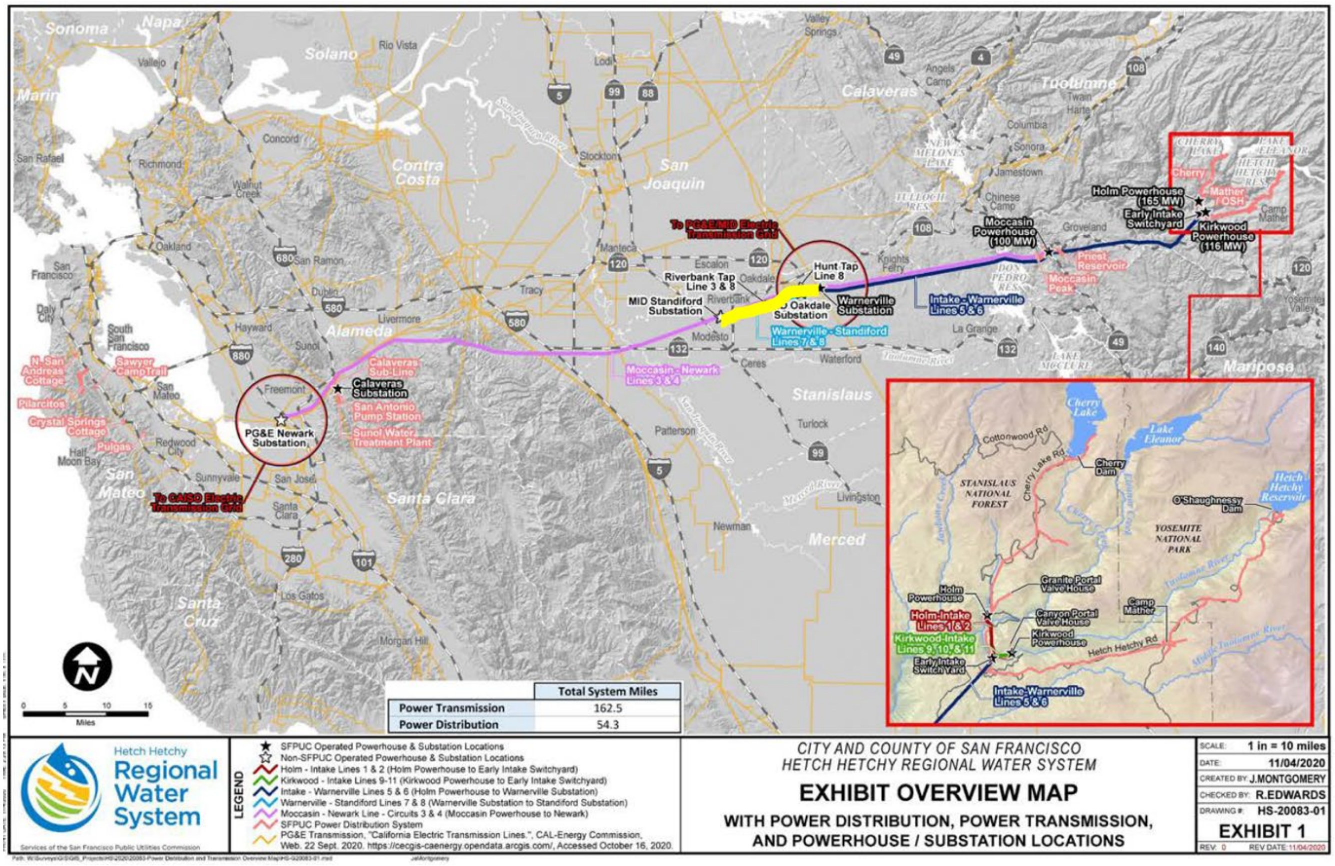
Notes: [a] This is the amount that is expected to be funded from the Capital Plan by the end of the project, assuming SFPUC receives the full $33.3 million in mitigation payments. As mentioned above, $16 million from the Hetch Hetchy Power Capital Program has been appropriated for this project. As mitigation funding becomes available, it is used to reimburse the Capital Program funds. Five more mitigation agreements with renewable generation project developers are in negotiation.

