

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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June 17, 2022

TO: Budget and Appropriations Committee

FROM: Budget and Legislative Analyst



SUBJECT: June 22, 2022 Budget and Appropriations Committee Meeting

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<p>Item 2 File 21-1194</p>	<p>Department: Mayor’s Office of Housing and Community Development (MOHCD)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance would appropriate \$64,150,000 from the Fiscal Cliff Reserve to MOHCD under the Rent Resolution and Relief Fund. Funds in the Rent Resolution and Relief Fund may be used to provide grants to landlords, tenants, and community organizations to prevent evictions of low-income tenants related to COVID-19. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The Fiscal Cliff Reserve was created to manage potential budget shortfalls resulting from the spenddown of state and federal emergency COVID financial support. According to the Controller’s FY 2022-23 – FY 2023-24 Revenue Letter, the proposed budget for FY 2022-23 – FY 2023-24 assumes a FY 2022-23 ending balance of \$220.4 million (after \$9.3 million of withdrawals) and a FY 2023-24 ending balance of \$130.3 million following \$90.2 million withdrawals from the reserve. • MOCHD has grant agreements with the organizations to disburse local rent relief funding. In April 2022, MOHCD extended the agreements from September 2022 through June 2023. The amended agreements increased funding by \$51 million, from \$25 million to \$76 million. Of the additional \$51 million added in April 2022, approximately \$3 million has been spent as of June 1, 2022. We estimate that the existing \$76 million in local funding provides rent relief for 4,256 households. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed ordinance would appropriate \$64,150,000 from the Fiscal Cliff Reserve to MOHCD, under the Rent Resolution and Relief Fund. Based on the existing costs of providers to disburse funds (16 percent, on average) and assuming \$15,000 of rental assistance per household in the current MOHCD rent relief agreements, we estimate the proposed appropriation would provide an additional 3,592 households with rental assistance. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • The proposed ordinance appropriates \$64.15 million of the \$229.8 million currently assigned to the Fiscal Cliff Reserve. Appropriation from the Fiscal Cliff Reserve could result in future budget shortfalls, but whether such shortfalls will occur or the extent of such shortfalls is not yet known. The proposed ordinance is consistent with prior Board policy actions, but because the appropriation could require future budget adjustments, the Budget and Legislative Analyst considers approval to be a policy matter for the Board of Supervisors. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • 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

Fiscal Cliff Reserve

Administrative Provision 32.1 of the FY 2021-22 Annual Appropriation Ordinance created a Fiscal Cliff Reserve to manage potential budget shortfalls resulting from the spenddown of state and federal emergency COVID financial support. According to the Controller’s FY 2022-23 – FY 2023-24 Revenue Letter, the proposed budget for FY 2022-23 – FY 2023-24 assumes a FY 2022-23 ending balance of \$220.4 million (after \$9.3 million of withdrawals) and a FY 2023-24 ending balance of \$130.3 million following \$90.2 million withdrawals from the reserve.

Rent Relief in San Francisco

The state Housing & Community Development Agency administers a rent relief program funded by federal rent relief funds. According to the California COVID-19 Rent Relief Dashboard maintained by the State Housing & Community Development Agency, as of June 16, 2022, \$157,524,298 had been paid to 14,467 participants in the State rent relief program for San Francisco.

In addition, MOHCD has grant agreements with the organizations listed below in Exhibit 1 to disburse local rent relief funding. The agreements are funded by federal and local funds.

Exhibit 1: MOHCD Rent Relief Grants

Organization	Amount
Eviction Defense Collaborative	\$22,600,000
Catholic Charities	20,100,000
Mission Neighborhood Centers	13,850,000
Young Community Developers	6,600,000
HOMEY	6,100,000
La Raza CRC	4,000,000
Native American Health Center	<u>2,750,000</u>
Total City Funding	\$76,000,000

Source: MOHCD as of March 2022

The original MOHCD agreements totaled \$25 million and were funded by federal rent relief funds. In April 2022, MOHCD extended the agreements from September 2022 through June 2023, of which three (with Catholic Charities, Eviction Defense Collaborative, and Mission Neighborhood

Centers) required Board of Supervisors approval (File 22-0211). The amended agreements increased funding by \$51 million, from \$25 million to \$76 million. Of the additional \$51 million added in April 2022, approximately \$3 million has been spent as of June 1, 2022. We estimate that the existing \$76 million in local funding provides rent relief for 4,256 households.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would appropriate \$64,150,000 from the Fiscal Cliff Reserve to MOHCD, under the Rent Resolution and Relief Fund in FY 2021-22. Funds in the Rent Resolution and Relief Fund may be used to provide grants to landlords, tenants, and community organizations to prevent evictions of low-income tenants related to COVID-19.

FISCAL IMPACT

The proposed ordinance would appropriate \$64,150,000 from the Fiscal Cliff Reserve to MOHCD, under the Rent Resolution and Relief Fund. Based on the existing costs of providers to disburse funds (16 percent, on average) and assuming \$15,000 of rental assistance per household in the current MOHCD rent relief agreements, we estimate the proposed appropriation would provide an additional 3,592 households with rental assistance, as shown in Exhibit 2 below.

Exhibit 2: BLA Estimate of Additional Households Served by Proposed \$64.15 million Appropriation

New funding	\$64,150,000
Disbursement Costs (16%)	\$10,264,000
Net Financial Assistance	\$53,886,000
Rental Assistance per Household	\$15,000
New Households	3,592

Source: BLA Analysis of MOHCD rental assistance grants

The above represents our initial estimate of the fiscal impact of the proposed legislation, which is subject to change once MOCHD develops a plan to disburse these funds.

POLICY CONSIDERATION

Fiscal Cliff Reserve

The proposed ordinance appropriates \$64.15 million of the \$229.8 million assigned to the Fiscal Cliff Reserve, leaving a reserve balance of \$156.25 million at the end of FY 2022-23 after planned uses of \$9.3 million that year and then a new end balance of \$66.05 million at the end of FY 2023-24 after planned withdrawals of \$90.2 million that year.