According to the FY 2022-23 Second Quarterly Report on the Hetch Hetchy Capital Improvement Program, $4.84 million has been spent to date on this project.

RECOMMENDATION

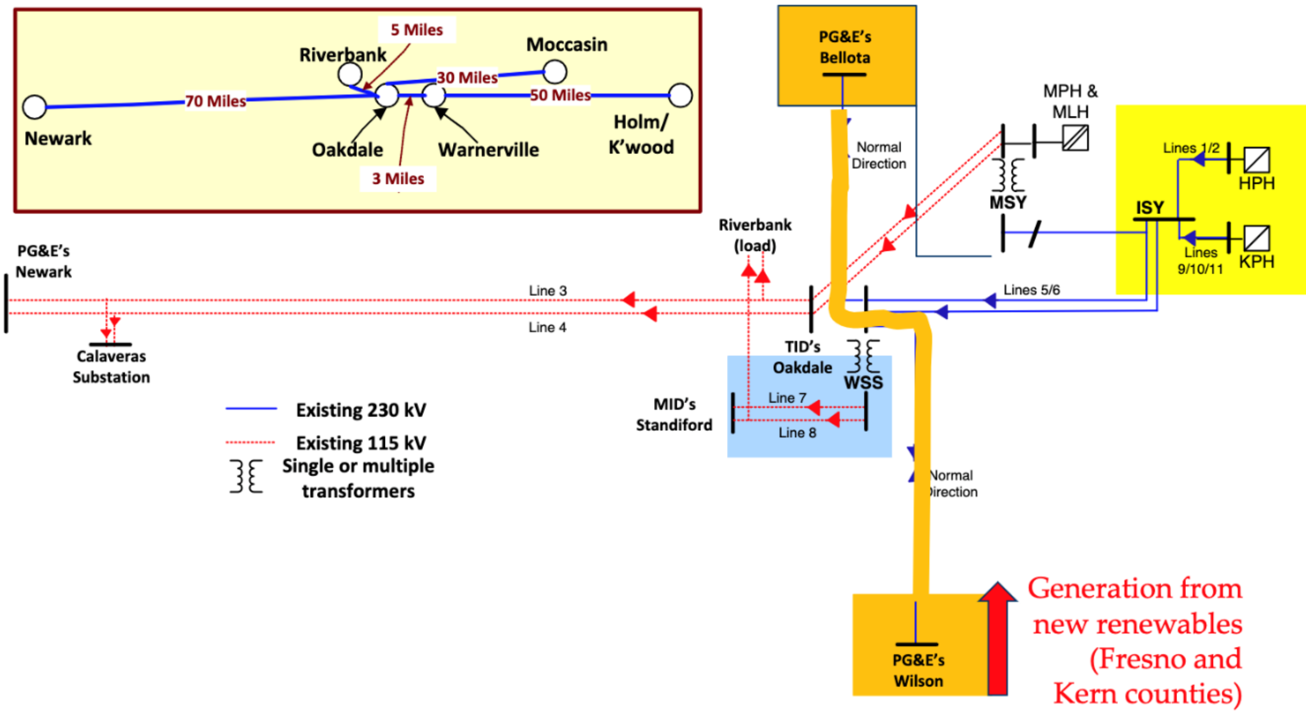
Approve the release of $6,877,765.24 in reserves, consistent with the available reserve balance for the Transmission Lines 7/8 Upgrades project.

Exhibit A. SFPUC Transmission Lines 7/8 Upgrades Project Overview Map



Source: SFPUC

Exhibit B. SFPUC Transmission Lines 7/ 8 Upgrades Project Detail Map



Source: SFPUC

Item 4 **File 23-0403**	**Department:** Human Services Agency

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a grant agreement between the City and Brilliant Corners to administer the Scattered Site Housing and Rental Subsidy Administration program for seniors and adults with disabilities over the period July 2023 through June 2027 for a total not to exceed amount of $15,036,591.