Appropriation from the Fiscal Cliff Reserve could result in future budget shortfalls, but whether such shortfalls will occur or the extent of such shortfalls (including whether such shortfalls exceed the remaining balance of \$66.05 million) is not yet known. The proposed ordinance is consistent with prior Board policy actions, but because the appropriation could require future budget

adjustments, the Budget and Legislative Analyst considers approval to be a policy matter for the Board of Supervisors.

RECOMMENDATION

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

<p>Items 6 and 7 Files 22-0694 & 21-0695 <i>(Continued from June 14, 2022)</i></p>	<p>Department: Controller</p>
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MANDATE STATEMENT/DETAILS OF PROPOSED LEGISLATION

File 22-0694: Administrative Provisions of the Annual Appropriation Ordinance

The proposed FY 2022-23 and FY 2023-24 Annual Appropriation Ordinance (AAO) contains the administrative provisions governing the appropriation ordinance. The proposed AAO for FY 2022-23 and FY 2023-24 contain the following major changes to the administrative provisions:

Section 11.14- Grants to Departments of Disability and Aging Services, Child Support Services, Homelessness and Supportive Housing, and Children, Youth and their Families

The proposed ordinance extends authorization to receive and expend grant funds for their target populations. The existing ordinance authorizes the Departments of Disability and Aging Services as well as the Department of Child Support Service to expend grant funds and federal and state contributions for their target populations. The existing ordinance further authorizes the Controller to make appropriate entries to reflect such receipts and expenditures.

The proposed changes would authorize the Department of Children, Youth and Their Families (DCYF) to receive and expend funds in instances where funds from grants appropriated are not fixed and exceed the estimates contained in the budget. According to Michelle Allersma from the Controller’s Office, this change is being proposed to accommodate DCYF’s summer feeding programs, which are funded by annually budgeted grant that frequently fluctuates. This change would allow DCYF to receive and expend such funds without having to obtain approval to accept and expend grant funds from the Board of Supervisors.

Section 14(d) and (e)- Departments

The proposed ordinance adds two new subsections- (d) and (e) -to Section 14, which establishes and defines the responsibilities for several City departments for budgetary purposes.

The proposed subsection (d) establishes the Department of Sanitation and Streets for budgetary purposes. The proposed language states that the new department will come into existence on October 1, 2022. The proposed subsection also gives the Controller authorization to adjust budgets between the Department of Public Works and the Department of Sanitation and Streets during the fiscal year to achieve the purposes of Charter Section 4.138, which was approved by voters on November 3, 2020, so long as such adjustments do not change cumulative total expenditure budgets across the two departments. The proposed ordinance further authorizes the adjustment of the two departments’ budgets if voters amend the Charter in November 2022 to eliminate the Department of Sanitation and Streets. However, the proposed ordinance does not remove the Department of Public Works from the General Services Agency, which is headed by the City Administrator even though a new commission will be set up to oversee the Department of Public Works.

The proposed subsection (e) pertains to the new Department of Early Childhood (DEC), which is to be established through the consolidation of the Office of Early Care and Education (OECE) and the First Five Commission (CFC). The proposed subsection authorizes appropriations for DEC to be authorized for the use of OECE and CFC until the Board of Supervisors approves final legislation to consolidate the two departments.

Section 29- Appropriation Control of Capital Improvement Project and Equipment

The proposed ordinance authorizes the Controller to shift sources among cash and Certificate of Participation (COP)-funded capital projects across General Fund departments. According to Allersma, this change would allow for a more efficient allocation of COP funding by consolidating COP-funding for larger projects thereby minimizing transaction costs (i.e., disclosure and reporting requirements).

Section 32.1- Exclusion of Projected Unassigned Fund Balance from Budget Stabilization Reserve

The proposed ordinance stipulates that \$163,400,000 of projected, but unassigned fund balance from FY 2021-22 should not be included in the calculations of deposits to the Budget Stabilization Reserve, which is described in Administrative Code Section 10.60(c). This projected amount of fund balance was assumed to be used to balance the FY 2024-25 and FY 2025-26 budgets in the City's Five-Year Financial Plan. This change would avoid the withdrawal restrictions on such funds if they were to be put into the Budget Stabilization Reserve.

File 22-0695: Administrative Provisions of the Annual Salary Ordinance

The proposed FY 2022-23 and FY 2023-24 Annual Salary Ordinance (ASO) contains the administrative provisions governing the salary ordinance. The changes to the proposed ASO for FY 2022-23 and FY 2023-24 are mostly related to updating compensation provisions to account for changes in inflation, specifically for stipends to employees permanently assigned to Hetch Hetchy and Camp Mather and for moving expenses for new employees in the Manager IV classification or higher. In addition, the proposed ASO adds language in Section 1.1E that expands the authorization of the Human Resources Director to convert temporary positions to permanent positions.

The current ordinance authorizes the Human Resources Director, with concurrence of the Controller, to convert temporary positions to permanent positions when sufficient funding is available, and conversion is needed either (a) to maintain services when elimination of temporary positions is consistent with the terms of Memoranda of Understanding or (b) to address City staffing needs created by the San Francisco Housing Authority's changing scope of work. The proposed language expands this authorization to include when the Human Resources Director determines that conversion is warranted, and the Controller certifies that the conversion will not require additional salary appropriation in that fiscal year.

POLICY CONSIDERATION

Public Works Commission

Proposition B, passed by voters in November 2022, established a Public Works Commission to oversee the Department of Public Works. The proposed AAO establishes the Department of Sanitation and Streets for budgetary purposes and authorizes the Controller to make adjustments between the new department and the Department of Public Works. However, it does not make changes to reflect the removal of the Department of Public Works from the General Service Agency, which is headed by the City Administrator.