Key Points

- The Human Services Agency (HSA) provides Scattered Site Housing and Rental Subsidy Administration (SSHRSA) services to seniors and adults with disabilities within the City to facilitate independent community living for eligible residents. SSHRSA provides housing options for individuals leaving skilled nursing facilities in San Francisco, including Zuckerberg San Francisco General Hospital and Laguna Honda Hospital, or individuals who are at imminent risk for nursing home or institutional placement but are willing and able to live in the community with appropriate support.
- The Community Living Fund Program refers individuals to the SSHRSA program based on an eligibility determination, evaluation of needs, and service plan. Services include rental unit identification and acquisition, rental subsidy administration, tenant-landlord liaison services, housing retention services, unit habitability, tenant well-being inspections, and management of unit modifications for reasonable accommodations.
- Brilliant Corners currently administers the SSHRSA program under an existing agreement with a term of July 2018 to June 2023 and a not to exceed amount of $16,916,977. In January 2023, HSA conducted a Request for Proposals (RFP) for the SSHRSA program. HSA selected Brilliant Corners, the only respondent to the solicitation.

Fiscal Impact

- The FY 2023-24 annual budget is $3.4 million, which includes $2.6 million for direct client costs (75 percent) for rental subsidies and client utilities, $510,797 (14.9 percent) for salaries and benefits associated with 5.23 full time equivalent positions, and other costs.
- The grant is fully funded by the Community Living Fund, which receives General Fund monies.

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 Human Services Agency (HSA) provides Scattered Site Housing and Rental Subsidy Administration (SSHRSA) services to seniors and adults with disabilities within the City. Funded by the Community Living Fund[1] administered through HSA's Department of Disability and Aging Services (DAS), the SSHRSA program aims to facilitate independent community living for eligible residents within the City. Services include rental unit identification and acquisition, rental subsidy administration, tenant-landlord liaison services, housing retention services, unit habitability, tenant well-being inspections, and management of unit modifications for reasonable accommodations. SSHRSA provides housing options for individuals in skilled nursing facilities in San Francisco, including Zuckerberg San Francisco General Hospital and Laguna Honda Hospital, or individuals who are at imminent risk for nursing home or institutional placement but are willing and able to live in the community with appropriate support.

Brilliant Corners currently administers the SSHRSA program under an existing agreement with a term of July 2018 to June 2023 and a not to exceed amount of $16,916,977. The Board of Supervisors approved the existing agreement in June 2018 (File 18-0359).

Selection

In January 2023, HSA conducted a Request for Proposals (RFP) for the SSHRSA program. HSA selected Brilliant Corners, the only respondent to the solicitation. A selection panel[2] reviewed the proposal and gave it a score of 90.7 out of 100 points possible.

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[1] The San Francisco Administrative Code, Section 10.100-12, created the Community Living Fund (CLF) to support aging in place and community placement alternatives for individuals who may otherwise require care within an institution. The CLF provides for home and community-based services, or a combination of equipment and services, that will help individuals who are currently, or at risk of being, institutionalized to continue living independently in their homes, or to return to community living. This is the source of funding for the entire term of the contract.

[2] The selection panel consisted of a Project Manager at the Mayor's Office of Housing and Community Development, a Director of Social Services at Curry Senior Center, and a Chief Operating Officer and Housing Director at Swords to Plowshares.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a grant agreement between the City and Brilliant Corners to administer the Scattered Site Housing and Rental Subsidy Administration program for seniors and adults with disabilities over the period July 2023 through June 2027 for a total not to exceed amount of $15,036,591.

Client Eligibility and Referrals

Eligible individuals for the SSHRSA program must have no other alternative to acquire independent housing. In addition, individuals must be:

- At least 18 years old or older;
- A resident of San Francisco;
- Willing and able to live independently with appropriate supports and ability to comply with SSHRSA program requirements;
- Have income up to 300 percent of the Federal Poverty Level; and
- Institutionalized or deemed to be at imminent risk of being institutionalized.

The Community Living Fund Program refers individuals to the SSHRSA program based on an eligibility determination, evaluation of needs, and service plan. The grantee, together with the Community Living Fund Program and DAS, reviews referrals and determines prioritization for the SSHRSA program based on an assessment of needs, preferences, appropriateness for independent community living, and housing availability. The grantee reassesses program participants annually to ensure they continue to meet eligibility requirements.