Expanded Authority for Director of Human Resources

The proposed ASO provides new authorization to the Human Resources Director to convert a temporary position to a permanent position when the Human Resources Director, “determines the conversion is warranted” and “the Controller certifies that the conversion will not require additional salary appropriation in that fiscal year.” According to the May 25, 2022 memorandum from the City Administrator, the Human Resources Director, and the Controller regarding the Government Operations Recovery Initiative, the provision allows the Department of Human Resources to develop a streamlined process for departments to permanently hire exempt employees where a permanent position exists, in accordance with the 48th Supplement to the Mayor’s Emergency Declaration. However, the 48th Supplement, dated May 22, 2022, does not explicitly state this. According to the 48th Supplement, the Human Resources Director is authorized to (a) temporarily modify Civil Service Rules to establish streamlined competitive examination processes for employees who have served for at least one year in an exempt status, and (b) simultaneously submit to the Civil Service Commission permanent rule modifications. Any eligible list adopted under this process would be in effect for no more than one year. The 48th Supplement also authorizes the Human Resources Director to extend the three-year term of exempt employees for up to one additional year.

The proposed provision should be amended to explicitly state that conversion from a temporary position to a permanent position should only be authorized if the Controller certifies that the conversion will not require additional salary appropriation in that fiscal year *and the subsequent fiscal year* to limit ongoing additional personnel costs that are not first approved by the Board of Supervisors. Because the proposed new authorization is an expansion of the authority of the Human Resources Director and is not specific to the provisions of the 48th supplement, we consider approval of this provision to be a policy matter for the Board of Supervisors.

RECOMMENDATIONS

1. Amend Section 14(b) of the proposed administrative provisions of the AAO to remove the Department of Public Works from the General Services Agency.
2. Amend Section 1.1E of the proposed administrative provisions of the ASO to state that conversion from a temporary position to a permanent position is authorized when the

Controller certifies that the conversion will not require additional salary appropriation in the *subsequent fiscal year*.

3. Approval of ASO Section 1.1E is a policy matter for the Board of Supervisors.
4. Approve File 22-0694, as amended.
5. Approve File 21-0695, as amended, with the exception of ASO Section 1.1E, which is a policy matter for the Board of Supervisors.

<p>Item 13 File 21-0645</p>	<p>Department: Controller, City Administrator</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed ordinance would authorize the sale of not to exceed \$140.0 million in Certificates of Participation (COPs) and approve documents associated with the transaction. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • The City’s Ten-Year Capital Plan for FY 2022-2031 included \$765 million of Certificates of Participation debt, of which the Board of Supervisors approved issuance of \$67.5 million in FY 2021-22. • The Mayor’s proposed budget for FY 2022-24 includes \$140.0 million in COPs proceeds for Critical Repair projects (\$50 million), Recovery Stimulus projects (\$29.2 million), Street Resurfacing projects (\$30 million) and associated costs, including a reserve for market uncertainty. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • According to the Office of Public Finance, estimated average annual debt service on the \$136.2 million COPs issuance amount is approximately \$12.2 million. Total debt service over the anticipated 20-year term is approximately \$253.3 million, which includes approximately \$136.2 million in principal and \$117.1 million in interest and true interest cost of 6.44%. Debt service will be paid from the City’s General Fund. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • When the Board of Supervisors approved issuance of \$67.5 million in COPs in FY 2021-22, the Office of Public Finance estimated a true interest rate of 4.75%. Due to increasing interest rates, the Office of Public Finance estimates a true interest rate in FY 2022-23 of 6.44%. According to discussion with the Director of Public Finance, the City’s Capital Plan provided for interest rates of 6.5% for tax-exempt debt. The actual interest rate on the proposed COPs depends on market conditions at the time of issuance, the City’s bond rating, and other market factors, including demand for municipal debt. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approve the proposed ordinance. 	

MANDATE STATEMENT

City Administrative Code Section 10.62(b) states that the Board of Supervisors may authorize the issuance of Certificates of Participation (COPs) and other lease financing debt to fund capital projects provided the annual debt service cost of such outstanding general fund appropriation debt does not exceed 3.25 percent of discretionary revenue as determined by the Controller and Director of Public Finance. Administrative Code Section 10.62(c) states that the Director of Public Finance may issue tax-exempt and taxable commercial paper notes to provide interim funds to finance the acquisition, construction and rehabilitation of capital improvements and capital equipment, subject to the project's and financing plan's approval by the Board of Supervisors and Mayor.

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

Ten-Year Capital Plan

The City's ten-year capital plan is updated every two years. The Capital Plan for FY 2022-2031 provided for \$765 million of Certificates of Participation debt (COP) over the ten-year term, of which the Board of Supervisors authorized issuance of \$67.5 million for FY 2021-21 (File 21-0645). The COP proceeds were to be used for critical repair and recovery stimulus projects, and while the Capital Plan provided for \$110 million in COP proceeds to fund these projects in FY 2021-22, the City determined that \$43.5 million of General Fund could be allocated to critical repair and recovery stimulus projects.¹

The Office of Public Finance has not yet issued the COPs approved in FY 2021-22. According to the Office of Public Finance staff, the projects are initially funded with short-term commercial paper, and the Office will issue the COPs when a sufficient percentage of project budgets have been spent.² The status of projects approved by the Board of Supervisors in FY 2021-22 is shown in Attachment I.

¹ Although not defined in the Capital Plan, according to the City Administrator's Office of Resilience and Capital Planning, Recovery Stimulus projects refer to projects that are "shovel ready" and would deliver immediate local economic stimulus by creating construction jobs, as well as additional benefits (advance racial equity, reduce climate & hazard risks, support small businesses). Critical Repair projects refer to improvements to City facilities and public right-of-way.

² The Internal Revenue Service requires that tax-exempt debt be spent within three years of debt issuance. Therefore, the Office of Public Finance will schedule debt issuance to ensure compliance with IRS rules.

DETAILS OF PROPOSED LEGISLATION

File 22-0683 is an ordinance that would:

- authorize sale of up to \$140.0 million of Certificates of Participation in one more series on a tax or tax-exempt basis
- authorize a competitive, negotiated, or direct placement sale for the COPs
- authorize the Director of Public Finance to appoint underwriters for a negotiated sale, appoint a placement agent for a direct placement or award a bid to a bidder with the lowest true interest cost for a competitive sale
- authorize use of the proceeds to pay for issuance costs, capital project costs, or to retire related commercial paper
- approve the form of the Supplement to the Trust Agreement between the City and U.S. Bank National Association, as Trustee
- approve the form of the Supplement to the Property Lease between the City and U.S. Bank National Association
- approve the Supplement to the Project Lease for Laguna Honda Hospital and County Jail Complex for additional base rent
- approve the form of the Official Notice of Sale and Notice of Intention to Sell the COPs
- approve the form of the Continuing Disclosure Certification
- approve the form of the preliminary and final Official Statement
- approve the form of a Purchase Contract for the COPs
- grant authority to City officials to modify the aforementioned documents in furtherance of the COPs sale

Supplement to Property and Project Leases, and Trust Agreement

COPs are structured as a lease-lease back, in which the City leases the City-owned property to the Trustee and leases back the property. The City would enter into the one or more Supplements to existing Property and Project Leases and Trust Agreement with U.S. Bank National Association, in which the City-owned Laguna Honda Hospital campus at 375 Laguna Honda Boulevard and the San Bruno Jail Complex at 1 Moreland Drive in San Bruno would serve as the leased property to secure the proposed COPs. The City may add or substitute properties to the Master Lease in order to secure the COPs based on the timing of issuances of other series of authorized but unissued certificates of participation.

Commercial Paper

The City may issue commercial paper, a form of short-term debt, in advance of issuing COPs to fund project costs and then use COPs proceeds to repay related commercial debt obligations.

According to the Office of Public Finance, of the \$250 million in commercial paper authority, \$178 million unencumbered as of May 20, 2022.

Method of Sale

According to Office of Public Finance staff, the Office will work with their municipal finance advisor to determine the best method of sale of the COPs, whether competitive or negotiated, based on market conditions at that time. If the City chooses to pursue a negotiated sale, as authorized by the proposed ordinance, the Office of Public Finance will use the City's Underwriting Pool, which was selected via a competitive process.

Projects and Uses of Proceeds

The Capital Plan for FY 2022-2031 provided for issuance of \$225.0 in COPs to fund projects and File 22-0683 approves \$109.2 million to fund projects and in as shown in Exhibit 1 below:

Exhibit 1: FY 2022-23 COPs Funded Projects in Capital Plan

Project	Proposed COPs in Capital Plan	Proposed Issuance of COPs (File 22-0683)
Relocation of Human Services Agency Headquarters	\$70.0 million	n/a
Critical Repairs	\$50.0 million	\$50.0 million
Recovery Stimulus	\$75.0 million	\$29.2 million
Street Resurfacing	\$30.0 million	\$30.0 million
Total	\$225.0 million	\$109.2 million

Source: Capital Plan

The projects to be funded by the proposed COPs in FY 2022-23 differ from the Capital Plan, as shown in Exhibit 1 above. According to Capital Planning Committee staff, the Human Services Agency (HSA) is working with the Real Estate Division to identify an alternative site for the HSA offices, which could include selling 170 Otis Street (the current HSA office site), purchasing a property in the southeast section of the city for client services, and leasing or purchasing space in the Civic Center for administrative staff. Also, of the \$75.0 million proposed for Recovery Stimulus projects, only projects totaling \$29.2 million met the "shovel-ready" criteria.

Exhibit 2 below shows the estimated uses of the COPs proceeds.

Exhibit 2: Uses of COPs Proceeds

Projects	\$109,190,000
<i>Other Costs</i>	
City Services Audit Fee (2% project costs)	218,380
Capitalized Interest ^a	12,659,000
Debt Service Reserve Fund ^b	12,243,700
Costs of Issuance ^c	885,870
Underwriter's Discount ^d	953,050
Subtotal Other Costs	26,960,000
Total Proposed COPs Issuance	136,150,000
Reserve for Market Uncertainty	3,850,000
Total Not to Exceed Authorization	\$140,000,000

Source: Office of Public Finance

^a Capitalized interest accrues during the project construction and prior to completion and placement of the asset in service.

^b The debt service reserve fund provides for one year of debt service payments.

^c Costs of issuance include bond counsel, financial advisors, and other costs associated with the issuance of the COPs.

^d The underwriters discount is the difference between the price paid to the issuer for the COPs issuance and the prices at which the certificates are initially offered to the investing public; this is the fee an underwriter charges when purchasing the COPs for resale to the public.

The projects to be funded by the COPs proceeds are shown in Exhibit 3 below.