Services

Under the proposed grant agreement, Brilliant Corners would provide the following services to support housing placements for 110 adults per year:

- Client Services to match participants with the most appropriate housing units based on assessed needs and preferences; and to assist participants in exiting the program as appropriate, including assistance with identifying and securing appropriate housing and managing housing applications for participants interested in other housing options (including monitoring affordable housing waitlists).
- Housing Unit Services to identify and secure housing units that meet the needs of the served population, including the negotiation of master leases with landlords or property managers.
- Subsidy Administration Services to collect the participant's share of rent (equal to 50 percent of monthly income) and issue subsidy payments and participant rent payments to landlords and property management.
- Liaison Services between landlords and tenants to support move-in and ongoing housing stability, including liaison assistance with unit modifications, routine maintenance, and fair housing advocacy.

- Unit Repairs and Modifications Services to receive repair requests from participants, determine if the property owner is responsible, and leverage alternate resources as appropriate to cover the cost of repairs.
- Tenant Wellness Checks and Housing Retention Services including monthly home visits to monitor unit habitability and participant well-being and liaison services to community supports (such as emergency rental assistance agencies) to ensure participants retain housing.
- Service Provider Communication and Outreach to Private Real Estate Market to ensure effective communication with DAS, the Community Living Fund Program, case managers, and service providers and ensure housing stability; and to promote master leasing with a rental subsidy to prospective housing partners.
- Fiscal Management Services to negotiate and manage required security deposits for master leases, potential short-term subsidies, and rental patches, subject to approval by DAS.

Program Monitoring

Under the proposed grant agreement, program monitoring will include review of participant eligibility, satisfaction survey results, onsite monitoring, and progress towards meeting service and outcome objectives, such as housing stability of participants as evidenced by at least 90 percent of participants retaining housing for more than one year.

According to HSA's FY 2021-22 program monitoring report for the program completed in June 2022, there were no findings that required corrective action. The number of unduplicated consumers served as well as the percentage of participants that were satisfied with their housing were just below contract goals. The program's unduplicated consumers served was 109 compared to a goal of 110, and 92 percent of survey respondents were satisfied with their housing compared to a goal of 95 percent. According to the report, there were fewer discharges from Laguna Honda Hospital due to COVID, which resulted in reduced unduplicated consumers served. In addition, COVID surges during late 2021 and early 2022 resulted in housing verification visits and annual income verification visits below goal due to challenges reaching participants. The grantee met all other service and outcome objectives.

Fiscal and Compliance Monitoring

In May 2023, HSA conducted fiscal and compliance monitoring of Brilliant Corners for FY 2022-23. HSA identified two findings[3] related to the grantee's documentation of employee time for payroll purposes, which the grantee has committed to correcting as soon as possible.

[3] Findings included: (a) employee time was not separately tracked by funding source or program; and (b) timesheets of employees paid with City funds were not consistent with invoices reviewed.

FISCAL IMPACT

The proposed resolution would approve the grant agreement between HSA and Brilliant Corners for a total not-to-exceed amount of $15,036,591, including a 10 percent contingency of $1,366,963, as shown in Exhibit 1 below. The grant is fully funded by the Community Living Fund, which receives General Fund monies.

Exhibit 1: Proposed Grant Budget

	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	Total
Salaries & Benefits	$510,797	$563,573	$589,649	$576,394	$2,240,412
Operating Expenses	231,267	179,032	152,657	162,190	725,146
Indirect Costs	111,309	111,391	111,346	110,788	444,834
Direct Client Pass Through Expenses	2,564,034	2,563,411	2,563,755	2,568,035	10,259,236
Total Expenditures	**$3,417,407**	**$3,417,407**	**$3,417,407**	**$3,417,407**	**$13,669,628**
Contingency (10%)					1,366,963
Total Not to Exceed Amount					**$15,036,591**

Source: Proposed Grant Agreement

According to HSA staff, the proposed budget is based on the grantee's existing budget and identified housing services needs for targeted Community Living Fund Program clients. The FY 2023-24 annual budget is $3.4 million, which includes $2.6 million for direct client costs (75 percent) for rental subsidies and client utilities. The FY 2023-24 budget also includes $510,797 (14.9 percent) for salaries and benefits associated with 5.23 full time equivalent (FTE) positions funded by the grant.