Exhibit 3: Proposed Critical Repair and Recovery Repair Stimulus Projects

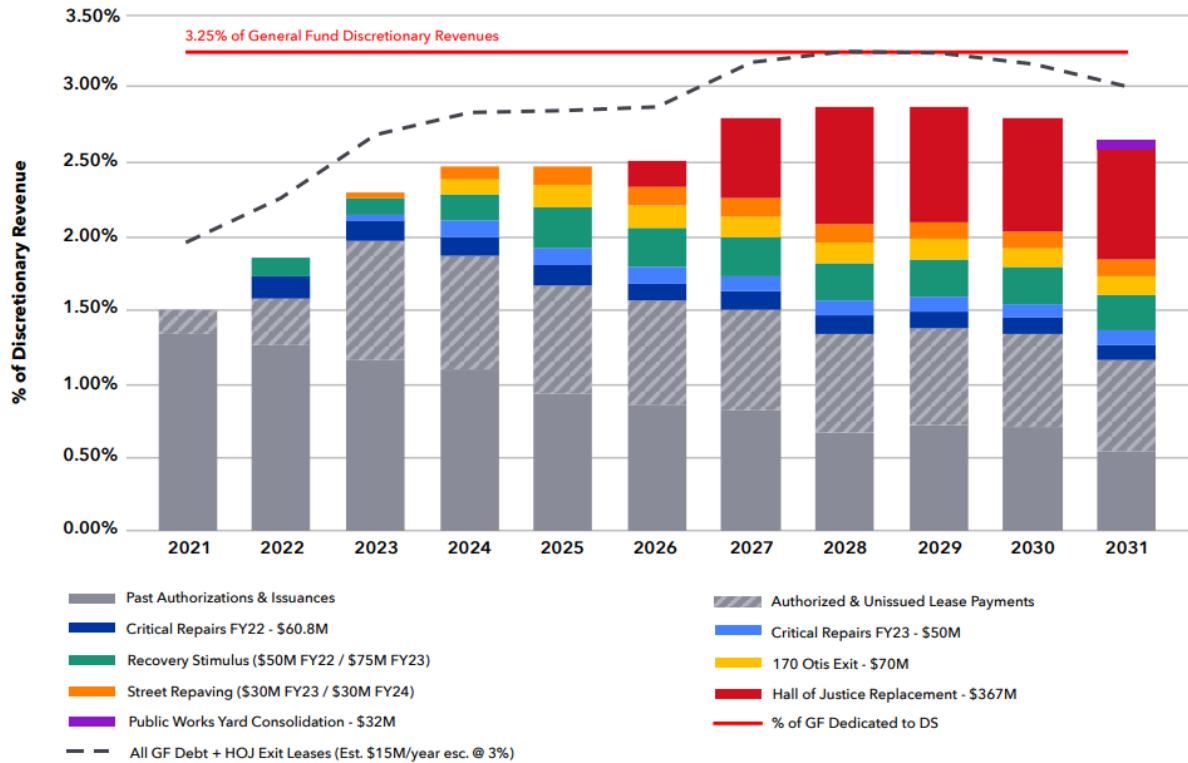
Dept	Project	Amount
	<u>Critical Repair Projects</u>	
ADM	GGP Barrier Removals - Public RoW - JFK Drive & Stanyan Curb	900,000
ADM	1 South Van Ness Fire Detection System Emergency Equipment	1,000,000
ADM	1099 Sunnydale - Boiler	400,000
ADM	1650M - Chiller/Cooling Tower	500,000
ADM	25 Van Ness - Elevator Controls	1,000,000
ADM	50 Raymond - Exterior Siding Replacement	500,000
ADM	555 7th Street Elevator Project & Exterior Improvements	2,250,000
ADM	City Hall - Flat Roof - Waterproofing	2,500,000
ADM	Civic Center - Steam Loop Renewal	3,738,000
ADM	Underground Fuel Tank Replacements	9,225,727
DPH	Clinical Lab Automation System	4,000,000
DPH	ZSFG Improvements	7,000,000
DPW	Curb Ramps with Basements	3,000,000
DPW	Operations Yard Tenant Improvements & HVAC	2,580,751
JUV	Youth Guidance Center Elevator Modernization/Air Exchange/ Exhaust Fans	1,476,000
REC	Recreation & Park ADA Improvements/ Harding Park	900,000
SHF	425 7th St Roof Replacement & Building Management System	4,825,000
WAR	Davies Hall Elevator Modernization	2,200,000
-	Cost Overrun Contingency	2,004,522
	Subtotal Critical Repairs COPs	\$50,000,000
	<u>Recovery Stimulus Projects</u>	
ART	MCCLA - Seismic Retrofit	\$9,580,000
DPH	Laguna Honda Hospital - Simon Cooling Center	975,000
DPW	Innes Ave Rebuild in Bayview Hunters Point	5,000,000
DPW	Japantown Buchanan Mall Improvements Project	2,000,000
DPW	Street Tree Planting & Establishment - Equity Priority Neighborhoods	2,000,000
DPW	Sunset Blvd Hosebib Installation	935,000
DPW	Sunset Boulevard Recycled Water Irrigation Improvements	1,200,000
TIS	DT Fiber to Public Housing	2,500,000
TIS	Opera House Roof Replacement	5,000,000
	Subtotal Recovery Stimulus COPs	\$29,190,000
DPW	Street Resurfacing and Construction	\$30,000,000
	Total	\$109,190,000

A description of each project and intended use is included in Appendix II.

City Debt Policy

Administrative Code Section 10.62 limits debt service of COPs and other lease financing to 3.25 percent of discretionary General Fund revenues. According to the projections provided by the Controller’s Office, the incremental increase in debt service from the proposed COPs as well as planned COPs through FY 2030-31 will be below that cap. Exhibit 4 below shows the projected debt service over the term of the Capital Plan FY 2022-2031.

Exhibit 4: Projected Debt Service FY 2021-22 through FY 2030-31



Source: Capital Plan FY 2022-2031

FISCAL IMPACT

Debt Service

According to the Office of Public Finance, estimated average annual debt service on the estimated \$136.2 million COPs issuance amount is approximately \$12.2 million. Total debt service over the anticipated 20-year term is approximately \$253.3 million, which includes approximately \$136.2 million in principal and \$117.1 million in interest and true interest cost of 6.44%. Debt service will be paid from the City’s General Fund.

POLICY CONSIDERATION**Interest Rate Impact**

When the Board of Supervisors approved issuance of \$67.5 million in COPs in FY 2021-22, the Office of Public Finance estimated a true interest rate of 4.75%. Due to increasing interest rates, the Office of Public Finance estimates a true interest rate in FY 2022-23 of 6.44%. According to discussion with the Director of Public Finance, the City's Capital Plan provided for interest rates of 6.5% for tax-exempt debt. The actual interest rate on the proposed COPs depends on market conditions at the time of issuance, the City's bond rating, and other market factors, including demand for municipal debt.

RECOMMENDATION

Approve the proposed ordinance.