Actual Spending

Actual spending under the existing contract totaled $14,300,068 through March 2023. If FY 2022-23 spending continues at the same rate for the remainder of the fiscal year, we estimate there will be $1.7 million of the $16.9 million existing not-to-exceed amount unspent, or 10 percent.

RECOMMENDATION

Approve the proposed resolution.

Item 6 File 23-0407	Department: Human Services Agency (HSA)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a grant agreement between the Human Services Agency (HSA) and Institute on Aging for the provision of the Community Living Fund (CLF) program, for a four-year term from July 2023 through June 2027, and an amount not to exceed $22,750,279.

Key Points

- The CLF was established by the Board of Supervisors in 2006 and is funded by annual General Fund appropriations and federal funds issued by the State. The CLF program is administered by HSA through the Department of Disability and Aging Services (DAS) and is designed to help eligible lower income San Francisco residents transition out of hospitals or care facilities so that they can live independently. In January 2023, HSA issued a Request for Proposals (RFP) for a provider to administer the CLF program. Institute on Aging, which had been the CLF provider since the program's inception in 2007, was the only respondent and was deemed to meet the minimum qualifications.
- Under the grant agreement, the Institute on Aging uses CLF program funds for case management and purchase of goods and services to live independently. Examples of goods and services that can be purchased through the CLF program are home care, assistive devices, home modifications, basic furnishings, transportation, and translation services.

Fiscal Impact

- Annual spending on the agreement is approximately $5.2 million. The grant is funded by the General Fund (78 percent) and federal funds (22 percent).

Policy Consideration

- FY 2021-22 performance monitoring indicates that Institute on Aging met approximately 50 percent of contracted units of service (227 actual clients out of 425 contracted clients and 76 actual new clients out of 175 contracted newly enrolled clients). Nevertheless, the Institute on Aging spent 99% of its contract in FY 2021-22. HSA staff report that the level of actual spending on the contract was due to serving existing clients. We requested additional explanation from HSA on FY 2021-22 spending, particularly why the purchase of service budget was fully spent in light of the FY 2021-22 client count being 50 percent below budget. Pending a response to that inquiry, we consider approval of the proposed resolution to be a policy matter.

Recommendation

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

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 Community Living Fund (CLF) was established by the Board of Supervisors in 2006 (File 06-0793) and is funded by annual General Fund appropriations and federal funds issued by the State. The CLF program is administered by the Human Services Agency (HSA) through the Department of Disability and Aging Services (DAS) and is designed to help eligible lower income San Francisco residents transition out of hospitals or care facilities so that they can live independently. Appropriations to the fund may only be used for DAS programming related to community placement alternatives, as specified in Section 10.100-12 of the Administrative Code.

In January 2023, HSA issued a Request for Proposals (RFP) for a provider to administer the CLF program. Institute on Aging, which had been the CLF provider since the program's inception in 2007, was the only respondent and was deemed to meet the minimum qualifications. Based on the RFP and satisfaction with Institute on Aging's performance under the previous grant agreement, HSA has awarded a new grant agreement to Institute on Aging.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a grant agreement between HSA and Institute on Aging for the provision of the Community Living Fund program, for a four-year term from July 2023 through June 2027, and an amount not to exceed $22,750,279.

Under the grant agreement, the Institute on Aging uses CLF program funds for case management and purchase of goods and services for older adults and adults with disabilities who are currently in or at imminent risk of being institutionalized. Examples of goods and services that can be purchased through the CLF program are home care, assistive devices, home modifications, basic furnishings, transportation, and translation services.

Eligible program recipients must be San Francisco residents, age 18 or older, institutionalized or at imminent risk of being institutionalized, willing and able to live in the community with appropriate supports, and at an income level up to 300 percent of federal poverty plus assets up to $130,000 for case management services (or assets up to $6,000 for individuals with only purchase of service needs). Priority is given to patients of Laguna Honda and Zuckerberg San Francisco General Hospital, patients at other San Francisco acute care hospitals and skilled nursing facilities, nursing home eligible individuals on the Laguna Honda Hospital waiting list, and individuals who are at imminent risk for nursing home or institutional placement. The CLF program also includes the Enhanced Care Management initiative, which provides similar services to members of the San Francisco Health Plan (SFHP) who are at risk of long-term care institutionalization and nursing facility residents transitioning to the community.