Attachment I

Program	Dept	Project	FY22	Status
Critical Repairs	ADM	City Hall HVAC	\$6.3M	In construction, completion by March 2024
Critical Repairs	ADM	City Hall Elevators	\$2.0M	Bid/Award June 2022, completion by Feb. 2024
Critical Repairs	ADM	Hall of Justice Boiler / Chiller	\$4.8M	In Design (DPW/Vendor), phased completion by January 2024 and June 2024
Critical Repairs	ADM	1 S. Van Ness Bathrooms	\$1.3M	Bid/Award June 2022, completion by June 2023
Critical Repairs	ADM	1 S. Van Ness Elevators	\$0.8M	Permitting June 2022, completion by June 2024
Critical Repairs	ADM	COVID Impact Contingency	\$3.0M	Programmed for planned projects to begin FY23
Recovery Stimulus	ADM	Matching Contingency	\$2.0M	Programmed for planned projects to begin FY23
Critical Repairs	DPH	LHH Emergency Power	\$7.6M	Planning - Need additional funding \$2m to complete project
Recovery Stimulus	DPH	ZSFG New Childcare Center	\$1.5M	Construction Jan 2022, close-out Feb 2023
Critical Repairs	DPW	Curb Ramps with Basements	\$4.0M	Ongoing program, in construction, spend down by June 2023
Critical Repairs	DPW	Infill Sidewalks in Bayview	\$2.0M	Ongoing program, in construction, spend down by December 2023
Recovery Stimulus	DPW	Street Tree Planting	\$2.5M	Ongoing program, in construction - spend down by December 2022
Recovery Stimulus	DPW	Better Market Street (pedestrian and streetscape improvements)	\$3.0M	In Construction - spend down by December 2023
Critical Repairs	DT	Fiber Backbone	\$2.5M	In construction, spend down December 2022, \$2.7m additional funding needed for completion. No additional funding proposed in FY23/FY24 budget
Recovery Stimulus	DT	Fiber to Affordable Housing	\$10.0M	In construction Jan-March 2022, Spend down by Dec 2023
Recovery Stimulus	OEWD	SF Wholesale Produce Market Marshalling Yard	\$3.0M	In construction Apr-June 2022, Spend-down by March 2024
Critical Repairs	REC	Stow Lake ADA	\$0.9M	Bid/Award - Need additional funding \$100K to complete
Critical Repairs	SHF	County Jail 2 Elevators	\$4.0M	In planning, under contract with DPW, completion by December 2023
Critical Repairs	SHF	County Jail 2 Fire Safety Systems	\$1.0M	In planning, under contract with DPW, completion by March 2023

Program	Dept	Project	FY22	Status
Critical Repairs	SHF	County Jail 5 Security Electronics	\$4.5M	In planning, under contract with DPW, completion by March 2024
Critical Repairs	SHF	County Jail 5 Fire Safety Systems	\$0.4M	In planning, under contract with DPW, completion by March 2023
Critical Repairs	WAR	Davies Hall Elevators	\$2.2M	Planning, need additional funding, \$2.2m proposed funding programmed for FY23

Attachment II

Program	Dept	Project	Description	Funding
Recovery Stimulus	ART	Mission Cultural Center for Latino Arts Seismic Retrofit	This is the remaining scope of work to complete seismic retrofit of MCCLA.	\$8.6M
Recovery Stimulus	ART	MCCLA - Seismic Escalation	Cost escalation is 8% over 2019 cost estimate (\$10M funded in FY22) from Facility Assessment, or \$800,000. Relocation/storage costs are \$10,000 per month for 14 months, or \$140,000.	\$1M
Recovery Stimulus	DPH	Laguna Honda Hospital Cooling Center	Installation of cooling capability to an existing ventilation system in order to convert the existing gathering space into a safe space for patients. The proposed cooling station will fill the cooling needs in heat waves until the ongoing HVAC upgrades are complete.	\$1M
Recovery Stimulus	DPW	Innes Ave Rebuild	Entire segment of Innes Ave between Toland and Rankin must be redesigned and rebuilt to City standards, since Jerrold Ave will no longer be accessible once the Produce Market Expansion is complete.	\$5M
Recovery Stimulus	DPW	Japantown Buchanan Mall Improvements	This is a project to implement improvements to the Japantown Buchanan Mall, between Post and Sutter, a culturally significant public plaza. Improvements included replacing the side walkways, landscaping with culturally relevant plants, enhancing and restoring historic public artwork, and installing new pedestrian lighting.	\$2M
Recovery Stimulus	DPW	Street Trees in Priority Areas	Plant and establish new and replacement trees in equity priority neighborhoods with low tree canopy coverage such as the Tenderloin, Mission, SOMA, Excelsior, Bayview.	\$2M
Recovery Stimulus		Sunset Blvd Hosebib Installation	Install or repair quick coupler hose bibs on median islands to allow new trees and plants to be watered. Related to next project below.	\$0.9M

Program	Dept	Project	Description	Funding
Recovery Stimulus	DPW	Sunset Boulevard Recycled Water Irrigation Improvements	The objective of this project is to provide recycle water to the Sunset Blvd. irrigation system. The SFPUC Oceanside Recycle Water Treatment Plant (in construction) pumps recycle water via a 16" force main (FM) to GGP. This project aims to connect to the 16" FM so recycle water can be utilized for the Sunset Blvd. irrigation system.	\$1.2M
Recovery Stimulus	DT	Fiber to Public Housing	This project will build a fiber network to support free Internet access to tenants in public and affordable housing sites, navigation centers and homeless and emergency shelters throughout the City.	\$2.5M
Recovery Stimulus	WAR	Opera House Roof Replacement	Phase 1 funding to begin project to replace all metal roofing from coping at top parapet down to coping at lower parapet; replace built-up roof at Annex building only.	\$5M
Critical Repairs	ADM	1 SVN Fire Detection System Equipment	1 SVN Fire Detection Emergency Equipment - emergency generator and diesel fire pump motor replacement	\$1M
Critical Repairs	ADM	1099 Sunnydale - Boiler	Air handler and boiler replacement	\$0.4M
Critical Repairs	ADM	1650M - Chiller/Cooling Tower	Mechanical Equipment Refurbishment	\$0.5M
Critical Repairs	ADM	25 VN - Elevator Controls	25VN Elevator Control Upgrade	\$1M
Critical Repairs	ADM	50 Raymond - Exterior Siding Replacement	Replacement of building siding and waterproofing	\$0.5M
Critical Repairs	ADM	555 7th - Elevator Project	Sole elevator needs to be replaced	\$1.5M
Critical Repairs	ADM	555 7th - Exterior Wood Siding Replacement and Paint	The exterior siding has dry rot and is allowing water inside the building; needs replacement and painting.	\$0.75M
Critical Repairs	ADM	City Hall - Flat Roof - Waterproofing	Flat roof needs additional waterproofing & repairs	\$2.5M
Critical Repairs	ADM	Civic Center - Steam Loop Renewal	Due to holes and old piping, the steam loop has numerous and dangerous leaks which pose an imminent threat to the system and the well-being of persons and property in the vicinity of same. Said piping needs to be replaced.	\$3.7M
Critical Repairs	ADM	Underground Fuel Tank Replacements	Mandated replacement of aging tanks for diesel and gasoline fuel at the DPW yard and HOJ station. The aging tanks will all be replaced with double-walled tanks with similar capacities. This funds approximately 50% of the total need.	\$9.2M

Program	Dept	Project	Description	Funding
Critical Repairs	DPH	Clinical Lab Systems	The old lab equipment is beyond end of life and has failed several times. Through the design process it was discovered that the new equipment is approximately 3X larger than the existing and the existing is required to remain operational during the new installation and equipment validation.	\$4M
Critical Repairs		ZSFG - Bldg 5 Kitchen Upgrade and HVAC Upgrade	Kitchen last updated in 1982. Flooring, Ceiling, Mechanical and electrical work required throughout. Food storage areas require renovation and upgrade. Regulatory compliance issue with ceiling type and air handling. This is an OSHPD Project.	\$1.5M
Critical Repairs		ZSFG - Fire alarm Backbone and infrastructure	Failing outdated Fire alarm infrastructure needs to be replaced. The existing system was installed in the original 1970's project.	\$4.4M
Critical Repairs		ZSFG - Freight Elevator Modernization	Freight elevator modernization, cab replacements, security upgrades, loading dock security gates, point of entry tracking. Architectural, Mechanical, Electrical, IT/IS, other trades. OSHPD Project.	\$1.2M
Critical Repairs	DPW	Curb Ramps with Basements	Planning, design, and construction of curb ramps with sub-sidewalk basements.	\$3M
Critical Repairs	DPW	Operations Yard Tenant Improvements & HVAC	Engineering and the installation of a new HVAC system in building A, to include adding a new air filtration system. Also includes tenant improvements to create administrative space for the new SAS department.	\$2.6M
Critical Repairs		YGC Air Exchange & Exhaust Fans	Air exchange handler and exhaust fans are original equipment, dated 1949, and functioning at less than 50% capacity in numerous buildings. The severe lack of proper air exchange and exhaust functionality compromises the air quality for employees and the public in the YGC building; limits filtration of outside air contaminants; and allows buildup of indoor air contaminants, prevents proper air circulation; traps heat, humidity, and odors in the buildings; and creates uncontrolled cold air drafts in different areas in the buildings.	\$0.5M
Critical Repairs	JUV	YGC Modernization - East & West Elevators	Capital funding was provided to modernize only one (1) of three (3) elevators in the Juvenile Probation Administration Bldg that serves the general public including ADA members. The public and staff with physical mobility disabilities are negatively impacted from the requirement to find some method of getting from their building entry point to the only operational elevator.	\$1M

Program	Dept	Project	Description	Funding
Critical Repairs	MOD	Golden Gate Park ADA (Stanyan St. Curb)	ADA Facilities RPD: Stanyan Curb ramp installation/repair. Complaint-based.	\$0.4M
Critical Repairs	MOD	Golden Gate Park ADA (JFK Drive)	ADA Facilities RPD: JFK Dr Curb ramp installation/repair. Complaint-based.	\$0.5M
Critical Repairs	REC	ADA Harding Park	The project at Harding Park is being conducted as part of the City and County of San Francisco's ADA Transition Plan to meet the requirements of the Americans with Disabilities Act per 28 CFR Part 35 of Title II.	\$0.9M
Critical Repairs	SHF	425 7th St – Building Management System	425 7th street is in need of a modern BMS to coordinate and conduct day to day operations in an efficient manner.	\$1.4M
Critical Repairs	SHF	425 7th St – Roof	Roof replacement	\$3.4M
Critical Repairs	WAR	Davies Hall Elevator	Continued modernization of Davies Symphony Hall elevators.	\$2.2M
Critical Repairs	Other	Cost Overrun Contingency	Cost Overrun Contingency	\$2M

<p>Item 15 File 22-0693 <i>(Continued from June 16, 2022)</i></p>	<p>Department: Recreation and Park</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • The proposed resolution would authorize the first amendment to an agreement between the Recreation and Park Department and the Francisco Park Conservancy to provide the Francisco Park Conservancy a credit of up to \$443,000 against its obligation to fund maintenance at the Francisco Park over the next four years. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • In July 2016, the Board of Supervisors approved an agreement with the Francisco Park Conservancy to accept \$25,000,000 in construction and design services for the new Francisco Park and annual funding (now escalated to \$199,263) to pay ongoing maintenance. Park construction commenced in 2019 and was completed in April 2022 at a cost of \$27.5 million. • During construction, PG&E require electrical tie-in further than anticipated, resulting in the unexpected costs of approximately \$1,154,692. After deducting \$269,100 that Francisco Park Conservancy owed the Department for project management, the remaining unfunded cost for the PG&E requirements is \$885,592. • The proposed amendment states that the Recreation and Parks Department will seek funding for the remaining \$885,592 in PG&E-related construction costs during the Board phase of the FY 2022-23 budget process and that the parties will split the remaining cost regardless of whether funding is secured. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • The proposed amendment would cost the City up to \$443,000 in foregone revenue, to be credited against Francisco Park Conservancy’s maintenance funding obligations for the next four years. Funding for the PG&E-related construction costs are not included in the Mayor’s proposed budget for FY 2022-23 – FY 2023-24. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • The Department reports that it is agreeing to split the cost related to PG&E construction requirements with the Francisco Park Conservancy despite the original agreement requiring Francisco Park Conservancy to cover all construction costs because the PG&E requirements were not part of the original construction budget. • According to its 2021 financial statement, as of December 2021, the Francisco Park Conservancy had \$2,029,880 of unrestricted net assets, excluding the park. In 2021, the organization raised \$2.1 million and raised \$3.5 million in 2020. As of this writing, we did not receive more recent financial information about the Francisco Park Conservancy’s revenues and expenses. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approval of the proposed resolution is a policy matter for the Board of Supervisors. 	