In addition to the CLF program, Institute on Aging would also continue to administer the Public Guardian Housing Fund under the proposed grant agreement. The Public Guardian program provides program support, including in-person visits, coordinated case management services, monthly approval of housing subsidies, and other activities. Allowable purchases through the Public Guardian Housing Fund include monthly subsidies (up to 100 percent) for a licensed assisted living facility, supportive housing, or similar, or move-related costs and purchases.

HSA estimates Institute on Aging would annually serve approximately 375 unduplicated clients in the CLF program and six unduplicated clients in the Public Guardian Housing Fund. The contract funds approximately 15.3 full-time equivalent (FTE) positions. The contract also provides funding to three subcontractors that provide case management services to clients: (1) Catholic Charities, for $149,950 annually; (2) Self-Help for the Elderly, for $171,350 annually; and (3) Conard House, for $118,450 annually.

FISCAL IMPACT

The proposed grant agreement would have a total amount not to exceed $22,750,279. Projected annual expenditures are shown in Exhibit 1 below.

Exhibit 1: Projected Annual Grant Expenditures

Expenditures	Year 1 (FY 2023-24)	Year 2 (FY 2024-25)	Year 3 (FY 2025-26)	Year 4 (FY 2025-26)	Total
Salaries & Benefits	$1,779,046	$1,779,046	$1,779,046	$1,779,046	$7,116,182
Operating Expense[1]	732,414	707,404	707,404	707,404	2,854,626
Indirect Cost (15%)	376,719	372,967	372,967	372,967	1,495,621
Allowable Indirect from Subcontractors[2]	12,750	12,750	12,750	12,750	51,000
Capital Expenditure	72,000	-	-	-	72,000
Purchase of Services	1,896,837	1,925,599	1,925,599	1,925,599	7,673,635
Subtotal, CLF Program	*$4,869,766*	*$4,797,766*	*$4,797,766*	*$4,797,766*	*$19,263,064*
Public Guardian Program	354,752	354,752	354,752	354,752	1,419,008
Contingency (10%)					2,068,207
Total Not-to-Exceed					**$22,750,279**

Source: Proposed grant agreement

The not-to-exceed amount includes a 10 percent contingency to account for escalation, new programs, and/or expansions of programs. The grant is funded approximately 78 percent by the City's General Fund and approximately 22 percent by federal funds.

POLICY CONSIDERATION

Performance and Fiscal Monitoring

FY 2021-22 performance monitoring indicates that Institute on Aging met approximately 50 percent of contracted units of service. According to HSA, this was likely due to the impacts of the COVID-19 pandemic, as discharges from Laguna Honda Hospital were slowed due to the federal recertification process. CLF intends to do additional outreach to skilled nursing facilities and work with Self-Help for the Elderly to "raise awareness" of services. Two of the three program outcomes met their goals. However, only 59 percent of care plan problems were resolved after one year of enrollment in CLF, short of the 80 percent goal. According to HSA, care plan resolution was challenging because intensive case management has more services to cover for care coordination and active goals are considered even when clients are not ready or willing to engage in services. HSA determined that no findings required corrective action. In addition, HSA reviewed Institute on Aging's financial documents as part of the FY 2022-23 Citywide Fiscal and Compliance Monitoring process and identified no findings.

According to HSA staff, despite only serving 50 percent of the contract clients (227 actual clients out of 425 contracted clients and 76 actual new clients out of 175 contracted newly enrolled clients), the Institute on Aging spent 99% of its contract budget in FY 2021-22. HSA staff report that the level of actual spending on the contract was due to serving existing clients. We requested

[1] Operating expense includes property rental, office supplies, insurance, staff travel, outreach and marketing, subcontractors, temporary staffing, web hosting and user fees, technology equipment, wireless fees, storage, recruiting fees, trainings, and translation services.

[2] This refers to an administrative fee that was established with Institute on Aging for managing the subcontractors.

additional explanation from HSA on FY 2021-22 spending, particularly why the purchase of service budget was fully spent in light of the FY 2021-22 client count being 50 percent below budget. Pending a response to that inquiry, we consider approval of the proposed resolution to be a policy matter.