MANDATE STATEMENT

City Charter Section 9.118(a) states that contracts entered into by a department, board, or commission that (1) have anticipated revenues of \$1 million or more, or (2) have anticipated revenues of \$1 million or more and require modifications, are subject to Board of Supervisors approval.

BACKGROUND

In 2014, the Board of Supervisors approved the jurisdictional transfer of the 3.29-acre Francisco Reservoir land from the San Francisco Public Utilities Commission (SFPUC) to the Recreation and Park Department (File 14-0782) for the creation of a new park in the Russian Hill neighborhood. In September 2014, the Recreation and Park Department and SFPUC entered into a Memorandum of Understanding (MOU) for the purchase of the land, in which the Recreation and Park Department would make payments to SFPUC totaling an estimated \$10,669,725 over 12 years, sourced from their Open Space Acquisition Fund.

Francisco Park Conservancy Agreement

In July 2016, the Board of Supervisors approved an ordinance authorizing the Recreation and Park Department to enter into an agreement with the Francisco Park Conservancy¹ to accept from the Francisco Park Conservancy \$25,000,000 in construction and design services for the new Francisco Park, and annual cash grants of approximately \$150,000 per year (now escalated to \$199,263) to pay for the Recreation and Park Department's costs for one full-time dedicated gardener and custodial staffing (File 16-0718). The agreement between the Francisco Park Conservancy and the Recreation and Park Department is for an initial term of 20 years, with three automatic 10-year extensions, for a total term of up to 50 years through 2066. Either party may terminate the agreement at the end of the initial 20-year term or the 10-year extensions.

Construction

Under the agreement, Francisco Park Conservancy is responsible for furnishing and funding labor, materials, management, and oversight for the design and construction of Francisco Park. Construction on the park began in 2019. According to the Recreation and Park Department, the Francisco Park Conservancy reports that they have spent approximately \$27.5 on park improvements since construction began in 2019. In April 2022, the park was opened to the public.

During construction, PG&E imposed requirements on the project resulting in the unexpected costs of approximately \$1,154,692. According to the Department, these costs were due to PG&E's requirement that the park tie in for power two blocks away from the park site, further than anticipated. This required trenching two city blocks, and the associated costs included paving work, and salaries for workers onsite. After deducting \$269,100 that Francisco Park Conservancy

¹ The Francisco Park Conservancy is a nonprofit public benefit corporation formed by Russian Hill neighbors in the 2014 for the purposes of designing and founding the Francisco Park.

owed the Department for project management, the remaining unfunded cost for the PG&E requirements is \$885,592. Deducting this pending payment reduces the cost to the City if both parties split the remaining costs related to the PG&E construction requirements.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the first amendment to an agreement between the Recreation and Park Department and the Francisco Park Conservancy. The amendment states that the Recreation and Parks Department will seek funding for the remaining \$885,592 in PG&E-related construction costs during the Board phase of the FY 2022-23 budget process and that the parties will split the remaining cost regardless of whether funding is secured.

FISCAL IMPACT

Under the proposed amendment, the City's share of the remaining costs may be credited against Francisco Park Conservancy's maintenance funding obligations for the next four years. The proposed amendment would cost the City up to \$443,000 in foregone revenue.

Funding for the foregone revenue is not included in the Mayor's proposed budget for FY 2022-23 – FY 2023-24; the gardener and custodial positions remain grant funded. Department staff report that it would be funded either from a future appropriation from the Department's Open Space Funds, or from an appropriation of a yet-to-be determined amount of "add-back" funds from the Board of Supervisors during the FY 2022-23 budget process.

Original Agreement Costs

The proposed foregone revenue is in addition to the City's estimated costs under the agreement's original terms: \$10,000 per year for materials and supplies related to park maintenance, and a one-time \$430,000² in General Fund costs (\$250,000 for environmental review and \$180,000 for Recreation and Park Department project manager to oversee the project).

POLICY CONSIDERATION

The proposed resolution seeks permission from the Board of Supervisors to amend the City's agreement with the Francisco Park Conservancy to allow the Department of Recreation and Park to credit up to half (\$443,000) of the \$885,592 construction funding gap resulting from the unanticipated PG&E construction requirements. The Department reports that it is agreeing to split the unanticipated construction costs with the Francisco Park Conservancy despite the original agreement requiring that Francisco Park Conservancy to cover all construction costs because this was an unforeseen requirement when the agreement was made. Recreation and Park staff report that the amended agreement would still provide funding for the City's ongoing

² The \$430,000 in funds were secured in the Department's FY 2016-17 budget through the Board of Supervisors budget review and re-appropriation process.

maintenance costs for Francisco Park, which we calculate will total approximately \$17.5 million through FY 2065-66, after accounting for the proposed \$443,000 reduction in maintenance obligations.³ The existing agreement provides for mediation if either party cannot meet its obligations.

According to its 2021 financial statement, as of December 2021, the Francisco Park Conservancy had \$2,029,880 of unrestricted net assets, excluding the park. In 2021, the organization raised \$2.1 million and raised \$3.5 million in 2020. As of this writing, we did not receive more recent financial information about the Francisco Park Conservancy's financial position.

RECOMMENDATION

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

³ Assuming the current cost of approximately \$200,000 escalate by 3% per year over 44 years.