RECOMMENDATION

Approval of the proposed resolution is a policy matter.

Item 7 File 23-0292	**Department:** Office of Economic Workforce Development (OEWD), Department of Public Health (DPH)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would appropriate $10,000,000 from the General Reserve as follows: (1) $4,000,000 to the Office of Economic and Workforce Development (OEWD) for nonpolice ambassadors to areas of the Tenderloin that currently lack coverage; (2) $3,000,000 to OEWD for small business safety and security grants; and (3) $3,000,000 to the Department of Public Health (DPH) to launch the Tenderloin Street Dealing Intervention Program.

Key Points

- The Mid-Market/Tenderloin Community-Based Safety Program deploys community ambassadors over an 80-block face area in the Tenderloin and Mid-Market. The program is managed by the Mid-Market Foundation and uses staffing from its subcontractor Urban Alchemy. Based on the cost of the existing agreement, we estimate that the proposed $4 million could cover approximately 15 additional blocks over a one-year period.
- The intent of the $3 million safety and security grant appropriation is to provide assistance to small businesses, particularly those that have been vandalized. Safety-related investments may include cameras, security gates, and/or added security guards. At this time, OEWD has not determined parameters for the program, such as eligibility requirements or a maximum grant amount, although OEWD's understanding is that the intent is for the grants to be approximately $10,000 each.
- The intent of the $3 million Tenderloin Street Dealing Intervention Program appropriation is to fund non-police outreach to drug dealers. The program could include engaging with drug dealers in an effort to negotiate agreements, prevent group conflict and violence, connect dealers who are also drug users to treatment, and transition people off the streets of the Tenderloin. Should the funds be appropriated, DPH would work to more fully develop a scope and likely would have to procure the services from a third-party service provider.

Fiscal Impact

- The proposed ordinance would appropriate $7 million from the General Reserve to OEWD and $3 million to DPH.
- Any uses of the General Reserve during the current year (FY 2022-23) will increase the required deposit in the budget year (FY 2023-24) by a like amount.

Recommendations

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

MANDATE STATEMENT

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

BACKGROUND

The Office of Economic and Workforce Development (OEWD) oversees two recovery-related community ambassador programs, the Mid-Market/Tenderloin Community-Based Safety Program and Downtown Ambassadors.[1] The Mid-Market/Tenderloin Program is managed by the Mid-Market Foundation, which was selected through a Request for Proposals (RFP) process in 2021 and uses staffing from its subcontractor Urban Alchemy. In July 2022, OEWD entered into a new grant agreement with Mid-Market Foundation for a term of nine months from July 2022 through March 2023 and an amount not to exceed $9,000,000. In November 2022, the Board of Supervisors approved the First Amendment to the grant agreement, extending the term by three months through June 2023, and increasing the not-to-exceed amount by $11,490,000, for a total not to exceed $20,490,000 (File 22-1058). In March 2023, the Board of Supervisors approved the Second Amendment to the grant agreement, extending the term by three months through October 15, 2023, and increasing the not-to-exceed amount by $13,100,570, for a total not to exceed $33,590,570 (File 23-0041). Under the grant, Urban Alchemy provides approximately 225 community ambassadors over an 80-block face area in the Mid-Market/Tenderloin area.

OEWD's Storefront Vandalism Relief Grant provides grants of up to $2,000 to small businesses that are victims of vandalism to repair their storefronts. In FY 2022-23, OEWD provided 213 grants for a total amount of $286,000.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would appropriate $10,000,000 from the General Reserve as follows: (1) $4,000,000 to OEWD for nonpolice ambassadors to areas of the Tenderloin that currently lack coverage; (2) $3,000,000 to OEWD for small business safety and security grants; and (3) $3,000,000 to the Department of Public Health (DPH) to launch the Tenderloin Street Dealing Intervention Program.

OEWD Community Ambassadors: $4,000,000

According to OEWD's discussions with Supervisor Preston and District 5 staff, the intent of this appropriation is to provide ambassadors in the Tenderloin and Lower Polk areas where there are currently no ambassadors. This includes:

- The streets and alleys between Van Ness and Larkin, from Geary to Turk, including Willow, Eddy, and Myrtle.

[1] The Department of Emergency Management is leading operational coordination of the ambassador program, but funding comes through OEWD.

- The streets and alleys between Geary and Ellis, from Van Ness to Mason.

OEWD is consulting with the City Attorney's Office to determine if the services could be provided by Mid-Market Foundation and Urban Alchemy under the authority of the 2021 RFP or if a new RFP is needed. Based on the cost of the existing agreement with Mid-Market Foundation and its subgrantee, Urban Alchemy, we estimate that the proposed $4 million could cover approximately 15 blocks over a one-year period (in addition to the 82 currently covered by Urban Alchemy in the area).

OEWD Small Business Safety and Security Grants: $3,000,000

According to OEWD's discussions with Supervisor Preston and District 5 staff, the intent of this appropriation is to provide assistance to small businesses, particularly those that have been vandalized. Safety-related investments may include cameras, security gates, and/or added security guards. OEWD has not yet determined parameters for the program, such as eligibility requirements or a maximum grant amount, although OEWD's understanding is that the intent is for the grants to be approximately $10,000 each. OEWD staff is reviewing its existing contracting options to determine if there are components of the program that could be implemented, but OEWD would likely have to procure services for certain program areas.

DPH Tenderloin Street Dealing Intervention Program: $3,000,000

According to the legislation and Supervisor Preston and District 5 staff, the intent of this appropriation is to fund non-police outreach to drug dealers, similar to the work done by the Street Violence Intervention Program.[2]

The Tenderloin Street Dealing Intervention Program could include engaging with drug dealers in an effort to negotiate agreements, prevent group conflict and violence, connect dealers who are also drug users to treatment, and transition people off the streets of the Tenderloin. Should the funds be appropriated, DPH would work to more fully develop a scope and likely would need to procure the services from a third party provider.

FISCAL IMPACT

The proposed ordinance would appropriate $7 million from the General Reserve to OEWD and $3 million to DPH, as shown in Exhibit 1 below.

[2] The Street Violence Intervention Program (SVIP) is overseen by DPH deploys outreach workers to engage in street outreach, crisis response, and community mobilization. SVIP is operated by HealthRIGHT 360 and operates in the Tenderloin, Western Addition, SOMA, Bayview, Potrero Hill, Mission, Excelsior, Visitacion Valley, Alemany, and Lakeview neighborhoods.

Exhibit 1: Proposed Supplemental Appropriation

Sources	Amount
General Reserve	$10,000,000
Total Sources	**$10,000,000**

Uses	Amount
OEWD – Community Ambassadors	$4,000,000
OEWD – Small Business Safety and Security Grants	3,000,000
DPH – Tenderloin Street Dealing Intervention Program	3,000,000
Total Uses	**$10,000,000**

General Reserve

Administrative Code Section 10.60 requires the City to budget a General Reserve of at least 3.0 percent of General Fund revenues to address revenue weakness, excess spending, or other needs not anticipated during the annual budget process. The balance requirement is reduced to 1.5 percent of General Fund revenues if the City withdraws from the Rainy Day Reserve and then increases 0.25 percent per year until the 3.0 percent balance requirement is fully restored. The General Reserve balance in FY 2022-23 was required to be 1.75 percent of budgeted regular General Fund revenues and is required to be 2.0 percent of budgeted General Fund Revenues in FY 2023-24.

According to the Controller's Office FY 2022-23 Nine-Month Budget Status Report, the FY 2021-22 ending balance of the General Reserve was $43.8 million, and the FY 2022-23 approved budget included a $64.4 million deposit, resulting in an initial projected year-end balance of $108.2 million. However, the Board of Supervisors has approved two supplemental appropriations from the General Reserve totaling $50.4 million, reducing the projected year-end balance to $57.8 million. In FY 2023-24 the required deposit is projected to be $68.9 million, resulting in a $126.7 million balance at the end of FY 2023-24.

Any uses of the reserve during the current year (FY 2022-23) will increase the required deposit in the budget year (FY 2023-24) by a like amount.

RECOMMENDATION

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